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

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# Summary

The current and planned size and composition of the Navy, the annual rate of Navy ship procurement, the prospective affordability of the Navy's shipbuilding plans, and the capacity of the U.S. shipbuilding industry to execute the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years.

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 Navy and the Department of Defense (DOD) have been working since 2019 to develop a successor for the 355-ship force-level goal. The new goal is expected to introduce a new, more distributed fleet architecture featuring a smaller proportion of larger ships, a larger proportion of smaller ships, and a new third tier of large unmanned vehicles (UVs).

On June 17, 2021, the Navy released a long-range Navy shipbuilding document that presents the Biden Administration's emerging successor to the 355-ship force-level goal. The document calls for a Navy with a more distributed fleet architecture, including 321 to 372 manned ships and 77 to 140 large UVs. A September 2021 Congressional Budget Office (CBO) report estimates that the fleet envisioned in the document would cost an average of between $25.3 billion and $32.7 billion per year in constant FY2021 dollars to procure. These figures, the report states, are 10% to 43% higher the $22.9 billion in constant FY2021 dollars that Congress has appropriated, on average, for all Navy shipbuilding activities over the past five years.

The Navy's proposed FY2022 budget requests the procurement of eight new ships, including two Virginia-class attack submarines (SSNs); one Arleigh Burke (DDG-51) class destroyer; one Constellation (FFG-62) class frigate; one John Lewis (TAO-205) class oiler; two TATS towing, salvage, and rescue ships; and one TAGOS(X) ocean surveillance ship. The total of eight new ships requested for FY2022 is one more than the total of seven new ships that were projected for FY2022 under the Navy's FY2021 budget submission, about two less than steady-state replacement rate for a 355-ship Navy (which is about 10 ships per year), and four less than the 12 new ships shown in a long-range shipbuilding document that Trump Administration submitted on December 9, 2020.

The Navy's proposed FY2022 budget requests $18.1 billion for construction of new ships within its shipbuilding budget (the Shipbuilding and Conversion, Navy, or SCN, appropriation account), compared with $17.8 billion for construction of new ships within the SCN account projected for FY2022 under the Navy's FY2021 budget submission, $22.8 billion in FY2022 for construction of new ships within the SCN account in the December 9, 2020, document, and an enacted FY2021 total of $20.1 billion for the construction of new ships within the SCN account.

The issue for Congress is whether to approve, reject, or modify the Navy's force-level goal, its proposed FY2022 shipbuilding program, and its longer-term shipbuilding plans. Key questions for Congress include the following: Is the Navy's emerging force-level goal appropriate for supporting U.S. national security strategy and U.S. national defense strategy? Is the more distributed fleet architecture envisioned by the Navy the most cost effective fleet architecture for meeting future mission needs? Is the Navy's proposed FY2022 shipbuilding program consistent with the Navy's emerging force-level goal? Given finite defense resources and competing demands for defense funds, what is the prospective affordability of the Navy's shipbuilding plans? Does the U.S. shipbuilding industry, including both shipyards and supplier firms, have adequate capacity for executing the Navy's shipbuilding plans?

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# Introduction

## Issue for Congress

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 prospective affordability of the Navy's shipbuilding plans, and the capacity of the U.S. shipbuilding industry to execute the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years.

The issue for Congress is whether to approve, reject, or modify the Navy's force-level goal, its proposed FY2022 shipbuilding program, and its 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.

## CRS Reports on Individual Navy Shipbuilding Programs

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 In Focus IF11826, *Navy Next-Generation Attack Submarine (SSN[X]) Program: 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.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate 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 R46374, *Navy Light Amphibious Warship (LAW) Program: 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 In Focus IF11674, *Navy Next-Generation Logistics Ship (NGLS) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11838, *Navy TAGOS(X) Ocean Surveillance 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.

# Background

## Navy's Force-Level Goal

### Navy's Existing (355-Ship) Force-Level Goal

#### *355-Ship Goal Released in December 2016*

The Navy's existing force-level goal, which the Navy released on December 15, 2016, calls for achieving and maintaining a fleet of 355 ships of the types and numbers shown in **Table 1**.[1]

**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 Fleet Is a Goal to Be Attained in the Future*

The 355-ship fleet is a goal to be attained in the future. As shown in **Table G-1**, the actual size of the Navy in recent years has generally been between 270 and 300 ships. Increasing the numerical size of the Navy from 300 ships to 355 would equate to an increase of about 18%.

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

Congress made the 355-ship goal U.S. policy via Section 1025 of the FY2018 National Defense Authorization Act, or NDAA (H.R. 2810/P.L. 115-91 of December 12, 2017).[2]

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

[2] Section 1025 of P.L. 115-91 states

> 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.

### *355-Ship Goal Resulted from a Force Structure Assessment (FSA) Done in 2016*

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.[3]

The Navy conducts a new FSA or an update to the existing FSA every few years, as circumstances require, to determine its force-level goal. Previous Navy force-level goals that resulted from earlier FSA are shown in **Appendix A**.

### *Navy's Force-Level Goal Is Not Just a Single Number*

Although the result of an 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.

### *355-Ship Figure Includes Only Manned Ships*

The 355-ship force-level goal, like previous Navy force-level goals, is a figure for manned ships only. The Navy has operated smaller unmanned surface vehicles (USVs) and unmanned underwater vehicles (UUVs) for many years, but because these unmanned vehicles (UVs) are launched from manned ships to act essentially as extensions of the manned ships, they have not been considered ships in their own right and consequently have not been included in the top-level expression of the Navy's force-level goal or the publicly cited figure for the number of ships in the Navy.

### *Navy's Next Force-Level Goal Might Include Large Unmanned Vehicles (UVs)*

In the years since the 2016 FSA, the Navy has developed plans to acquire large USVs and UUVs. Because of their size and projected capabilities, these large UVs are to be deployed directly from pier, rather than from manned ships, to perform missions that might otherwise be assigned to manned ships and submarines.[4] In view of this, some observers have raised a question as to whether these large UVs should be included in the top-level expression of the Navy's next force-level goal (see next section) and the publicly cited figure for the number of ships in the Navy. Department of Defense (DOD) officials since late 2019 have sent mixed signals on this question,

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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. 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).

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

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

but in September 2020 indicated that the Navy's next force-level goal (see next section) will include large UVs.[5]

## Navy's Next Force-Level Goal

### *Work on Navy's Next Force-Level Goal Underway Since 2019*

The Navy and DOD since 2019 have been working to develop a new force-level goal to replace the current 355-ship force-level goal. The conclusion of this work and the release of its results to Congress have been delayed repeatedly since late-2019.

### *Next Navy Force-Level Goal Will Introduce More Distributed Fleet Architecture*

Remarks from Navy and DOD officials since 2019 have indicated that the Navy's next force-level goal will introduce a once-in-a-generation change in fleet architecture, meaning basic the types of ships that make up the Navy and how these ships are used in combination with one another to perform Navy missions. This new fleet architecture is to be more distributed than the fleet architecture reflected in the 355-ship goal or previous Navy force-level goals. In particular, the new fleet architecture is expected to feature

- a smaller proportion of larger ships (such as large-deck aircraft carriers, cruisers, destroyers, large amphibious ships, and large resupply ships);
- a larger proportion of smaller ships (such as frigates, corvettes, smaller amphibious ships, smaller resupply ships, and perhaps smaller aircraft carriers); and
- a new third tier of surface vessels about as large as corvettes or large patrol craft that will be either lightly manned, optionally manned, or unmanned, as well as large UUVs.

[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 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, then-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.)

Navy and DOD leaders believe that shifting to a more distributed fleet architecture is

- **operationally necessary**, to respond effectively to the improving maritime anti-access/area-denial (A2/AD) capabilities of other countries, particularly China;[6]
- **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 fleet architecture for a given level of overall fleet capability, so as to fit within expected future Navy budgets.

Regarding the first point above, shifting to a more distributed force architecture, Navy and Marine Corps officials have indicated, will support implementation of the Navy and Marine Corps' new overarching operational concept, called Distributed Maritime Operations (DMO), and a supporting Marine Corps operational concept called Expeditionary Advanced Base Operations (EABO).[7] A key aim of DMO and EABO is to improve the ability of the Navy and Marine Corps to counter China's improving maritime military capabilities.

Some elements of the Navy's new, more distributed fleet architecture are reflected in the Navy's FY2021 and FY2022 budget submissions, including the following:

- procurement of FFG-62-class frigates;[8]
- development of a smaller amphibious warship called the Light Amphibious Warship (LAW);[9]
- development of a smaller resupply ship called the Next-Generation Medium Logistics Ship;[10]

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[6] 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; Arthur H. Barber, "Redesign the Fleet," *U.S. Naval Institute Proceedings*, January 2019. 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 A2/AD capabilities (particularly anti-ship missiles and their supporting detection and targeting systems) of potential adversaries, particularly China. 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.

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.

[7] For more on DMO, see, for example, Barry Rosenberg, "Distributed Maritime Operations: Making Ships, Subs, And Platforms Nodes On A Network," *Breaking Defense*, August 3, 2021; Edward Lundquist, "DMO is Navy's Operational Approach to Winning the High-End Fight at Sea," *Seapower*, February 2, 2021. For more on EABO, see CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[8] For more on the FFG-62 program, see CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.

[9] For more on the LAW program, see CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[10] For more on the next-generation Medium Logistics Ship, see, for example, Megan Eckstein, "Navy Researching New

- development of two types of larger USVs—Large USVs (LUSVs) and Medium USVs (MUSVs);[11] and
- procurement of large UUVs called Extra Large UUVs (XLUUVs).[12]

For additional background information on the effort in 2019 and 2020 to develop a new Navy force-level goal, see **Appendix H**.

### *December 9, 2020, Document Outlining a Possible Next Navy Force-Level Goal*

On December 9, 2020, the Navy released a long-range Navy shipbuilding document that presented the Trump Administration's emerging successor to the 355-ship force-level goal. The document called for a Navy with a more distributed fleet architecture, including 382 to 446 manned ships and 143 to 242 large UVs.[13]

### *June 17, 2021, Document Outlining an Emerging Next Navy Force-Level Goal*

On June 17, 2021, the Navy released a long-range Navy shipbuilding document that presents the Biden Administration's emerging successor to the 355-ship force-level goal. The document calls for a Navy with a more distributed fleet architecture, including 321 to 372 manned ships and 77 to 140 large UVs.[14] The document states

> As detailed in the 9 December 2020 Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels, the Department [of the Navy] previously completed significant analytic work with the Integrated Naval Force Structure Assessment (INFSA) and the Future Naval Force Study (FNFS). Analysis continues that will further define the capabilities required to maintain military advantage in peer military competition over the next several decades….
>
> The Navy, working closely with the OSD [the Office of the Secretary of Defense] Director of Cost Assessment and Program Evaluation (CAPE), continues to develop comparative assessments of naval force structure options consistent with [the Biden Administration's] Interim National Security Strategic Guidance[15] and designed to maximize the maritime contribution to the joint force. The results of these efforts and ongoing experimentation and prototyping will be reflected in the FY2023 shipbuilding plan.[16]

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Class of Medium Amphibious Ship, New Logistics Ships," *USNI News*, February 20, 2020; Rich Abott, "FY 2021 Request Starts Work on Future Amphibs and Logistics Ships," *Defense Daily*, February 20, 2020; Justin Katz, "Navy Announces 'Next Generation Logistics Ship' Program with June 25 Industry Day," *Inside Defense*, May 14, 2020; Paul McLeary, "No Shipbuilding Plan, But Navy Works On New Ships To Counter China," *Breaking Defense*, May 18, 2020.

[11] For more on the LUSV and XLUUV programs, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

[12] 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.

[13] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels*, December 2020, 23 pp.

[14] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2022*, June 2021, 16 pp.

[15] White House, *Interim National Security Strategic Guidance*, March 2021, 23 pp.

[16] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2022*, June 2021, p. 3. The document similarly states on page 5 that

> The Department [of the Navy] will submit a complete 30-year shipbuilding plan with the President's Budget for FY2023.

### *355-Ship Goal Compared to December 9, 2020, and June 17, 2021, Documents*

**Table 2** compares the 355-ship force-level goal to the emerging force-level goals in the December 9, 2020, long-range shipbuilding document and the June 17, 2021, long-range shipbuilding document.

**Table 2. 355-Ship Goal Compared to December 9, 2020, and June 17, 2021, Documents**

| Ship type | 355-ship goal | Emerging force-level goal in Trump Administration December 9, 2020, document | Emerging force-level goal in Biden Administration June 17, 2021, document |
|---|---|---|---|
| Ballistic missile submarines (SSBNs) | 12 | 12 | 12 |
| Attack submarines (SSNs) | 66 | 72 to 78 | 66 to 72[a] |
| Aircraft carriers | 12 | n/a[b] | 9 to 11 |
| *Large aircraft carriers (CVNs)* | *12* | *8 to 11*[b] | *n/a* |
| *Light aircraft carriers (CVLs)* | *0* | *0 to 6*[c] | *n/a*[d] |
| Large surface combatants (cruisers and destroyers) | 104 | 73 to 88 | 63 to 65 |
| Small surface combatants (frigates and Littoral Combat Ships [LCSs]) | 52 | 60 to 67 | 40 to 45 |
| Amphibious ships | 38 | 61 to 67 | 48 to 63 |
| *Large-deck (LHA/LHD)* | *12* | *9 to 10* | *8 to 9* |
| *LPD-type* | *26* | *n/a* | *16 to 19* |
| *Light Amphibious Warships (LAWs)* | *0* | *n/a* | *24 to 35* |
| *LPD-type and LAWs combined* | *26* | *52 to 57* | *40 to 44* |
| Combat Logistics Force (CLF) ships | 32 | 69 to 87[e] | 56 to 75[f] |
| Command and support ships | 39 | 27 to 30 | 27 to 29 |
| ***Subtotal manned ships*** | ***355*** | ***382 to 446*** | ***321 to 372*** |
| Unmanned and optionally manned ships | 0 | 143 to 242 | 77 to 140 |
| *Large and medium unmanned surface vessels (LUSVs and MUSVs)* | *0* | *119 to 166* | *59 to 89* |
| *Extra-large unmanned underwater vehicles (XLUUVs)* | *0* | *24 to 76* | *18 to 51* |
| **TOTAL manned and unmanned ships** | **355** | **525 to 688** | **398 to 512** |

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

**Notes:** n/a means not available.

a. The document states that the range of 66 to 72 includes Large Payload Submarines—the Navy's planned next-generation successor to its four current cruise missile submarines (SSGNs).

b. The document states: "Lower [end of the CVN] range may be enabled by acquisition of cost-effective CVL."

c. The document states: "Further study of cost-effective CVL capabilities and capacity required."

In the interim, the Department will continue to build on ongoing analysis, experimentation, testing, prototyping, and the analytic results from force structure assessments, future fleet architectures, and intelligence updates to refine required capabilities and characterize the technical and operational risk of an objective battle force in military competition. This work will inform the content and transition pace to the future force and be reflected in the FY2023 shipbuilding plan.

d. The document states: "New capability concepts like a light aircraft carrier continue to be studied and analyzed to fully illuminate their potential to execute key mission elements in a more distributed manner and to inform the best mix of a future force."
e. The document states: "Includes Next Generation Logistic Ships (NGLS). Logistics force size/mix subject to on-going analysis."
f. The document states: "Includes the future next generation logistics ship."

### *September 2021 CBO Report on Cost of Fleet in June 17, 2021, Document*

A September 2021 Congressional Budget Office (CBO) report estimates that the fleet envisioned in the June 17, 2021, long-range Navy shipbuilding document would cost an average of between $25.3 billion and $32.7 billion per year in constant FY2021 dollars to procure. These figures, the report states, are 10% to 43% higher the $22.9 billion in constant FY2021 dollars that Congress has appropriated, on average, for all Navy shipbuilding activities over the past five years.[17]

### *OSD and Navy Reportedly Conducting Parallel Fleet Studies*

A September 21, 2021, press report stated:

> The Navy and the Pentagon are crunching numbers on two separate sets of studies that will map out the size of the service's future fleet as defense budgets are set to stay static for the foreseeable future, officials familiar with the studies told USNI News.
>
> The Navy is performing its own assessment of the fleet architecture needed to counter future threats past the Fiscal Year 2024 budget, while the Pentagon's Cost Assessment and Program Evaluation (CAPE) [within OSD] is also evaluating the fleet design for the FY 2023 budget that will come out early next year.
>
> "There's two separate efforts going on. The Navy's got one effort going on for force design. And they're calling it a strategy and force design effort. And then CAPE has got their own project going as part of program budget review – evaluate the force structure – as more of a near-term thing to support the [Fiscal Year] 23 budget submission. So the Navy's effort is more of a longer-term look at force design," Hudson Institute senior fellow Bryan Clark told USNI News. "CAPE is more focused on what's going to be in the FY 23 budget that comes out in February of next year, which will be like the [Future Years Defense Program], basically."[18]

### *Next Navy Force-Level Goal Reportedly May Not be Submitted Until 2023*

A September 24, 2021, press report stated:

> The U.S. Navy's latest attempt to lay out a plan to compose its future fleet may not arrive until 2023, the chief of naval operations said Thursday [September 23]....
>
> "We're just in the beginning stages of framing what kind of questions we want that study to actually get after," Adm. Mike Gilday said in the keynote interview for Defense One's State of the Navy event....
>
> Gilday declined to say much about where the next study might take the fleet. And he said that some decisions, such as changing the Navy's overseas posture, would depend on the results of a global force posture study being conducted by the Office of the Secretary of

[17] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2022 Shipbuilding Plan*, September 2021, p. 6. The report was posted at the CBO website on September 16, 2021.

[18] Mallory Shelbourne and Sam LaGrone, "Pentagon, Navy Conducting Parallel Fleet Studies Ahead of Next National Defense Strategy," *USNI News*, September 21, 2021.

Defense, which must itself be informed by a new national security strategy from the Biden White House.[19]

# Navy's FY2022, Five-Year, and 30-Year Shipbuilding Plans

## FY2022 Shipbuilding Program

As shown in the final column of **Table 3**, the Navy's proposed FY2022 budget requests the procurement of eight new ships, including two Virginia-class attack submarines (SSNs); one Arleigh Burke (DDG-51) class destroyer; one Constellation (FFG-62) class frigate; one John Lewis (TAO-205) class oiler; two TATS towing, salvage, and rescue ships; and one TAGOS(X) ocean surveillance ship.

As shown in the table, the total of eight new ships requested for FY2022 is one more than the total of seven new ships that were projected for FY2022 under the Navy's FY2021 budget submission, about two less than steady-state replacement rate for a 355-ship Navy (which is about 10 ships per year),[20] and four less than the 12 new ships shown in the Trump Administration's December 9, 2020, shipbuilding document. (One of the 12 ships shown in the December 9, 2020, document—the LHA amphibious assault ship—is a ship that, based on congressional action on the Navy's FY2020 and FY2021 budgets, is treated in CRS reports as a ship that was procured in FY2021. Excluding this ship from those shown for FY2022 would reduce the total in the December 9, 2020, document to 11 new ships.[21])

As also shown in the table, the Navy's proposed FY2022 budget requests $18.1 billion for construction of new ships within its shipbuilding account (the Shipbuilding and Conversion, Navy, or SCN, appropriation account), compared with $17.8 billion for construction of new ships within the SCN account projected for FY2022 under the Navy's FY2021 budget submission, and $22.8 billion in FY2022 for construction of new ships within the SCN account in the December 9, 2020, document. The Navy's proposed FY2022 request of $18.1 billion for construction of new ships within the SCN account can also be compared to the FY2021 enacted total of $20.1 billion for the construction of new ships within the SCN account.

[19] Bradley Peniston, US Navy's Latest Plan for Its Future May Not Come Until 2023, Says Top Admiral, It's the Fourth Attempt in Four Years to Define the Future of the Navy," *Defense One*, September 24, 2021.

[20] The steady-state replacement rate for a fleet of objects (i.e., ships, aircraft, vehicles) is the average annual rate of procurement that, if maintained over the long run, would be sufficient to achieve and maintain the desired force level over the long run. The steady-state replacement rate is equal to the desired force level divided by average service life. For the Navy, the steady-state replacement for the Navy's 355-ship force-level goal is 355 ships divided by about 35 years, which is the approximate weighted average service life of a Navy ship. (The weighted average service life is calculated on the basis of various types and quantities of Navy ships within the 355-ship plan and the expected service lives for each ship type.) A figure of 355 divided by about 35 equates to a steady-state replacement rate of about 10 ships per year. The steady-state replacement rate is an average annual figure—the actual rate can be either below or above the steady-state rate in any given year. If the actual rate is below the steady-state replacement rate in one or more years, then achieving and maintaining the desired force level would require the actual rate to be above the steady-state replacement rate in one or more other years, so that the average rate achieved over the long run (in this case, over a period of 35 years) equates to the steady-state replacement rate.

[21] For additional discussion, see CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.

**Table 3. Navy's Proposed FY2022 Shipbuilding Program**

Compared to projection in FY2021 budget submission and December 9, 2020, document

| | Projected for FY22 under Navy's FY2021 budget submission (February 2020) | FY22 in December 9, 2020, shipbuilding document (December 2020) | Navy's proposed FY22 shipbuilding program (May 2021) |
|---|---|---|---|
| Virginia-class SSN | 2 | 2 | 2 |
| DDG-51 destroyer | 2 | 2 | 1 |
| FFG-62 frigate | 1 | 1 | 1 |
| LHA amphibious assault ship | | 1[a] | |
| Light Amphibious Warship (LAW) | | | |
| TAO-205 oiler | | 1 | 1 |
| EPF expeditionary fast transport ship | | 2 | |
| TATS towing/salvage/rescue ship | 1 | 1 | 2 |
| TAGOS(X) ocean surveillance ship | 1 | 1 | 1 |
| **TOTAL** | **7** | **12**[a] | **8** |
| **TOTAL funding for construction of new ships within SCN account (billions)** | ***$17.8*** | ***$22.8*** | **$18.1** |

**Source:** Table prepared by CRS based on Navy's FY2021 and FY2022 budget submissions and Navy's December 9, 2020, shipbuilding document. SCN is the Shipbuilding and Conversion, Navy, appropriation account (i.e., the Navy's shipbuilding budget, which includes funding for both construction of new ships and other activities.

a. The LHA shown in the December 9, 2020, document is a ship that, based on congressional action on the Navy's FY2020 and FY2021 budgets, is treated in CRS reports as a ship that was procured in FY2021. Excluding this ship from those shown for FY2022 would reduce the total in the December 9, 2020, document to 11 new ships.

## FY2022 Five-Year (FY2022-FY2026) Shipbuilding Plan (Not Yet Submitted)

As shown in **Table 4**, the Navy has not yet submitted an FY2022 five-year (FY2022-FY2026) shipbuilding plan. DOD's FY2022 budget submission in general was single-year budget for FY2022 only, without many of the line-item details for the next four fiscal years (in this case, for FY2023-FY2026) that would normally form part of DOD's annual budget submission. (The five-year budget plan normally included in DOD's annual budget submission is called the Future Years Defense Plan, or FYDP.) It is not unprecedented for a new administration, in its first year in office, to submit a proposed DOD budget for a single fiscal year only, without line-item details for the next four fiscal years, on the grounds that that it is spending the first year reviewing and revising the previous Administration's defense strategy, plans, and programs, so as to create a basis for subsequently devising a full FYDP.

**Table 4. FY2022 Five-Year (FY2022-FY2026) Shipbuilding Plan**

(Not yet submitted)

| | FY22 (req.) | FY23 | FY24 | FY25 | FY26 | FY22-FY26 Total |
|---|---|---|---|---|---|---|
| Columbia (SSBN-826) class ballistic missile submarine | | | | | | |
| Gerald R. Ford (CVN-78) class aircraft carrier | | | | | | |
| Virginia (SSN-774) class attack submarine | 2 | | | | | |
| Arleigh Burke (DDG-51) class destroyer | 1 | | | | | |
| FFG-62 frigate | 1 | | | | | |
| LHA amphibious assault ship | | | | | | |
| LPD-17 Fight II amphibious ship | | | | | | |
| Light Amphibious Warship (LAW) | | | | | | |
| Expeditionary Fast Transport (EPF) ship | | | | | | |
| Submarine tender (AS[X]) | | | | | | |
| John Lewis (TAO-205) class oiler | 1 | | | | | |
| Next-Generation Logistics Ship (NGLS) | | | | | | |
| TATS towing, salvage, and rescue ship | 2 | | | | | |
| TAGOS(X) ocean surveillance ship | 1 | | | | | |
| **TOTAL** | **8** | | | | | |

**Source:** Table prepared by CRS based on FY2022 Navy budget submission. The Navy has not yet submitted an FY2022 five-year (FY2022-FY2026) shipbuilding plan.

## FY2022 30-Year (FY2022-FY2051) Shipbuilding Plan (Not Yet Submitted)

As shown in **Table 5**, the Navy has not yet submitted an FY2022 30-year (FY2022-FY2051) shipbuilding plan. Although the executive branch is required by law to submit a 30-year shipbuilding plan each year in conjunction with its annual budget submission, past Administrations have sometimes chosen to not submit a 30-year shipbuilding plan during their first year in office, on the grounds that they were spending that year reviewing and revising the previous Administration's defense strategy, plans, and programs, so as to create a basis for subsequently devising a 30-year shipbuilding plan. The June 17, 2021, long-range shipbuilding document states, "The Department [of the Navy] will submit a complete 30-year shipbuilding plan with the President's Budget for FY2023 (PB2023).[22] DOD's proposed FY2023 budget (i.e., PB2023) is to be submitted to Congress in February 2022.

The Navy did not submit an FY2021 30-year (FY2021-FY2050) shipbuilding plan. The Navy's nonsubmission of an FY2021 30-year shipbuilding plan appeared to be a consequence, at least in part, of OSD and the Navy not having completed their analysis of the Navy's next force-level goal. The most recent 30-year shipbuilding plan that was submitted in conjunction with an annual budget submission is the FY2020 30-year (FY2020-FY2049) shipbuilding plan, which was submitted in March 2019. This 30-year shipbuilding plan was designed to support the Navy's 355-ship force-level objective and the Navy's current existing fleet architecture, rather than the emerging Navy force-level goal shown in **Table 2** and the more distributed fleet architecture envisioned by the Navy.

[22] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2022*, June 2021, p. 3.

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.

**Table 5. FY2022 30-Year (FY2022-FY2051) Shipbuilding Plan**

(Not yet submitted)

| FY | CVNs | LSCs | SSCs | SSNs | LPSs | SSBNs | AWSs | CLFs | Supt | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **22** | | 1 | 1 | 2 | | | | 1 | 3 | **8** |
| **23** | | | | | | | | | | |
| **24** | | | | | | | | | | |
| **25** | | | | | | | | | | |
| **26** | | | | | | | | | | |
| **27** | | | | | | | | | | |
| **28** | | | | | | | | | | |
| **29** | | | | | | | | | | |
| **30** | | | | | | | | | | |
| **31** | | | | | | | | | | |
| **32** | | | | | | | | | | |
| **33** | | | | | | | | | | |
| **34** | | | | | | | | | | |
| **35** | | | | | | | | | | |
| **36** | | | | | | | | | | |
| **37** | | | | | | | | | | |
| **38** | | | | | | | | | | |
| **39** | | | | | | | | | | |
| **40** | | | | | | | | | | |
| **41** | | | | | | | | | | |
| **42** | | | | | | | | | | |
| **43** | | | | | | | | | | |
| **44** | | | | | | | | | | |
| **45** | | | | | | | | | | |
| **46** | | | | | | | | | | |
| **47** | | | | | | | | | | |
| **48** | | | | | | | | | | |
| **49** | | | | | | | | | | |
| **50** | | | | | | | | | | |
| **51** | | | | | | | | | | |
| **Total** | | | | | | | | | | |

**Source:** Table prepared by CRS based on Navy's FY2022 budget submission. The Navy has not yet submitted an FY2022 30-year (FY2022-FY2051) shipbuilding plan.

**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-62s]); **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.

## Projected Force Levels Under 30-Year Shipbuilding Plan

As noted above, the Navy has not yet submitted an FY2022 30-year (FY2022-FY2051) shipbuilding plan. If and when such a plan is submitted, **Table 6** will show the Navy's projection

of ship force levels for FY2022-FY2051 that would result from implementing the FY2022 30-year shipbuilding plan.

**Table 6. Projected Force Levels Resulting from FY2022 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** |
| **FY22** | 11 | 89 | 31 | 51 | 14 | 4 | 31 | 30 | 35 | **296** |
| **FY23** | | | | | | | | | | |
| **FY24** | | | | | | | | | | |
| **FY25** | | | | | | | | | | |
| **FY26** | | | | | | | | | | |
| **FY27** | | | | | | | | | | |
| **FY28** | | | | | | | | | | |
| **FY29** | | | | | | | | | | |
| **FY30** | | | | | | | | | | |
| **FY31** | | | | | | | | | | |
| **FY32** | | | | | | | | | | |
| **FY33** | | | | | | | | | | |
| **FY34** | | | | | | | | | | |
| **FY35** | | | | | | | | | | |
| **FY36** | | | | | | | | | | |
| **FY37** | | | | | | | | | | |
| **FY38** | | | | | | | | | | |
| **FY39** | | | | | | | | | | |
| **FY40** | | | | | | | | | | |
| **FY41** | | | | | | | | | | |
| **FY42** | | | | | | | | | | |
| **FY43** | | | | | | | | | | |
| **FY44** | | | | | | | | | | |
| **FY45** | | | | | | | | | | |
| **FY46** | | | | | | | | | | |
| **FY47** | | | | | | | | | | |
| **FY48** | | | | | | | | | | |
| **FY49** | | | | | | | | | | |
| **FY50** | | | | | | | | | | |
| **FY51** | | | | | | | | | | |

**Source:** Table prepared by CRS based on Navy's FY2022 budget submission. The Navy has not yet submitted an FY2022 30-year (FY2022-FY2051) shipbuilding plan.

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

# Issues for Congress

## Key Questions

The issue for Congress is whether to approve, reject, or modify the Navy's force-level goal, its proposed FY2022 shipbuilding program, and its 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. Key questions for Congress include the following:

- Is the Navy's emerging force-level goal appropriate for supporting U.S. national security strategy and U.S. national defense strategy?
- Is the more distributed fleet architecture envisioned by the Navy the most cost effective fleet architecture for meeting future mission needs?
- Is the Navy's proposed FY2022 shipbuilding program consistent with the Navy's emerging force-level goal?
- Given finite defense resources and competing demands for defense funds, what is the prospective affordability of the Navy's shipbuilding plans?
- Does the U.S. shipbuilding industry, including both shipyards and supplier firms, have adequate capacity for executing the Navy's shipbuilding plans?

## June 17, 2021, and December 9, 2020, Emerging Force-Level Goals

One potential oversight issue for Congress concerns the difference between the emerging Navy force-level goal in the Biden Administration's June 17, 2021, long-range shipbuilding document and the emerging force-level goal in the Trump Administration's December 9, 2020, long-range shipbuilding document. Using the figures shown in **Table 2**, the Trump Administration's emerging force-level goal includes about 19%-20% more manned ships, about 73%-86% more unmanned ships, and about 32%-34% more manned and unmanned ships combined than the Biden Administration's emerging force-level goal. A potential oversight question is to what degree this difference between the two emerging force-level goals is due to differences between the two Administrations regarding one or more of the following factors:

- U.S. national security strategy and U.S. national defense strategy;
- projections of future capabilities of potential adversaries such as China and Russia;
- consequent requirements, from the two factors above, for day-to-day forward-deployed Navy capacity and capability and Navy warfighting capacity and capability;
- assumptions about the capabilities of future U.S. Navy manned and unmanned ships;
- Navy homeporting arrangements and operational cycles;
- projections about future Navy budgets, including future Navy shipbuilding budgets; and
- the degree of operational risk deemed acceptable regarding the ability of the Navy to successfully perform its various day-to-day and warfighting missions.

## FY2022 Shipbuilding Funding Request Relative to Emerging Force-Level Goal

Another issue for Congress concerns the adequacy of the Navy's FY2022 shipbuilding request relative to the Navy's emerging force-level goal.[23] As noted earlier, the total of eight new ships requested for FY2022 is one more than the total of seven new ships that were projected for FY2022 under the Navy's FY2021 budget submission, about two less than steady-state replacement rate for a 355-ship Navy (which is about 10 ships per year),[24] and four less than the 12 new ships shown in the Trump Administration's December 9, 2020, shipbuilding document. (One of the 12 ships shown in the December 9, 2020, document—the LHA amphibious assault ship—is a ship that, based on congressional action on the Navy's FY2020 and FY2021 budgets, is treated in CRS reports as a ship that was procured in FY2021. Excluding this ship from those shown for FY2022 would reduce the total in the December 9, 2020, document to 11 new ships.)[25]

As also noted earlier, the Navy's proposed FY2022 budget requests $18.1 billion for construction of new ships within its shipbuilding account (the Shipbuilding and Conversion, Navy, or SCN, appropriation account), compared with $17.8 billion for construction of new ships within the SCN account projected for FY2022 under the Navy's FY2021 budget submission, $22.8 billion in FY2022 for construction of new ships within the SCN account in the December 9, 2020, document, and an enacted FY2021 total of $20.1 billion for the construction of new ships within the SCN account.

## Potential Impacts of a CR on FY2022 Navy Shipbuilding Programs

### Overview

Another issue for Congress concerns the potential impacts on FY2022 Navy shipbuilding programs of using one or more continuing resolutions (CRs) to fund DOD operations for at least some portion of FY2022.

[23] For press articles discussing this issue, see, for example, Megan Eckstein, "Navy Releases Long-Range Shipbuilding Plan That Drops Emphasis on 355 Ships, Lays Out Fleet Design Priorities," *Defense News*, June 17, 2021; Megan Eckstein, "Lawmakers Are Worried About the US Navy's Spending Plan and a Near-Term China Threat," *Defense News*, June 15, 2021; Brent D. Sadler, "US Navy Punts on Building a Fleet to Compete with China," *Defense One*, June 15, 2021; John Rossomando, "Is Joe Biden Looking to Gut the U.S. Navy?" *National Interest*, June 14, 2021; Nick Danby, "Instead of Countering China, US Navy Plans Another 'Rebuilding Year,'" *Strategist*, June 9, 2021.

[24] The steady-state replacement rate for a fleet of objects (i.e., ships, aircraft, vehicles, etc.) is the average annual rate of procurement that, if maintained over the long run, would be sufficient to achieve and maintain the desired force level over the long run. The steady-state replacement rate is equal to the desired force level divided by average service life. For the Navy, the steady-state replacement for the Navy's 355-ship force-level goal is 355 ships divided by about 35 years, which is the approximate weighted average service life of a Navy ship. (The weighted average service life is calculated on the basis of various types and quantities of Navy ships within the 355-ship plan and the expected service lives for each ship type.) A figure of 355 divided by about 35 equates to a steady-state replacement rate of about 10 ships per year. The steady-state replacement rate is an average annual figure—the actual rate can be either below or above the steady-state rate in any given year. If the actual rate is below the steady-state replacement rate in one or more years, then achieving and maintaining the desired force level would require the actual rate to be above the steady-state replacement rate in one or more other years, so that the average rate achieved over the long run (in this case, over a period of 35 years) equates to the steady-state replacement rate.

[25] For additional discussion, see CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.

For general background information on the potential impacts of CRs on Navy shipbuilding programs, see **Appendix I**. As discussed in **Appendix I**, the potential impacts of a CR on program execution 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. A list of anomalies requested by the Administration for a short-term CR for FY2022[26] did not include any requested anomalies for Navy shipbuilding programs.

## DOD Operating Under a CR That Provides Funding Through February 18, 2022

DOD operations are currently funded under a CR—Division A of H.R. 6119/P.L. 117-70 of December 3, 2021, the Further Extending Government Funding Act—that funds federal government operations through February 18, 2022. Division A of P.L. 117-70 amended a previous CR—Division A of H.R. 5305/P.L. 117-43 of September 30, 2021, the Extending Government Funding and Delivering Emergency Assistance Act—that had provided funding for government operations through December 3, 2021. Under Division A of P.L. 117-70, as under the previous CR, funding levels for most DOD operations are generally based on funding levels in the FY2021 DOD appropriations act (Division C of the Consolidated Appropriations Act, 2021 [H.R. 133/P.L. 116-260 of December 27, 2020]). Division A of P.L. 117-70, like the previous CR, does not include any anomalies (i.e., special provisions) specifically for Navy shipbuilding programs or other Navy procurement programs.

## Navy Statement about CR That Provides Funding Through February 18, 2022

A December 3, 2021, press report about Division A of P.L. 117-70 stated that

> The Navy in a Friday [December 3] statement said it is evaluating how the new CR will affect the service.
>
> "The budget submission for FY22 reflects the money needed for the Navy to continue readiness for today, modernization for tomorrow, and investment in the future to build an integrated all-domain fleet to compete, deter, and win," Navy spokeswoman Lt. Katie Diener told USNI News in a statement.
>
> "The Navy is assessing the impacts of the recently passed legislation. The longer the continuing resolution lasts, the greater the impact on Navy programs and our people. We need predictable and stable funding to ensure we can continue to support our readiness and we remain hopeful that the FY22 defense bills are passed prior to the end of the Continuing Resolution."
>
> The Navy did not immediately respond to a question as to whether it sent anomalies, or waivers, to Capitol Hill.[27]

[26] *FY 2022 Continuing Resolution (CR) Appropriations Issues (Anomalies Required for a Short-Term CR)*, 34 pp., undated, posted at Politico Pro on September 7, 2021.

[27] Mallory Shelbourne, "Biden Signs Continuing Resolution; Navy Mum on Effects to Service," *USNI News*, December 3, 2021.

## September 2021 Navy Information Paper

A September 7, 2021, Navy information paper on impacts to FY2022 Department of the Navy (DON) programs of FY2022 CRs lasting 3 months, 6 months, or 12 months that the Navy Office of Legislative Affairs provided to CRS on September 13, 2021,[28] states that

> DON requested several anomalies for inclusion in an overall DoD anomaly. In addition to a rate of operations anomaly for [the] Shipbuilding and Conversion, Navy (SCN) [appropriation account] for Columbia Class submarine Advance Procurement [AP], the DON will require anomalies for new start and production rate increases for several other programs [that are funded] in [the] Procurement, RDTEN [Research, Development, Test and Evaluation, Navy], and Military Construction (MILCON) [appropriation accounts].

The information paper states that a three-month CR would cause schedule delays and cost growth for various DON programs, including

- the aircraft carrier mid-life refueling overhaul program (i.e., the Refueling Complex Overhaul, or RCOH) program, and
- the development of the nuclear propulsion system for the next-generation attack submarine, or SSN(X).

The information paper states that a six-month CR would exacerbate schedule delays and cost growth for programs impacted by a three-month CR, and cause schedule delays and cost growth for various additional DON programs, including

- the RCOH for the aircraft carrier CVN-74,
- the Littoral Combat Ships (LCSs) 23, 25, and 26,
- the TAO-205 oiler program,
- the T-ATS towing, salvage, and rescue ship program; and
- the Ship to Shore Connector (SSC) (i.e., next-generation air-cushioned landing craft) program.

The information paper states that a 12-month CR would exacerbate schedule delays and cost growth for programs impacted by three- and six-month CRs, and cause schedule delays and cost growth for various additional DON programs, including

- the lead ship in the Columbia (SSBN-826) ballistic missile submarine program,
- the aircraft carrier CVN-80,
- the DDG-51 class destroyers DDG-121, DDG-122, and DG-123,
- the FFG-62 frigate program,
- the LCSs 27, 28, and 30,
- the amphibious ship LPD-29,
- the TAGOS(X) ocean surveillance ship program, and
- the acquisition of used sealift vessels.

For more on the Navy information paper, see **Appendix I**.

[28] Navy information paper entitled "Fiscal Year Continuing Resolution (CR) Impacts Paper," September 7, 2021, provided by Navy Office of Legislative Affairs to CRS on September 13, 2021, 4 pp. plus attachment. See also Megan Eckstein, "Year-Long Continuing Resolution Would Cost the Navy $14B in Spending Power," *Defense News*, August 3, 2021.

## October 2021 Press Report

An October 5, 2021, press report states

> The Navy has downplayed the effects of the current nine-week stopgap spending measure that freezes its spending levels and the service has not submitted a list of waivers to Congress, USNI News has learned.
>
> The Navy has not sent over a list of anomalies, or waivers, to Capitol Hill, defense and legislative officials confirmed to USNI News this week....
>
> Should the CR extend past Dec. 3, the Navy would likely need to seek waivers from Congress, USNI News understands....
>
> The T-AGOS(X) ocean surveillance ship is a new start program, but the Navy is not slated to award the contract until August 2022, according to the service's FY 2022 budget documents. The Navy also wants to buy a T-AO-205 John Lewis-class fleet oiler in FY 2022, an increase from the zero oilers it purchased in FY 2021. That award is scheduled for June 2022, according to service budget documents.
>
> Secretary of the Navy Carlos Del Toro told USNI News following an earlier version of this post that a three-month CR is manageable, but any other extension would have "catastrophic results."
>
> "A continuing resolution for three months is … something that we have to be able to manage. We have lived with continuing resolutions for quite a few years now. So it just doesn't come as much of a shock or surprise anymore as perhaps it used to," he said following a speech at the U.S. Naval Academy on Tuesday night [October 5].
>
> "Having said that, though, continuing resolutions have real negative consequences. While we may be able to survive a three-month continuing resolution, once you start looking at a six month or a year-long continuing resolution, the results are really disastrous, because especially when it comes to the readiness of our forces, right, the ability of our forces to be able to meet the missions they have to meet today around the globe in a real, credible way."...
>
> Other parts of the Navy say the CR isn't causing significant hardships to operations yet.
>
> A spokesperson for Naval Sea Systems Command said the CR did not result in any closures for the command.
>
> "Under a CR, just as the CR didn't result in any closures, it also means NAVSEA won't be able to start any new programs," Jamie Koehler told USNI News in an email.
>
> A spokesperson for Naval Air Systems Command said the continuing resolution has not had an effect on NAVAIR.
>
> "There was no impact. We are conducting business as usual," Marcia Hart told USNI News.
>
> In a statement to USNI News, a spokesperson for Navy Installations Command pointed to the $565 million for Navy operations and maintenance in the stopgap spending bill.
>
> "Installation operations and support functions are expected to continue as they did prior to the signing of the CR, with no significant near-term impacts anticipated," said Capt. Josh Frey, a spokesperson for Navy Installations Command. "It is the mission of CNIC to sustain the Fleet, enable the Fighter and support our Navy Families and the command is set to continue that mission as leadership works towards agreement on the FY22 budget."
>
> "The CR did include $565M in Operations and Maintenance (OMN) funding for damage repairs associated with natural disasters in calendar years 2020 and 2021. This funding is

> welcome as Navy facilities and infrastructure have suffered significant damage from natural disasters at several locations around the world in the past two years."[29]

## Number of DDG-51s to Procure in FY2022

A specific issue for Congress concerns the number of DDG-51 destroyers to procure in FY2022. As shown in **Table 3**, the Navy's proposed FY2022 budget requests the procurement of one DDG-51 in FY2022, rather than the two DDG-51s that are called for FY2022 under the FY2018-FY2022 DDG-51 multiyear procurement (MYP) contract, and that were projected for FY2022 under the Navy's FY2021 budget submission. The issue for Congress for FY2022 is whether to fund the procurement of one DDG-51, two DDG-51s, or some other number of DDG-51s (such as zero or three).

When procured at a rate of two per year, DDG-51s cost roughly $2.0 billion each. Due to the reduced production economies of scale that would occur at a production rate of one ship per year, the one DDG-51 requested for procurement in FY2022 has an estimated cost of $2,401.7 million (i.e., about $2.4 billion).

Procuring one DDG-51 rather than two DDG-51s in FY2022 would prevent the Navy from fulfilling its obligations in the final year of the FY2018-FY2022 DDG-51 MYP contract. Navy officials state that as a result, the Navy would need to pay a $33 million penalty to the DDG-51 shipbuilders (unless the Navy and the shipbuilders were to reach an agreement to amend the terms of the MYP contract).

Navy officials have stated that requesting procurement of one DDG-51 rather than two DDG-51s was an affordability measure—a means of helping the Navy remain within its budget topline while meeting funding needs for other Navy programs. Procuring a second DDG-51 in FY2022 is the number one item on the Navy's FY2022 Unfunded Priorities List (UPL)—the service's list of programs it would prefer to be funded in FY2022, if additional funding were to become available.

The UPL states that procuring two DDG-51s rather than one DDG-51 in FY2022 would require an additional $1,659.2 million (i.e., about $1.7 billion) in shipbuilding funding. That figure is not the cost of the second DDG-51—the second DDG-51's procurement cost would be roughly $2.0 billion. Adding the second DDG-51, however, would reduce the estimated procurement cost of the first DDG-51 due to the resulting increased production economies of scale. The figure of $1,659.2 million is thus the net increase in shipbuilding funding that would be needed to procure two DDG-51s rather than one DDG-51 in FY2022.

Supporters of procuring one DDG-51 might argue that in a situation of finite defense resources, funding the procurement of two DDG-51s could require reducing funding for other Navy or DOD programs by about $1.7 billion, which could reduce Navy or DOD capabilities in other ways; that the Navy's new fleet architecture may result in a reduction in the force-level goal for large surface combatants; and that the DDG-51 industrial base (both shipyards and supplier firms) will be adequately supported by their existing backlog of DDG-51s and other Navy shipbuilding work.

Supporters of procuring two DDG-51s might argue that it would help accelerate the introduction of Flight III DDG-51s, with their new and more-capable SPY-6 radars, into the fleet; that it would improve production economies of scale in the DDG-51 program; and that it would more strongly

[29] Mallory Shelbourne, "Navy Downplays Effects of Continuing Resolution, No Waivers Sent to Capitol Hill," *USNI News*, October 5, 2021.

support the DDG-51 industrial base. The second DDG-51's position at the top of the Navy's FY2022 UPL, they might argue, shows that the second ship is a high-priority item for the Navy to fund with offsetting reductions that Congress might be able to identify in reviewing and marking up DOD's proposed FY2022 budget.[30]

## Proposed Ship Retirements

Another issue for Congress concerns the Navy's proposals in its FY2022 budget submission for retiring certain ships—particularly CG-47 class cruisers and Littoral Combat Ships (LCSs)—years earlier than called for under earlier Navy plans.

The Navy argues that modernization work on the cruisers that would be necessary for the ships to remain in service is taking longer and costing more than estimated, that the LCSs that are proposed for retirement (at only a fraction of their originally planned service lives) would require expensive repairs and modifications to be able to be mission effective, and more generally that in a situation of constrained funding, retiring these ships is a necessary step to retain sufficient funding for other Navy needs, including programs to maintain and improve Navy readiness and to develop new technologies that will be needed to ensure the Navy's combat effectiveness in coming years.

Skeptics, while acknowledging the points made by the Navy, can argue that the proposed early retirements would nevertheless reduce the total number of Navy ships at a time when the Navy is trying to increase its fleet size, and that the solution to the Navy's funding situation is to increase the size of the defense budget and/or increase the Navy's share of the defense budget.[31]

## Affordability of the Shipbuilding Plan

### Overview

The prospective affordability of the Navy's force-level goal and associated 30-year shipbuilding plan 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). Observers have been especially concerned about the prospective affordability of Navy shipbuilding plans during the decade or so from the mid-2020s through the mid-2030s, when the Navy wants to procure Columbia-class ballistic missile submarines as well as replacements for large numbers of retiring attack submarines, cruisers, and destroyers.[32]

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[30] For additional discussion of the DDG-51 program and the issue of how many DDG-51s to procure in FY2022, see CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.

[31] See, for example, Megan Eckstein and Joe Gould, "Lawmakers Crunching the Numbers on Potential Surface Navy Additions to FY22 Spending Plan," *Defense News*, June 17, 2021; Mallory Shelbourne, "Lawmakers Probe Navy's Plan to Decommission Cruisers, Navy Says Cuts Will Save $5B Across FYDP," *USNI News*, June 17 (updated June 18), 2021; Megan Eckstein, "Lawmakers Are Worried About the US Navy's Spending Plan and a Near-Term China Threat," *Defense News*, June 15, 2021.; Mallory Shelbourne, "CNO Gilday: Flat or Declining Navy Budgets 'Will Definitely Shrink' the Fleet," *USNI News*, June 15, 2021; Blake Herzinger, "The Budget (and Fleet) That Might Have Been," *War on the Rocks*, June 10, 2021.

[32] 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

Navy officials 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 stated, included not only the cost of procuring new ships, but costs associated with crewing, arming, operating, and maintaining a 355-ship fleet.[33] Prior to that—in September and October 2019—Navy officials 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.[34]

Navy officials have made similar statements in their June 2021 testimony on the Navy's proposed FY2022 budget. A June 15, 2021, press report, for example, states

> The number of ships in the fleet, now at 296 ships, will decrease if the Navy continues to have flat or declining budgets, the service's top officer told Congress today.
>
> Despite numerous evaluations showing the Navy needs more ships, Chief of Naval Operations Adm. Mike Gilday told the House Armed Service Committee that without a topline increase to the service's budget, the fleet will only get smaller.
>
> "As you all know, the results of analysis done over the past five years—whether inside the Pentagon or outside—have been consistent and clear: America needs a larger, more capable fleet," Gilday said. "Our latest Future [Naval Force Structure] assessment provided the headlights not only for the size of our future fleet, but importantly for the composition of that fleet, the capabilities that it brings to the joint force. If the Navy's [budget] top-line remains flat or goes down further, the size of our fleet will definitely shrink."…
>
> Gilday told lawmakers that the service's budget is trying to balance the need to pursue new capabilities and technology with its readiness priorities. While the Navy has for years been building toward a goal of 355 ships, Gilday said the service only has enough money for 300 vessels with its current budget.[35]

A November 4, 2021, press report stated:

> The U.S. Navy needs annual budget increases of three to five percent over inflation if it is to reach its shipbuilding goals and meet China's "significant threat," Navy Secretary Carlos Del Toro said Thursday [November 4]....
>
> If the U.S. Navy is to reach 355 ships—the goal service leaders put forth in 2016 and Congress ratified two years later—it needs budget increases of three to five percent over inflation, Del Toro said.[36]

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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.)

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

[34] Justin Katz, "Modly Acknowledges 355 Ships Won't Happen in 'Reasonable' Amount of Time," *Inside Defense*, September 16, 2019; Otto Kreisher, "Modly Doubts Future Budgets Will Allow for 355-Ship Fleet," *Seapower*, October 27, 2019; 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.

[35] Mallory Shelbourne, "CNO Gilday: Flat or Declining Navy Budgets 'Will Definitely Shrink' the Fleet," *USNI News*, June 15, 2021.

[36] Caitlin M. Kenney, "Navy Secretary Seeks 3-5% Annual Budget Increases," *Defense One*, November 4, 2021.

An January 2020, Admiral Gilday 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.[37]

## Potential Impact of Cost Growth

If one or more Navy ship designs turn out to be more expensive to build than the Navy estimates, then the Navy's shipbuilding plan as a whole would become more expensive to execute. As detailed by CBO[38] and the Government Accountability Office (GAO),[39] 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 but are not necessarily limited to Columbia-class ballistic missile submarines and FFG-62 frigates, as well as other new classes of ships that the Navy wants to begin procuring years from now.

## CBO Estimate Compared to Navy Estimate

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]). 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.

As mentioned earlier, a September 2021 Congressional Budget Office (CBO) report estimates that the fleet envisioned in the June 17, 2021, long-range Navy shipbuilding document would cost an average of between $25.3 billion and $32.7 billion per year in constant FY2021 dollars to procure. These figures, the report states, are 10% to 43% higher the $22.9 billion in constant FY2021 dollars that Congress has appropriated, on average, for all Navy shipbuilding activities over the past five years.[40]

An April 2021 CBO report on the cost to implement the shipbuilding plan in the December 9, 2020, long-range Navy shipbuilding document estimates that the plan would require 10% more funding to implement than the Navy estimates.[41] CBO estimates that the cost of the first 10 years of the plan would be about 1% higher than the Navy estimates, that the cost of the middle 10 years of the plan would be about 8% higher than the Navy estimates, and that the cost of the final 10 years of the plan would be about 17% higher than the Navy estimates.[42]

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[37] 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.

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

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

[40] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2022 Shipbuilding Plan,* September 2021, p. 6. The report was posted at the CBO website on September 16, 2021.

[41] Congressional Budget Office, *An Analysis of the Navy's December 2020 Shipbuilding Plan*, April 2021, unnumbered page following the cover with the header "At a Glance."

[42] Congressional Budget Office, *An Analysis of the Navy's December 2020 Shipbuilding Plan*, April 2021, p. 4 (figure entitled "Average Annual Costs of All Shipbuilding Activities Under the December 2020 Plan, as Estimated by CBO and the Navy").

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 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.[43]

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.

The ship class that is the largest contributor to the difference between CBO and Navy regarding the cost of the shipbuilding plan in the December 9, 2020, document is the DDG(X) next-generation destroyer, which the Navy wants to begin procuring years from now as the successor to the DDG-51 destroyer design. The DDG(X), CBO says, accounts for 28% of the difference between the CBO and Navy estimates. The second-largest source of difference by ship class is the SSN(X) next-generation attack submarine, which the Navy wants to begin procuring years from now as the successor to the Virginia-class SSN design. The SSN(X), CBO says, accounts for 20% of the difference between the CBO and Navy estimates. Together, the DDG(X) and SSN(X) account for 48%, or almost half, of the difference between the CBO and Navy estimates.

The third- and fourth-largest sources of difference by ship class are the *Constellation* (FFG-62) class frigates that the Navy began procuring in FY2020 and a new class of large-payload submarines that the Navy envisions procuring after procurement of Columbia-class SSBNs is complete. CBO says that these two classes of ships each account for 12% of the difference between the CBO and Navy estimates. Several other ship classes each account for between 1% and 6% of the difference between the CBO and Navy estimates. The Columbia-class SSBN accounts for 1% of the difference, and CBO estimates that DDG-51s will cost 1% *less* than the Navy estimates.[44]

## 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 stated 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

[43] 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.

[44] Congressional Budget Office, *An Analysis of the Navy's December 2020 Shipbuilding Plan*, April 2021, p. 23 (Table B-2).

> 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.
>
> 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.[45]

As mentioned earlier, an April 2021 CBO report on the cost of the shipbuilding plan in the December 9, 2020, shipbuilding document estimates that if the plan were implemented, the fleet's annual operation and support (O&S) costs in constant 2021 dollars would grow from $74 billion today to $113 billion by 2051, and that the Navy's total budget would increase in constant 2021 dollars from about $200 billion today to $279 billion by 2051.[46]

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

[46] Congressional Budget Office, *An Analysis of the Navy's December 2020 Shipbuilding Plan*, April 2021, unnumbered page with the header "At a Glance" that immediately follows the report's cover.

## Capacity of Shipbuilding Industry

Areas of particular focus in recent years regarding the capacity of the U.S. shipbuilding industry to execute the Navy's shipbuilding plans include shipyard capacity for building submarines at desired rates, and the capacity of supplier firms to support increased rates of production of ship components for both submarines and surface ships. Shipyard capacity for conducting maintenance and overhaul work on an expanded fleet is another concern, particularly given the delays and other difficulties the Navy has experienced in recent years in executing overhaul and repair work on today's fleet.[47]

## COVID-19 Impact on Execution of Shipbuilding Programs

### 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

[47] Regarding the delays and other difficulties the Navy has experienced in recent years in executing overhaul and repair work on existing Navy ships, see, for example, Congressional Budget Office, *The Capacity of the Navy's Shipyards to Maintain Its Submar*ines, March 2021, 21 pp; Government Accountability Office, *Navy Maintenance[:] Navy Report Did Not Fully Address Causes of Delays or Results-Oriented Elements*, GAO-21-66, October 2020, 29 pp; Government Accountability Office, *Navy Shipyards[:] Actions Needed to Address the Main Factors Causing Maintenance Delays for Aircraft Carriers and Submarines*, GAO-20-588, August 2020, 47 pp.; Government Accountability Office, *Navy Ship Maintenance[:] Evaluating Pilot Program Outcomes Could Inform Decisions to Address Persistent Schedule Challenges*, GAO-20-370, May 2020, 55 pp.; Government Accountability Office, *Navy Ship Maintenance[:] Actions Needed to Address Maintenance Delays for Surface Ships Based Overseas*, GAO-20-86, February 2020, 63 pp.; Government Accountability Office, *Navy Maintenance[:] Persistent and Substantial Ship and Submarine Maintenance Delays Hinder Efforts to Rebuild Readiness*, GAO-20-257T, December 4, 2019 (Testimony Before the Subcommittees on Seapower and Readiness and Management Support, Committee on Armed Services, U.S. Senate, Statement of Diana C. Maurer Director Defense Capabilities and Management), 31 pp. GAO has reported and testified on this issue numerous times in recent years.

• 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**

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.[48]

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.[49]

## Press Reports

A March 15, 2021, press report states

> A year into the pandemic, a Defense News review tried to measure its toll on the defense industry. The full scope of damage is complex and still coming into focus, but a broad outline is becoming clear. Among the findings
>
> - Early in the pandemic, Pentagon leaders worried about the health of the industrial base and program timelines. However, the largest firms have rebounded, and the biggest projects are mostly on track. In the past year, at least half of the Pentagon's major defense acquisition programs experienced some kind of delay as a result of COVID-19. Programs were able to recover, often in a matter of months following nearly $5 billion in federal aid and efforts to push money more quickly to suppliers. Pentagon leaders have not listed all of the specific programs which have faced delays.
> - Smaller companies—already imperiled before the pandemic—are still struggling, with as many as 1 in 7 believing they will never return to pre-pandemic levels.
> - Industry invested roughly $10 billion to reconfigure production lines and build infrastructure for remote working, costs that if not addressed by Congress could become amortized over time and potentially lead to overall per unit price increases.
> - Finally, quantifying the human toll on the workforce is nearly impossible. The Pentagon has not tracked deaths in the defense industry, and only two companies Defense News contacted acknowledged employee deaths from the pandemic.[50]

A March 31, 2021, press report states

> Absenteeism rates at public and private shipyards skyrocketed. Supply chains slowed. Top officials and executives worried the pandemic would result in significant new delays for already troubled Navy shipbuilding and maintenance programs….
>
> But as the one-year anniversary of pandemic-related shutdowns passes, outside analysts, the ranking Republican on the House shipbuilding subcommittee and the Navy itself say the service successfully managed the crisis.[51]

A September 23, 2021, press report stated:

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[48] 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.

[49] 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.

[50] Aaron Mehta and Valerie Insinna, "Chaos, Cash and COVID-19: How the Defense Industry Survived—and Thrived—During the Pandemic," *Defense News*, March 15, 2021.

[51] Aidan Quigley, "Analysts Credit Aggressive Navy Action with Mitigating Effects of COVID-19 on Shipbuilding," *Inside Defense*, March 31, 2021. See also Naval Sea Systems Command Office of Corporate Communication, "SurgeMain Sailors Cover COVID Gap, Demobilization Starts Apr. 1," Naval Sea Systems Command, March 24, 2021.

> Only about half of the workers at two of the Navy's shipbuilders are vaccinated against COVID-19, top executives from the two companies said.
>
> The sobering numbers, which were revealed during Defense One's State of the Navy event Thursday morning, offer a snapshot of defense contractors' struggle to get workers vaccinated....
>
> "We're waiting to see what either the [Federal Acquisition Regulations] or the OSHA rules, once promulgated, do," said Mark Vandroff, CEO of Fincantieri Marinette Marine. "That would give us additional requirements and potentially additional authorities, since right now we can't force our employees to be vaccinated."...
>
> "Right now, we're masked when we're around other people when we're not outdoors," Vandroff said. "We'll keep that mask requirement in place for as long as we remain a high transmission area."
>
> Since the beginning of the pandemic, 330 of the shipyard's 1,350 workers—about 25 percent of the workforce—have been infected with COVID-19, Vandroff said. None have died.
>
> "North of 50 percent" of workers at Marinette Marine are vaccinated, Vandroff said. That's slightly more than the general population of Marinette County itself.
>
> The company has offered workers free vaccines at the shipyard. Workers are also given paid time off to get vaccinated, Vanddroff said.
>
> "We're going to continue to make vaccines available to our workforce and continue to urge that," he said.
>
> Meanwhile, at General Dynamics Electric Boat, the employee vaccination rate "is in the neighborhood of about 50 percent," according to Kevin Graney, the company's president....
>
> That's far below the average in the surrounding New London and Washington counties, where the overall vaccine rate is 69 percent, according to the New York Times vaccine tracker.
>
> "We're continuing to make sure that [vaccines are] available to everyone," Graney said.
>
> Graney said workers at Electric Boat's Connecticut and Rhode Island facilities are required to wear masks indoors.
>
> Many Navy shipbuilding are located in states and counties with low vaccination rates. For instance, Huntington Ingalls Industries' Ingalls Shipbuilding is in Pascagoula, Mississippi, where the vaccination rate is 37 percent. HII's Newport News Shipbuilding is located in a community that has a 45 percent vaccination level. The vaccine rate in Mobile, Alabama, where Austal USA builds the Independence-class Littoral Combat Ship, is 41 percent.[52]

A November 19, 2021, opinion piece stated:

> While America's shipyards need to increase production, the last straw for an industry already confronting labor shortages is the federal vaccine mandate implemented by the Biden administration. Despite the deadline being delayed and softened, shipbuilders (and other supply chain firms across the aerospace- and defense-industrial base) are still feeling the effects.
>
> Shipbuilding has a specialized construction process that is hurt by COVID-19 and continuing resolutions, plus the resulting workforce challenges....

[52] Marcus Weisgerber, "Just Half of Workers at Two Critical Shipyards Are Vaccinated, The Sobering Numbers Offer a Snapshot of Defense Contractors' Struggle to Get Workers Vaccinated," *Defense One*, September 23, 2021.

> Even before the pandemic, shipyards were relying on "excessive use of overtime" due to understaffing. A lack of workers has contributed to delayed maintenance periods across the U.S. Navy's four public yards, ranging from 113 days for aircraft carriers to 225 days for submarines.
>
> The vaccine mandate is poised to aggravate these labor shortages: In late September 2021, two Navy shipbuilders—Fincantieri Marinette Marine and General Dynamics Electric Boat—reported that only about half of their workforces were vaccinated, despite offers of paid time off to receive vaccinations. A month later, the largest union at Bath Iron Works reported it might lose about 30 percent of its membership as a result of the mandate.[53]

A December 3, 2021, press report stated

> The Navy and shipbuilding industry are monitoring the supply chain issues caused by the ongoing coronavirus pandemic, and the industrial base is experiencing some effects, according to Navy and industry sources.
>
> While it's too early to fully grasp the effect of the supply chain slowdown on Navy shipbuilding, some companies are starting to feel constraints and the Navy is increasing its focus on addressing supply chain problems."[54]

## Past Examples of Assistance to Shipyards and Supplier Firms

Potential options for Congress for providing assistance to shipyards and supplier firms whose operations are impacted by the COVID-19 pandemic 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.[55]
- 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

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[53] Mackenzie Eaglen, "Vaccine Mandate Is Last Straw for US Shipyards Already Facing Labor Shortages," *Defense News*, November 19, 2021.

[54] Aidan Quigley, "Navy, Industry Monitoring Shipbuilding Supply Chain Challenges," *Inside Defense*, December 3, 2021.

[55] 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 to congressional clients from the author of this report.)

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.[56]

- 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.[57] ESG reportedly submitted a request for extraordinary relief on June 30, 2019, after ESG's shipbuilding facilities were damaged by Hurricane Michael.[58]

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.[59]

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[56] 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.

[57] 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 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.

[58] 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.

[59] 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.

# Legislative Activity for FY2022

## 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 In Focus IF11826, *Navy Next-Generation Attack Submarine (SSN[X]) Program: 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.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate 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 R46374, *Navy Light Amphibious Warship (LAW) Program: 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 In Focus IF11674, *Navy Next-Generation Logistics Ship (NGLS) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11838, *Navy TAGOS(X) Ocean Surveillance 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 FY2022 Funding Request

**Table 7** summarizes congressional action on the Navy's FY2022 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 7. Summary of Congressional Action on FY2022 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 | HASC-SASC | HAC | SAC | Conf. |
| **Shipbuilding and Conversion, Navy (SCN) appropriation account** | | | | | | | | |
| 001 | Columbia-class SSBN | 3,003.0 | -80.0 | | | | | |
| 002 | Columbia-class SSBN (AP) | 1,644.0 | 199.6 | 130.0 | 130.0 | -42.2 | 130.0 | |
| 003 | CVN 78-80 aircraft carriers | 1,068.7 | -6.5 | | -6.5 | -6.5 | | |
| 004 | CVN-81 aircraft carrier | 1,299.8 | -12.0 | | -12.0 | -12.0 | | |
| 005 | Virginia-class SSN | 4,249.2 | 567.0 | | 200.0 | 80.0 | -50.0 | |
| 006 | Virginia-class SSN (AP) | 2,120.4 | | | -15.0 | -15.5 | -15.0 | |
| 007 | CVN RCOH | 2,456.0 | -224.0 | | -20.0 | -191.0 | -11.8 | |
| 008 | CVN RCOH (AP) | 66.3 | | | | | | |
| 009 | DDG-1000 | 56.6 | | 15.0 | | | | |
| 010 | DDG-51 | 2,016.8 | 3,041.6 | 1,659.0 | 2,912.3 | 1,318.0 | 1,659.2 | |
| 011 | DDG-51 (AP) | 0 | | 175.0 | 120.0 | | 120.0 | |
| 012 | LCS | 0 | | | | | | |
| 013 | FFG-62 | 1,087.9 | | | | | 3.0 | |
| 014 | FFG-62 (AP) | 69.1 | | | | | -69.1 | |
| 015 | LPD-17 Flight II | 60.6 | | | | | | |
| 016 | LPD-17 Flight II (AP) | 0 | | 250.0 | 250.0 | | 250.0 | |
| 017 | Expeditionary Sea Base | 0 | | | | | 577.0 | |
| 018 | Expeditionary Sea Base (AP) | 0 | | | | | | |
| 019 | LHA amphibious assault ship | 68.6 | 1,200.0 | 350.0 | 100.0 | | | |
| 020 | Expeditionary fast transport ship (EPF) | 0 | 540.0 | 270.0 | 540.0 | | 590.0 | |
| 021 | TAO-205 oiler | 668.2 | 668.2 | | 668.2 | 20.0 | | |
| 022 | TAO-205 oiler (AP) | 76.0 | | | -76.0 | -76.0 | -76.0 | |
| 023 | TAGOS(X) ocean surveillance ship | 434.4 | | | | | | |
| 024 | TATS towing/salvage/rescue ship | 183.8 | -103.0 | | | -97.0 | | |
| 025 | LCU 1700 landing craft | 67.9 | | | | | | |
| 026 | Outfitting | 655.7 | -73.8 | | -32.8 | -41.0 | -14.4 | |
| 027 | Ship to shore connector (SSC) | 156.7 | 130.0 | | 130.0 | -21.5 | 195.0 | |
| 028 | Service craft | 67.9 | | | | | | |
| 029 | LCAC landing craft SLEP | 32.7 | | | | | | |
| 030 | Auxiliary vessels (used sealift ships) | 299.9 | | -299.9 | -179.9 | | -299.9 | |
| 031 | Completion of prior-year ships | 660.8 | | | | | | |
| **TOTAL** | | **22,571.1** | **5,847.1** | **2,549.1** | **4,708.2** | **915.3** | **2,987.9** | |

**Source:** Table prepared by CRS based on original Navy FY2022 budget submission, committee reports, and explanatory statements on the FY2022 National Defense Authorization Act and FY2022 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** = advance procurement funding; **HASC** = House Armed Services Committee; **SASC** = Senate Armed Services Committee; **HAC** = House Appropriations Committee; **SAC** = Senate Appropriations Committee; **HASC-SASC** = HASC-SASC-negotiated proposal; **Conf.** = conference report. **SLEP** is service life extension program.

# FY2022 National Defense Authorization Act (H.R. 4350/S. 2792/S. 1605)

## House

The House Armed Services Committee, in its report (H.Rept. 117-118 of September 10, 2021) on H.R. 4350, recommended the funding levels shown in the HASC column of **Table 7**.

Among the recommended changes shown in the table, the committee is recommending funding for the procurement of two additional DDG-51 destroyers; one additional LHA-type amphibious assault ship; two additional expeditionary fast transport (EPF) ships; one additional TAO-205 oiler; one TATS towing, salvage, and rescue ship (rather than the two TATS ships that were requested); and two additional ship-to-shore connectors (SSCs, i.e., next-generation air-cushioned landing craft).

**Section 122** of H.R. 4350 as reported by the committee states

> SEC. 122. INCLUSION OF BASIC AND FUNCTIONAL DESIGN IN ASSESSMENTS REQUIRED PRIOR TO START OF CONSTRUCTION ON FIRST SHIP OF A SHIPBUILDING PROGRAM.
>
> Section 124 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110–181; 122 Stat. 28; 10 U.S.C. 8661 note) is amended—
>
> (1) in subsection (a)—
>
> (A) in the matter preceding paragraph (1), by striking ‘‘Concurrent with approving the start of construction of the first ship for any major shipbuilding program, the Secretary of the Navy shall’’ and inserting ‘‘The Secretary of the Navy may not enter into a contract for the construction of the first ship for any major shipbuilding program until a period of 30 days has elapsed following the date on which the Secretary’’;
>
> (B) in paragraph (1)—
>
> (i) by striking ‘‘submit’’ and inserting ‘‘submits’’; and
>
> (ii) by striking ‘‘and’’ at the end;
>
> (C) in paragraph (2)—
>
> (i) by striking ‘‘certify’’ and inserting ‘‘certifies’’; and
>
> (ii) by striking the period at the end and inserting ‘‘; and’’; and
>
> (D) by adding at the end the following new paragraph:
>
> ‘‘(3) certifies to the congressional defense committees that the basic and functional design of the vessel is complete.’’; and
>
> (2) in subsection (d), by adding at the end the following new paragraph:
>
> ‘‘(5) BASIC AND FUNCTIONAL DESIGN.—The term ‘basic and functional design’, when used with respect to a vessel, means design through computer aided models, that—
>
> ‘‘(A) fixes the hull structure of the vessel;
>
> ‘‘(B) sets the hydrodynamics of the vessel;
>
> ‘‘(C) routes all major distributive systems of the vessel, including electricity, water, and other utilities; and
>
> ‘‘(D) identifies the exact positioning of piping and other outfitting within each block of the

vessel.''.

**Section 363** of H.R. 4350 as reported by the committee states

SEC. 363. ANNUAL REPORT ON MATERIAL READINESS OF NAVY SHIPS.

Section 8674(d) of title 10, United States Code is amended—

(1) in paragraph (1)—

(A) by striking ''submit to the'' and inserting ''provide to the'';

(B) by inserting ''a briefing and submit to such committees'' after ''congressional defense committees''; and

(C) by striking ''setting forth'' and inserting ''regarding'';

(2) in paragraph (2)—

(A) by striking ''in an unclassified form that is releasable to the public without further redaction.'' and inserting ''in—''; and

(B) by adding at the end the following new subparagraphs:

''(A) a classified form that shall be available only to the congressional defense committees; and

''(B) an unclassified form that is releasable to the public without further redaction''; and

(3) by striking paragraph (3).

**Section 373** of H.R. 4350 as reported by the committee states

SEC. 373. MANAGEMENT OF FATIGUE AMONG CREW OF NAVAL SURFACE SHIPS AND RELATED IMPROVEMENTS.

(a) REQUIREMENT.—The Secretary of the Navy shall implement each recommendation for executive action set forth in the report of the Government Accountability Office titled ''Navy Readiness: Additional Efforts Are Needed to Manage Fatigue, Reduce Crewing Shortfalls, and Implement Training'' (GAO-21-366).

(b) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary of the Navy shall submit to the congressional defense committees and the Comptroller General a report on the status of actions taken by the Secretary to monitor crew fatigue and ensure equitable fatigue management throughout the naval surface ship fleet in accordance with subparagraph (a). Such report shall include the following:

(1) An assessment of the extent of crew fatigue throughout the naval surface ship fleet.

(2) A description of the metrics used to assess the extent of fatigue pursuant to paragraph (1).

(3) An identification of results-oriented goals for effective fatigue management.

(4) An identification of timeframes for achieving the goals identified pursuant to paragraph (3).

(c) COMPTROLLER GENERAL ASSESSMENT.—Not later than 90 days after the date on which the Comptroller General receives the report under subsection (b), the Comptroller General shall brief the congressional defense committees on the extent to which the actions and goals described in the report meet the requirements of sub section (a).

**Section 816** of H.R. 4350 as reported by the committee states

SEC. 816. LIMITATION ON PROCUREMENT OF WELDED SHIPBOARD ANCHOR AND MOORING CHAIN FOR NAVAL VESSELS.

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

(1) in subsection (a)(2), by adding at the end the following new subparagraph:

''(F) Welded shipboard anchor and mooring chain.''; and

(2) in subsection (b)—

(A) by striking ''A manufacturer'' and in serting ''(1) Except as provided in paragraph

(2), a manufacturer''; and

(B) by adding at the end the following new paragraph:

''(2) A manufacturer of welded shipboard anchor and mooring chain for naval vessels meets the requirements of this subsection if the manufacturer is part of the national technology and industrial base.''.

**Section 1012** of H.R. 4350 as reported by the committee states

SEC. 1012. BIENNIAL REPORT ON SHIPBUILDER TRAINING AND THE DEFENSE INDUSTRIAL BASE.

(a) TECHNICAL CORRECTION.—The second section 8692 of title 10, United States Code, as added by section 1026 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283) is redesignated as section 8693 and the table of sections at the beginning of chapter 863 of such title is conformed accordingly.

(b) MODIFICATION OF REPORT.—Such section is further amended—

(1) by striking ''Not later'' and inserting ''(a) IN GENERAL.—Not later'';

(2) in subsection (a), as so redesignated, by adding at the end the following new paragraph:

''(7) An analysis of the potential benefits of multi-year procurement contracting for the stability of the shipbuilding defense industrial base.''; and

(3) by adding at the end the following new sub section:

''(b) SOLICITATION AND ANALYSIS OF INFORMATION.—In order to carry out subsection (a)(2), the Secretary of the Navy and Secretary of Labor shall—

''(1) solicit information regarding the age demographics and occupational experience level from the private shipyards of the shipbuilding defense industrial base; and

''(2) analyze such information for findings relevant to carrying out subsection (a)(2), including findings related to the current and projected defense shipbuilding workforce, current and projected labor needs, and the readiness of the current and projected workforce to supply the proficiencies analyzed in subsection (a)(1).''.

**Section 1013** of H.R. 4350 as reported by the committee states

SEC. 1013. REVISION OF SUSTAINMENT KEY PERFORMANCE PARAMETERS FOR SHIPBUILDING PROGRAMS.

(a) IN GENERAL.—Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense shall update the policy for the Joint Capabilities Integration and Development System to ensure that the guidance for setting sustainment key performance parameters for shipbuilding programs accounts for all factors that could affect the operational availability and materiel availability of a ship. Such changes shall include—

(1) changing the definition of ''operational availability'' as it applies to ships so that such definition applies according to mission area and includes all equipment failures that affect the ability of a ship to perform primary missions; and

(2) changing the definition of ''materiel availability'' as is it applies to ships so that such definition takes into account all factors that could result in a ship being unavailable for operations, including unplanned maintenance, unplanned losses, and

(b) REPORT REQUIRED.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to congressional defense commit tees a report on the plan of the Secretary to—

(1) incorporate the sustainment key performance parameters revised under subsection (a) into the requirement documents of new and ongoing shipbuilding programs; and

(2) establish a process for translating such sustainment key performance parameters into specific contract requirements for systems engineering and ship design.

(c) COMPTROLLER GENERAL REVIEW.—Not later than one year after the Secretary of Defense submits the report required under subsection (b), the Comptroller General of the United States shall submit to the congressional defense committees an assessment of such report that includes an evaluation of—

(1) the sustainment key performance parameters for Department of Defense shipbuilding programs;

(2) how shipbuilding programs translate sustainment key performance parameters into contract requirements for systems engineering and ship design activities; and

(3) any other matter the Comptroller General determines appropriate.

**Section 1014** of H.R. 4350 as reported by the committee states

SEC. 1014. PROHIBITION ON USE OF FUNDS FOR RETIREMENT OF MARK VI PATROL BOATS.

(a) PROHIBITION.—None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2022 for the Navy may be obligated or expended to retire, prepare to retire, or place in storage any Mark VI patrol boat.

(b) REPORT.—Not later than February 15, 2022, the Secretary of the Navy, in consultation with the Commandant of the Marine Corps, shall submit to the congressional defense committees a report that includes each of the following:

(1) The rationale for the retirement of existing Mark VI patrol boats, including an operational analysis of the effect of such retirements on the warfighting requirements of the combatant commanders.

(2) A review of operating concepts for escorting high value units without the Mark VI patrol boat.

(3) A description of the manner and concept of operations in which the Marine Corps could use the Mark VI patrol boat to support distributed maritime operations, advanced expeditionary basing operations, and persistent presence near maritime choke points and strategic littorals in the Indo-Pacific region.

(4) An assessment of the potential for modification, and the associated costs, of the Mark VI patrol boat for the inclusion of loitering munitions or anti-ship cruise missiles, such as the Long Range Anti Ship Missile and the Naval Strike Missile, particularly to support the concept of operations described in paragraph (3).

(5) A description of resources required for the Marine Corps to possess, man, train, and maintain the Mark VI patrol boat in the performance of the concept of operations described in paragraph (3) and modifications described in paragraph (4).

(6) At the discretion of the Commandant of the Marine Corps, a plan for the Marine Corps to take possession of the Mark VI patrol boat not later than September 30, 2022.

(7) Such other matters the Secretary deter mines appropriate.

**Section 1015** of H.R. 4350 as reported by the committee states

SEC. 1015. ASSESSMENT OF SECURITY OF GLOBAL MARITIME CHOKEPOINTS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a report on the security of global maritime chokepoints from the threat of hostile kinetic attacks, cyber disruptions, and other form of sabotage. The report shall include an assessment of each of the following with respect to each global maritime chokepoint covered by the report:

(1) The expected length of time and resources required for operations to resume at the chokepoint in the event of attack, sabotage, or other disruption of regular maritime operations.

(2) The security of any secondary chokepoint that could be affected by a disruption at the global maritime chokepoint.

(3) Options to mitigate any vulnerabilities resulting from a hostile kinetic attack, cyber disruption, or other form of sabotage at the chokepoint.

(b) FORM OF REPORT.—The report required by subsection (a) shall be submitted in unclassified form, but may contain a classified annex.

(c) GLOBAL MARITIME CHOKEPOINT.—In this section, the term ‘‘global maritime chokepoint’’ means any of the following:

(1) The Panama Canal.

(2) The Suez Canal.

(3) The Strait of Malacca.

(4) The Strait of Hormuz.

(5) Any other chokepoint determined appropriate by the Secretary.

**Section 1016** of H.R. 4350 as reported by the committee states

SEC. 1016. ANNUAL REPORT ON SHIP MAINTENANCE.

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

‘‘§ 8694. Annual report on ship maintenance

‘‘(a) REPORT REQUIRED.—Not later than October 15 of each year, the Secretary of the Navy shall submit to the Committees on Armed Services of the Senate and House of Representatives a report setting forth each of the following:

‘‘(1) A description of all ship maintenance planned for the fiscal year during which the report is submitted, by hull.

‘‘(2) The estimated cost of the maintenance described in paragraph (1).

‘‘(3) A summary of all ship maintenance conducted by the Secretary during the previous fiscal year.

‘‘(4) A detailed description of any ship maintenance that was deferred during the previous fiscal year, including specific reasons for the delay or cancellation of any availability.

‘‘(5) A detailed description of the effect of each of the planned ship maintenance actions that were delayed or cancelled during the previous fiscal year, including—

''(A) a summary of the effects on the costs and schedule for each delay or cancellation; and

''(B) the accrued operational and fiscal cost of all the deferments over the fiscal year.

''(b) FORM OF REPORT.— Each report submitted under subsection (a) shall submitted in unclassified form and made publicly available on an appropriate internet website in a searchable format, but may contain a classified annex.''.

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

''8694. Annual report on ship maintenance.''.

**Section 1017** of H.R. 4350 as reported by the committee states

SEC. 1017. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF TICONDEROGA CLASS CRUISERS.

(a) LIMITATION ON AVAILABILITY OF FUNDS.—Except as provided in subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2022 for the Department of Defense may be obligated or expended to retire, prepare toretire, inactivate, or place in storage a cruiser.

(b) EXCEPTION.—Notwithstanding subsection (a), the funds referred to in such subsection may be obligated or expended to retire any of the following vessels:

(1) The USS Hue City (CG 66).

(2) The USS Vela Gulf (CG72).

(3) The USS Port Royal (CG 73).

(4) USS Anzio (CG 68).

H.Rept. 117-118 states

*Analysis of the Costs and Benefits of the Littoral Combat Ship Program*

The committee notes that the Government Accountability Office (GAO) has reported extensively on issues with the Littoral Combat Ship (LCS) program. Since 2005, GAO has issued no fewer than 19 reports that highlight failures in the acquisition of LCS, including ships delivered late, with increased costs and less capability than planned—such as lower lethality and survivability—higher than expected costs for contractor maintenance, and numerous mechanical failures. Most recently in 2021, GAO found that the Navy continues to face substantial challenges in demonstrating the operational and warfighting capabilities that the LCS fleet needs to perform its missions.

The committee notes that the Navy continues to make significant investments in the LCS program even as it has stopped accepting Freedom-class LCS variants while the contractor fixes a class-wide engineering defect, is decommissioning two LCS ships in 2021 after completing just one mission each, and has proposed retiring four more ships in fiscal year 2022. The Navy has yet to complete reviews to identify ways to improve LCS employment, lethality, maintenance, reliability, and sustainability.

Therefore, the committee directs the Secretary of the Navy to submit a report to the congressional defense committees by March 15, 2022, assessing the costs and benefits of continued investment in the LCS program. As the ships are being employed differently and are experiencing different levels of reliability and different employment schedules, the report should address the Independence and Freedom variants separately. The report shall include:

(1) An assessment of whether the LCS is meeting current and future performance requirements and fleet needs and whether the LCS fleet could be expected to contribute to forward naval presence and operate effectively against near-peer threats and on blue water missions.

(2) An assessment of all LCS deployments in 2020–2021 to include reliability, missions performed, and feedback from Fleet Commanders, and an assessment of operational impact of changes to manning and maintenance CONOPS for deployed LCSs.

(3) An updated estimate of total life cycle costs for the program as currently structured, including research and development, acquisition of the seaframes and mission modules, test and evaluation, in-service modernization, training, operating and support, and disposal. The associated costs and benefits of modifying the current LCS program, including alternatives such as revising the LCS capabilities and concept of operations, such as different mixes of mission modules, weapons, crews, and missions to find a combination that is efficient to operate and effectively performs a useful mission; increasing the endurance of the vessels, including reliability, maintainability, and availability; addressing deficiencies identified during deployments and operational testing; retiring some or all of the LCS fleet earlier than planned; and implementing other major modifications to the LCS program currently under consideration or already being executed, such as recommendations resulting from Task Force LCS and ongoing studies.

(4) An analysis of fleet wide costs to support LCS compared with other ship classes and an assessment of whether end-strength and funds devoted to keeping LCS ready and mission capable would be better used to mitigate shortfalls on other ship classes.

(5) A recommendation from the Secretary of the Navy as to whether the benefits and performance of LCS justify continued investment in the program. (Pages 16-17)

H.Rept. 117-118 also states

*Astern refueling on Expeditionary Sea Based platforms*

The committee recognizes that current versions of the Expeditionary Sea Based (ESB) platforms do not possess an astern refueling capability. Current astern fueling configuration height does not allow for safe refueling of the Littoral Combat Ship or the Expedi tionary Fast Transport ship. Addition of an astern refueling capability, coupled with the large fuel capacity of the ESB, will allow for coordinated operation of these platforms in a variety of expeditionary missions, such as mine warfare. The committee encourages the Secretary of the Navy to consider designing and incorporating an astern refueling capability for ESB platforms. (Pages 17-18)

H.Rept. 117-118 also states

*Improving Safe and Secure Cyber-Enabled Navy Vessels*

The committee continues to have concerns regarding the emerging threat of cyberattacks and present danger to US Navy vessels, both surface and underwater. Entire Navy systems, including vessels, weapons, and facilities, continue to be cyberattack targets from both state and non-state sponsored actors. Significant investment in cyber-defense training and technology development is essential to ensure continued naval superiority throughout the world for the foreseeable future. The digital thread from manned ships and autonomous platforms provides enormous opportunities for efficiencies in coordination, operation, maintenance, and cyber-resilience. However, this thread of critical data, including location, heading, and platform health, presents one of the biggest opportunities for cyber threats and cyber-attacks to Navy vessels. End-to-end cybersecurity and anti-tamper technology need to be addressed for a wide range of systems, from small man-portable autonomous vehicles to systems as large as carrier groups.

> Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by March 31, 2022. that includes current plans and potential opportunities to improve the cybersecurity of the digital thread communication network for Navy vessels, specifically communication between unmanned and autonomous vessels.
>
> The briefing should also include:
>
> (1) A description and evaluation of current Naval vessel cyber-security real-world test-bed facilities and their capabilities.
>
> (2) A description and evaluation of requirements for autonomous Naval vessel cybersecurity communications testing and qualifications.
>
> (3) A description and evaluation of current Naval vessel cybersecurity workforce and expected future workforce needs.
>
> (4) An analysis of opportunities to expand Naval vessel digital thread cybersecurity development and testing, specifically for unmanned and autonomous vessels. (Page 19)

H.Rept. 117-118 also states

> *National Security Hospital Vessel*
>
> The committee recognizes the Navy's plan to increase Role 2 afloat medical capacity through the procurement of a modified Expeditionary Fast Transport (EPF) ship called an EPF Flight II. The committee is supportive of this effort and recognizes that an embarkable Role 2 enhanced (R2E) medical capability will allow the Navy to fill gaps identified by the Naval Expeditionary Health Services Support (NEHSS) for Distributed Maritime Operations. The committee further understands that the afloat theater hospitalization Role 3 requirement will continue to be met by the Navy's aging hospital ships (T–AH). The committee believes that as an alternative to maintaining converted supertankers that were procured in the mid 1970s, the Navy could take advantage of a redesigned EPF or the National Security Multi-Mission Vessel (NSMV) that the Maritime Administration is currently procuring for the 6 State Maritime Academies ''to meet this Role 3 requirement.'' By utilizing the NSMV or the EPF hull form and an ongoing production line, the Navy could minimize design costs and schedule of the T–AH(X) that is planned to replace the current T–AHs. This strategy would also allow the Navy to defer future costly maintenance availabilities on the existing T–AHs and deliver a replacement capability sooner than the current plan. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than March 1, 2022, on the feasibility of utilizing the EPF or the NSMV hull forms to fill the requirements of the T–AH(X). (Pages 19-20)

H.Rept. 117-118 also states

> *Sentinel-class Fast Response Cutter*[60]
>
> The committee looks forward to reviewing the Navy's updated force structure assessment and shipbuilding plan. The committee understands the Navy intends to change the fleet architecture reflected in the 355-ship force-level goal to reflect a more distributed fleet mix with a smaller proportion of larger ships and a larger proportion of smaller manned ships as well as unmanned vessels. The committee supports incorporating a mix of smaller manned ships into the fleet and encourages the Navy to consider the capabilities the U.S. Coast Guard's Sentinel-class Fast Response Cutter could provide to the fleet and the

[60] For more on the Fast response Cutter (FRC) program, see CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

concept of operations and associated requirements that would support acquisition of these vessels.

Further, the committee is aware the U.S. Coast Guard has contract options for 12 additional Sentinel-class Fast Response Cutters with firm fixed pricing in place until May of 2023. Exercising these contract options in advance of their expiration would lock in favorable pricing on Sentinel-class Fast Response Cutters should the Navy determine that they add value to the fleet.

Given the successes of the U.S. Coast Guard's Sentinel-class Fast Response Cutter in support of the Navy's Fifth Fleet as a part of Patrol Forces Southwest Asia, the committee believes there are similar roles for Sentinel-class Fast Response Cutters in other areas of responsibility. Therefore, the committee directs the Secretary of the Navy to submit a report to the congressional defense committees not later than February 1, 2022, that details the current mission sets and operating requirements for the Sentinel-class Fast Response Cutter and expands on how successes in the U.S. Central Command area of responsibility would translate to other regions, including the U.S. Indo-Pacific Command. Further, the committee directs the Secretary of the Navy to assess the requisite upgrades to the Sentinel-class Fast Response Cutter required to meet Navy standards and evaluate the concept of operations for employing these vessels in Southeast Asia. This report should be unclassified but may include a classified annex. (Page 21)

H.Rept. 117-118 also states

*Report on Ship Components*

The Secretary of the Navy is directed to provide a report to the congressional defense committees by September 1, 2022 as to cost and schedule impacts associated with requiring the following components to be procured consistent with section 2534 of title 10, U.S.C.: Ship shafts, electric power generators, electric propulsion motors, degaussing systems, power distribution equipment, breakers, switchgear, load center, power panels, power conversion equipment, rectifiers, frequency converters, inverters, machinery control, damage control, sensors, or programs for command, control, communications, computers, and intelligence (commonly known as 'C4I'). (Page 201)

H.Rept. 117-118 also states

*Shipbuilding and Naval Capability*

The committee remains concerned by the challenges facing the shipbuilding industry in the United States. The acquisition and development of a capable fleet, both military and commercial, will be critical in addressing the threats from near peer adversaries and advancing other national security interests over the next five to ten years. Although the committee acknowledges that the Navy has provided previous reports about sourcing of specific components, the committee believes a broader report is warranted in light of the wide-ranging supply chain disruptions that the COVID–19 pandemic precipitated.

Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by June 1, 2022 on the principal factors presenting risks to U.S. shipbuilding, specifically focusing on those factors that could lead to cost increases or supply chain vulnerabilities, and recommendations to reduce those risks. (Page 202)

H.Rept. 117-118 also states

*Other Potential Uses for Decommissioned Naval Assets*

The Committee believes there is merit in examining other possible uses of ships proposed to be decommissioned by the US Navy. The Committee is aware of interest on the part of foreign allies in some of these ships which could be beneficial to the US Navy and allied

> relationships. The Navy has proposed additional retirements of several Littoral Combat ships, as well as Aegis cruisers. Both these classes of ships offer the opportunity for interoperability and commonality with allied navies either due to Hull, Mechanical and Electrical (HM&E) characteristics or similarities with combat or weapons systems.
>
> Therefore, the committee directs the Secretary of the Navy to provide a report to the House Committee on Armed Services by March 1, 2022 on the viability of transferring ships planned for decommissioning to allied Navies, to include Ticonderoga Class Cruisers the Littoral Combat Ships. The report should explore all options, with associated costs and risks, in effecting the transfer, including a full transfer or a potential leasing mechanism that would allow for the ultimate transfer of the asset back to the US Navy upon completion of the lease term. The report should also examine modifications and repairs that would be necessary to address operational deficiencies and other modifications necessary for operation by allied Navies. (Page 222)

## Senate

The Senate Armed Services Committee, in its report (S.Rept. 117-39 of September 22 [legislative day, September 21], 2021) on S. 2792, recommended the funding levels shown in the SASC column of **Table 7**.

Among the recommended changes shown in the table, the committee is recommending funding for the procurement of one additional DDG-51 destroyer, one additional expeditionary fast transport (EPF) ship, and no used sealift ships (rather than the five that were requested).

**Section 133** of S. 2792 as reported states

> SEC. 133. EXTENSION OF REPORT ON LITTORAL COMBAT SHIP MISSION PACKAGES.
>
> Section 123(a)(1) of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328; 130 Stat. 2030) is amended by striking ‘‘fiscal year 2022’’ and inserting ‘‘fiscal year 2027’’.

**Section 135** of S. 2792 as reported states

> SEC. 135. LIMITATION ON DECOMMISSIONING OR INACTIVATING A BATTLE FORCE SHIP BEFORE THE END OF EXPECTED SERVICE LIFE.
>
> (a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended by inserting after section 8678 the following new section:
>
> ‘‘§ 8678a. Limitation on decommissioning or inactivating a battle force ship before the end
>
> of expected service life
>
> ‘‘(a) LIMITATION.—The Secretary of the Navy may not decommission or inactivate a battle force ship before the end of the expected service life of the ship.
>
> ‘‘(b) WAIVER.—The Secretary may waive the limitation under subsection (a) not fewer than 30 days after the date on which the Secretary submits to the congressional defense committees a certification described in subsection (c).
>
> ‘‘(c) CERTIFICATION DESCRIBED.—A certification described in this subsection is a certification that—
>
> ‘‘(1)(A) maintaining the battle force ship in a reduced operating status is not feasible;
>
> ‘‘(B) maintaining the ship with reduced capability is not feasible;
>
> ‘‘(C) maintaining the ship as a Navy Reserve unit is not feasible;

''(D) transferring the ship to the Coast Guard is not feasible;

''(E) maintaining the ship is not required to support the most recent national defense strategy required by section 113(g) of this title; and

''(F) maintaining the ship is not required to support operational plans of any combatant commander; and

''(2) includes an explanation of—

''(A) the options assessed and the rationale for the determinations under subparagraphs (A) through (D) of paragraph (1); and

''(B) the rationale for the determinations under subparagraphs (E) and (F) of such para graph.

''(d) FORM.—A certification submitted under sub section (b) shall be submitted in unclassified form, but may include a classified annex.

''(e) DEFINITIONS.—In this section:

''(1) The term 'battle force ship' means the following:

''(A) A commissioned United States Ship warship capable of contributing to combat operations.

''(B) A United States Naval Ship that contributes directly to Navy warfighting or support missions.

''(2) The term 'expected service life' means the number of years a naval vessel is expected to be in service.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is amended by inserting after the item relating to section 8678 the following new item:

''8678a. Limitation on decommissioning or inactivating a battle force ship before the end of expected service life.''.[61]

**Section 136** of S. 2792 as reported states

SEC. 136. ACQUISITION, MODERNIZATION, AND SUSTAINMENT PLAN FOR CARRIER AIR WINGS.

(a) PLAN REQUIRED.—Not later than February 1, 2022, the Secretary of the Navy shall submit to the congressional defense committees a 15-year acquisition, modernization, and sustainment plan for the carrier air wings of the Navy.

(b) ELEMENTS.—The plan required by subsection (a) shall include the following:

(1) An assessment of how well the capabilities and composition of the carrier air wings meet the requirements of the National Defense Strategy and a plan to address known shortfalls such as with respect to tanker capacity and strike fighter range.

(2) An identification of the role of autonomous aircraft, including the MQ–25 aircraft, and other potential future capabilities and platforms in future carrier air wings.

(3) An assessment of whether nine carrier air wings is the correct force structure, considering—

[61] For a press report discussing this provision, see Megan Eckstein, "Concerned About the Navy Retiring Ships Early, Senators Consider Higher Standards," *Defense News*, September 22, 2021.

(A) whether the composition of aircraft and squadrons within a carrier air wing as of the date on which the plan is submitted is adequate; and

(B) whether ten carrier air wings, the minimum number to be maintained under section 8062(e) of title 10, United States Code, after the earlier of the two dates referred to in subparagraphs (A) and (B) of paragraph (1) of such section, is adequate.

(4) An identification of the appropriate modernization plan to maximize operational use of plat forms in existence as of the date on which the report is submitted, particularly the EA–18G aircraft and the E–2D aircraft, by leveraging available technologies such as Next Generation Jammer.

Regarding Section 136, S.Rept. 117-39 states

**Acquisition, modernization, and sustainment plan for carrier air wings (sec. 136)**

The committee recommends a provision that would require the Navy to develop a 15-year acquisition, modernization, and sustainment plan for the entire carrier air wing (CVW), building off the requirement in the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283) to produce a fighter force structure acquisition strategy. The provision would require the Secretary of the Navy to provide the plan to the congressional defense committees not later than February 1, 2022.

In order to meet the challenges of great power competition, the Navy's carrier air wings must have the right capabilities and sufficient aircraft inventories. Although smaller scale efforts have looked at components of the CVW, such as fighter force structure, a comprehensive plan based on current and projected requirements is necessary to maintain U.S. naval air superiority. The plan should:

(1) Assess how well CVW capabilities and composition meet National Defense Strategy requirements, and plan to address known shortfalls such as tanker capacity and strike fighter range;

(2) Identify the role of autonomous aircraft in future CVWs, to include the MQ–25 but also consider other potential future capabilities and platforms;

(3) Assess whether nine CVWs is the correct force structure;

(4) Consider whether the current composition of aircraft and squadrons within a CVW is adequate;

(5) Consider whether 10 CVWs, the current legal requirement to be achieved by October 1, 2025, under section 8062 of title 10, United States Code, is adequate; and

(6) Identify the appropriate modernization plan to maximize operational use of current platforms, particularly the EA–18G and E–2D, by leveraging available technologies such as the Next Generation Jammer. (Page 8)

**Section 137** of S. 2792 as reported states

SEC. 137. IMPROVING OVERSIGHT OF NAVY CONTRACTS FOR SHIPBUILDING, CONVERSION, AND REPAIR.

(a) IN GENERAL.—Chapter 805 title 10, United States Code, is amended by adding at the end the following new section:

''§ 8039. Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair

''(a) IN GENERAL.—The Secretary of the Navy shall establish and appoint an individual to the position of Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair (in this section referred to as the 'Deputy Commander').

‘‘(b) QUALIFICATIONS.—The Deputy Commander shall be a flag officer of the Navy or an employee of the Navy in a Senior Executive Service position.

‘‘(c) REPORTING.—The Deputy Commander shall report directly to the Commander of the Naval Sea Systems Command.

‘‘(d) GENERAL RESPONSIBILITIES.—The Deputy Commander shall—

‘‘(1) independently administer and manage the execution of Department of Defense contracts awarded to commercial entities for shipbuilding, conversion, and repair at the facilities of such entities;

‘‘(2) serve as the designated contract administration office of the Department responsible for performing contract administration services for the contracts described in paragraph (1);

‘‘(3) enforce contract requirements of the contracts described in paragraph (1), ensuring contractors and the Department satisfy contractual obligations;

‘‘(4) work with contractors and Federal agencies to facilitate greater quality and economy in the products and services being procured; and

‘‘(5) provide on-site quality assurance for contracts described in paragraph (1), including inspections.

‘‘(e) NON-CAS FUNCTIONS.—The Deputy Commander shall manage the complexities and unique demands of shipbuilding, conversion, and repair by performing the following non-contract administration services functions for Navy Program Executives Offices, fleet commanders, and the Naval Sea Systems Command headquarters:

‘‘(1) Project oversight, including the following:

‘‘(A) Coordinating responses to non-contractual emergent problems.

‘‘(B) Coordinating activities of precommissioning crews and ship’s force, and other Government activities.

‘‘(C) Communicating with customers and higher authority regarding matters that may af

fect project execution.

‘‘(2) Technical authority, including the following:

‘‘(A) Executing the technical authority responsibilities of the Waterfront Chief Engineer.

‘‘(B) Serving as the waterfront technical authority of the Naval Sea Systems Command responsible for providing Government direction and coordination in the resolution of technical issues.

‘‘(C) Contract planning and procurement, including participation in acquisition planning and pre-award activities, including assessment of contractor qualifications.

‘‘(f) COMPREHENSIVE CONTRACT MANAGEMENT.—The Deputy Commander shall maintain direct relationships with the Director of the Defense Contract Management Agency and the Director of the Defense Contract Audit Agency to facilitate comprehensive contract management and oversight of contractors awarded a contract described in subsection (d)(1) and subcontractors.

‘‘(g) SUBCONTRACTOR AUDITS.—The Deputy Commander shall request that the Director of the Defense Contract Audit Agency perform periodic audits of subcontractors that perform cost- or incentive-type subcontracts for which the Deputy Commander serves as the designated contract administration office of the Department and that are valued at $50,000,000 or more.

''(h) ANNUAL WRITTEN ASSESSMENT.—(1) Not later than March 1 of each year, the Deputy Commander shall submit to the congressional defense committees a written assessment of the contracts for which the Deputy Commander serves as the designated contract administration office of the Department.

''(2) Each written assessment required by paragraph (1) shall include the following:

''(A) The cost, schedule, and performance of each contract covered by the assessment.

''(B) A summary of any requests for corrective action or other significant contract discrepancies documented by the office of the Deputy Commander, the Defense Contract Management Agency, or the Defense Contract Audit Agency for such contracts, and any actions planned or taken in response.

''(C) A summary of any dedicated evaluation, such as a review by a task force or working group, of the organizational structure and resourcing plans and requirements that support the supervision of shipbuilding, conversion, and repair, that—

''(i) includes key findings, recommendations, and implementation plans; and

''(ii) indicates any additional support needed from other organizations of the Department, such as the Defense Contract Audit Agency and the Defense Contract Management Agency, for implementation.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 805 of such title is amended by adding at the end the following new item:

''8039. Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair.''.

(c) DEADLINE FOR ESTABLISHMENT AND APPOINTMENT.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Navy shall establish and appoint an individual to the position of Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair under section 8039 of such title, as added by subsection (a).

**Section 373** of S. 2792 as reported states

SEC. 373. REPEAL OF SUNSET FOR NAVAL VESSEL EXAMINATION REPORT.

Section 8674(d) of title 10, United States Code, is amended by striking paragraph (3).

Regarding Section 373, S.Rept. 117-39 states

**Repeal of sunset for naval vessel examination report (sec. 373)**

The committee recommends a provision that would strike subsection (d)(3) of section 8674 of title 10, United States Code, in order to retain an annual report relating to examinations of naval vessels. (Page 105)[62]

[62] 10 U.S.C. 8674 states (emphasis added):

§8674. Examination of vessels; striking of vessels from Naval Vessel Register

(a) Boards of Officers To Examine Naval Vessels.-(1) The Secretary of the Navy shall designate boards of naval officers to examine naval vessels, including unfinished vessels, for the purpose of making a recommendation to the Secretary as to which vessels, if any, should be stricken from the Naval Vessel Register. Each vessel shall be examined at least once every three years if practicable.

(2)(A) Except as provided in subparagraph (B), any naval vessel examined under this section on or after January 1, 2020, shall be examined with minimal notice provided to the crew of the vessel.

(B) Subparagraph (A) shall not apply to a vessel undergoing necessary trials before acceptance into the fleet.

**Section 375** of S. 2792 as reported states

SEC. 375. ANNUAL REPORT BY SECRETARY OF THE NAVY ON SHIP MAINTENANCE.

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

''§ 8695. Annual report on ship maintenance

''Not later than October 15 of each year, the Secretary of the Navy shall submit to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives a report setting forth the following:

''(1) A description of all ship maintenance planned for the fiscal year in which the report is submitted, by hull.

''(2) The estimated cost of the maintenance described in paragraph (1).

''(3) A summary of all ship maintenance conducted by the Secretary during the previous fiscal year.

''(4) Details of any ship maintenance that was deferred during the previous fiscal year.

''(5) Details of planned ship maintenance that was cancelled during the previous fiscal year and a summary of the reasons for the decision.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is amended by adding at the end the following new item:

''8695. Annual report on ship maintenance.''.

**Section 1021** of S. 2792 as reported states

SEC. 1021. MODIFICATION TO ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.

(a) IN GENERAL.—Section 231 of title 10, United States Code, is amended—

(1) in subsection (b)(2), by adding at the end the following new subparagraphs:

''(G) The expected service life of each vessel in the naval vessel force provided for under the naval vessel construction plan, disaggregated by ship class, and the rationale for any changes to such expectations from the previous year's plan.

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(b) Actions by Board.-A board designated under subsection (a) shall submit to the Secretary in writing its recommendations as to which vessels, if any, among those it examined should be stricken from the Naval Vessel Register.

(c) Action by Secretary.-If the Secretary concurs with a recommendation by a board that a vessel should be stricken from the Naval Vessel Register, the Secretary shall strike the name of that vessel from the Naval Vessel Register.

(d) Annual Report.-(1) Not later than March 1 each year, the board designated under subsection (a) shall submit to the congressional defense committees a report setting forth the following:

(A) An overall narrative summary of the material readiness of Navy ships as compared to established material requirements standards.

(B) The overall number and types of vessels inspected during the preceding fiscal year.

(C) For in-service vessels, material readiness trends by inspected functional area as compared to the previous five years.

(2) Each report under this subsection shall be submitted in an unclassified form that is releasable to the public without further redaction.

**(3) No report shall be required under this subsection after October 1, 2021.**

''(H) A certification by the appropriate Senior Technical Authority designated under section 8669b of this title of the expected service life of each vessel in the naval vessel force provided for under the naval vessel construction plan, disaggregated by ship class, and the rationale for any changes to such expectations from the previous year's plan.''; and

(2) in subsection (f), by adding at the end the following new paragraph:

''(6) The term 'expected service life' means the number of years a naval vessel is expected to be in service.''.

(b) REPEAL OF TERMINATION OF ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.—Section 1061(c) of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328; 10 U.S.C. 111 note) is amended by striking paragraph (15).

**Section 1022** of S. 2792 as reported states

SEC. 1022. NAVY BATTLE FORCE SHIP ASSESSMENT AND REQUIREMENT REPORTING.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended—

(1) by redesignating the second section 8692, as added by section 1026 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283), as section 8693; and

(2) by inserting after section 8693, as redesignated by paragraph (1), the following new section:

''§ 8694. Navy battle force ship assessment and requirement reporting

''(a) IN GENERAL.—Not later than 180 days after the date on which a covered event occurs, the Chief of Naval Operations shall submit to the congressional defense committees a battle force ship assessment and requirement.

''(b) ASSESSMENT.—Each assessment required by subsection (a) shall include the following:

''(1) A review of the strategic guidance of the Federal Government, the Department of Defense, and the Navy for identifying priorities, missions, objectives, and principles, in effect as of the date on which the assessment is submitted, that the force structure of the Navy must follow.

''(2) An identification of the steady-state demand for maritime security and security force assistance activities.

''(3) An identification of the force options that can satisfy the steady-state demands for activities required by theater campaign plans of combatant commanders.

''(4) A force optimization analysis that produces a day-to-day global posture required to accomplish peacetime and steady-state tasks assigned by combatant commanders.

''(5) A modeling of the ability of the force to fight and win scenarios approved by the Department of Defense.

''(6) A calculation of the number and global posture of each force element required to meet steady-state presence demands and warfighting response timelines.

''(c) REQUIREMENT.—(1) Each requirement required by subsection (a) shall—

''(A) be based on the assessment required by subsection (b); and

''(B) identify, for each of the fiscal years that are five, 10, 15, 20, 25, and 30 years from the date of the covered event—

''(i) the total number of battle force ships required;

‘‘(ii) the number of battle force ships required in each of the categories described in paragraph (2);

‘‘(iii) the classes of battle ships included in each of the categories described in paragraph

(2); and

‘‘(iv) the number of battle force ships required in each such class.

‘‘(2) The categories described in this paragraph are the following:

‘‘(A) Aircraft carriers.

‘‘(B) Large surface combatants.

‘‘(C) Small surface combatants.

‘‘(D) Amphibious warfare ships.

‘‘(E) Attack submarines.

‘‘(F) Ballistic missile submarines.

‘‘(G) Combat logistics force.

‘‘(H) Expeditionary fast transport.

‘‘(I) Expeditionary support base.

‘‘(J) Command and support.

‘‘(K) Other.

‘‘(d) DEFINITIONS.—In this section:

‘‘(1) The term ‘battle force ship’ means the following:

‘‘(A) A commissioned United States Ship warship capable of contributing to combat operations.

‘‘(B) A United States Naval Ship that contributes directly to Navy warfighting or support

missions.

‘‘(2) The term ‘covered event’ means a significant change to any of the following:

‘‘(A) Strategic guidance that results in changes to theater campaign plans or warfighting scenarios.

‘‘(B) Strategic construction of vessels or aircraft that affects sustainable peacetime presence or warfighting response timelines.

‘‘(C) Operating concepts, including employment cycles, crewing constructs, or operational tempo limits, that affect peacetime presence or warfighting response timelines.

‘‘(D) Assigned missions that affect the type or quantity of force elements.’’.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is amended by striking the item relating to the second section 8692 and inserting the following new items:

‘‘8693. Biennial report on shipbuilder training and the defense industrial base.

‘‘8694. Navy battle force ship assessment and requirement reporting.’’.

(c) BASELINE ASSESSMENT AND REQUIREMENT REQUIRED.—The date that is 180 days after the date of the enactment of this Act is deemed to be a covered event for the purposes of establishing a baseline battle force ship assessment and requirement under section 8694 of title 10, United States Code, as added by subsection (a).

**Section 3156** of S. 2792 as reported states

> SEC. 3156. LIMITATION ON USE OF FUNDS FOR NAVAL NUCLEAR FUEL SYSTEMS BASED ON LOW-ENRICHED URANIUM.
>
> (a) LIMITATION.—Of the funds authorized to be appropriated by this Act for fiscal year 2022 for the National Nuclear Security Administration for research and development of an advanced naval nuclear fuel system based on low-enriched uranium, not more than 50 percent may be obligated or expended until the following determinations are submitted to the congressional defense committees:
>
> (1) A determination made jointly by the Secretary of Energy and the Secretary of Defense with respect to whether the determination made jointly 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 research and development of an advanced naval nuclear fuel system based on low-enriched uranium, remains valid.
>
> (2) A determination by the Secretary of the Navy with respect to whether an advanced naval nuclear fuel system based on low-enriched uranium can be produced that 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 2021 for development of nonproliferation fuels, including a description of any progress made toward technological or nonproliferation goals as a result of such activities.

Regarding Section 3156, S.Rept. 117-39 states

> **Limitation on use of funds for naval nuclear fuel systems based on low-enriched uranium (sec. 3156)**
>
> The committee recommends a provision that would prohibit the obligation or expenditure of any fiscal year 2022 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 communicate certain determinations 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 2021 funds for this purpose, including progress made toward either technological or nonproliferation goals.
>
> The committee notes that the Secretary of Energy and the Secretary of 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. (Page 354)

S.Rept. 117-39 also states

> **Expeditionary fast transport vessels**
>
> The budget request included no funding in line number 20 of Shipbuilding and Conversion, Navy (SCN), for expeditionary fast transport (EPF) vessels.

The committee notes that EPF vessels are built with an inherent cargo handling capability and ability to deliver troops and equipment together in a manner that provides greater flexibility in how combatant commanders employ these and other naval vessels in theater.

Therefore, the committee recommends an increase of $270.0 million in line number 20 of SCN.

**Used sealift ships**

The budget request included $299.9 million in line number 30 of Shipbuilding and Conversion, Navy (SCN) to purchase five used vessels to recapitalize the Ready Reserve Force (RRF).

The committee notes that the Congress provided funding for two vessels in fiscal year 2021 and that the Navy has been unable to successfully contract for those ships. The committee will need to see the Navy execute the fiscal year 2021 funds and the vessels in question inducted into the RRF before it can recommend additional funding for this program.

Therefore, the committee recommends a decrease of $299.9 million in line number 30 of SCN. (Pages 16-17)

S.Rept. 117-39 also states

**Shipyard Infrastructure Optimization Plan implementation**

The committee recognizes the critical strategic and logistics role our public shipyards play in the security of our Nation. To address chronically unmet infrastructure needs at the shipyards, the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115–91) directed the Department of Defense to create and implement a Shipyard Infrastructure Optimization Plan (SIOP). The committee strongly supports the SIOP, which will revitalize the Nation's four public shipyards and equip them with the facilities needed to meet the requirements of the naval fleet into the future. The public shipyards are American institutions of shipbuilding and maintenance that, in some cases, date back more than two hundred years. They employ a highly skilled workforce that performs critical repair and maintenance work on complex Navy ships and submarines in order to maintain the fleet's operational readiness needed to respond to national security requirements. The committee believes continued investment in the public shipyards is a national security imperative, and the SIOP must remain on schedule.

The committee is very concerned that the Navy's SIOP is falling behind schedule because details on multiple projects that are needed to properly assess and evaluate this critical recapitalization effort have not been timely and fully provided to the committee. While unforeseen challenges arise during the execution of large and complicated construction projects, they can often be mitigated with prudent planning and foresight. This heightens concerns whether the Navy can maintain its current operational depot-level maintenance schedule as dry docks are temporarily unavailable when they are upgraded and replaced, whether adequate resourcing has been provided to the managing program office to mitigate the risk of construction cost increases, and how the Navy will meet its commitment to its budget for these projects. The committee urges the Navy to incorporate these concerns into the detailed planning process for planned implementation.

The recently revealed cost overrun of more than 150 percent for the multi-mission dry dock project at the Portsmouth Naval Shipyard (PNSY) not only costs finite resources, it risks unacceptable delays for a project that is essential for maintaining the submarine force. Furthermore, delays in commencing or completing dry dock modernization will have a great impact on our Nation's national security. In the case of Joint Base Pearl Harbor (JBPH), the older Dry Dock 3 will be filled in during the construction of the newer and larger Dry Dock 5. The committee is concerned that with the last scheduled availability for Dry Dock 3 in 2023 and with Dry Dock 5 not scheduled for completion until 2028, there will be a significant lack of facilities to maintain fleet readiness.

The committee is also concerned that the SIOP may not sufficiently account for the differences between the Nation's four historical public shipyards. Each shipyard has a unique history, design, and local workforce with valuable knowledge of its respective facilities that can help ensure the proper modernization and optimization of these facilities. Rather than relying solely on a one-size-fits-all approach that is centralized without fully considering local conditions, the committee urges the Navy's SIOP program office to seek more input and engagement from these local workforces and their installation leadership to efficiently and effectively build and maintain shipyards that can sustain the fleet for generations to come.

In order to ensure the Navy is appropriately managing the PNSY multi-mission dry dock project, future JBPH dry dock, and the overall SIOP, the committee directs the Secretary of the Navy to provide a briefing to the congressional defense committees not later than October 1, 2021. The briefing shall include:

(1) A description of the cause(s) of the cost overrun at PNSY;

(2) Analysis on measures that could have mitigated the cause(s) of the overrun;

(3) A discussion on the need to revise cost and schedule projections for future SIOP projects in light of the overrun;

(4) What steps the Navy is taking to incorporate the lessons learned from the overrun to apply to future SIOP work;

(5) The impact of the current military construction timelines on JBPH shipyard availabilities in each of the fiscal years from 2023 through 2029;

(6) A detailed plan of the construction timeline for JBPH Dry Dock 5 and accompanying water front production facilities; and

(7) The planned utilization of the Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility workforce during this same period if Dry Dock 5 is not completed before the closure of Dry Dock 3. (Pages 135-137)

S.Rept. 117-39 also states

**Study of expanding ship repair capacity**

The committee is concerned the Navy is facing a fleet sustainment predicament without clear solutions. Congressional and Navy leaders believe that the United States needs a fleet of 355 or more battle force ships. However, the Navy has been unable to maintain and modernize the fleet, which has had 300 or fewer ships, over the past 5 years due to affordability challenges; the number of shipyards able to perform maintenance and modernization work; and limitations within shipyards, including a paucity of dry docks. The Navy has been executing a plan to modernize the Navy's public shipyards called the Shipyard Infrastructure Optimization Program (SIOP). While the SIOP effort is sorely needed, it will not yield substantial increases in capacity sufficient to handle a larger fleet. Furthermore, the committee is unaware of any Navy-identified alternatives on the scale required to expand overall ship repair capacity to sustain a fleet of 355 or more ships.

Accordingly, the committee believes that the Navy needs to investigate more expansive and, perhaps, non-traditional options for expanding the Nation's ship repair capacity. Therefore, the committee directs the Secretary of the Navy to conduct an analysis of options for increasing ship repair capacity that would be necessary to support a fleet of 355 or more ships comprised of the optimal mix of ship types, including addressing the costs and benefits of the following options:

(1) Expanding plant capacity at existing naval shipyards beyond the current SIOP effort;

(2) Building new or re-opening closed naval shipyards;

(3) Investing in modernization or expansion of private repair yard infrastructure;

(4) Modifying or relaxing restrictions on overseas maintenance of Navy vessels;

(5) Changing ship repair practices or processes to enhance existing capacity;

(6) Increasing technical competence of current naval shipyard workforce;

(7) Increasing or expanding the use of rolling admission for multiple-award maintenance contracts;

(8) Increasing or expanding private repair activities at Navy bases; and

(9) Any other options the Secretary may identify.

The committee directs the Secretary to submit a report on this analysis not later than March 1, 2022, including recommendations for implementation and funding and any associated legislative changes. (Page 138)

S.Rept. 117-39 also states

**Comparative assessment of naval shipbuilding costs**

The committee believes that one aspect of defense strategy implementation is a detailed understanding of the relative purchasing power for similar weapons systems among the great power competitors. To this end, the committee desires a better understanding of the comparative costs of naval shipbuilding in the United States, China, and Russia.

Therefore the committee directs the Secretary of the Navy to submit, not later than March 1, 2022, a report to the congressional defense committees on the comparative costs of naval shipbuilding in the United States, China, and Russia. The report shall include a comparison of the following costs in the United States, China, and Russia:

(1) The approximate end cost to construct an aircraft carrier, attack submarine, ballistic missile submarine, large surface combatant, small surface combatant, and amphibious ship. For each category of vessel, a description of the key quantitative and qualitative differences of the vessels being assessed with associated cost implications shall be included;

(2) The approximate cost of key commodities used in naval shipbuilding, including one ton of steel;

(3) The approximate cost of key labor resources used in naval shipbuilding, including one production labor hour, one electrician labor hour, and one design labor hour;

(4) The approximate cost of key combat subsystems used in naval vessels, including air and missile defense radars, electronic warfare suites, anti-submarine capabilities, and shipboard combat system software. For each category of subsystem, a description of the key quantitative and qualitative differences of the subsystems being assessed with associated cost implications shall be included;

(5) The approximate cost of key hull, mechanical, and electric subsystems used in naval vessels, including main engines, electrical generators, shafting, and air conditioning systems. For each category of subsystem, a description of the key quantitative and qualitative differences of the subsystems being assessed with associated cost implications shall be included; and

(6) Other cost drivers in naval shipbuilding, as identified by the Secretary, with the associated costs.

The report shall be submitted in unclassified form and may include a classified annex. (Pages 236-237)

S.Rept. 117-39 also states

> **Forward deployed naval forces in Europe**
>
> The committee continues to support additional forward-basing of U.S. 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 in undersea warfare.
>
> 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 2023 budget request is submitted to the Congress, to provide a briefing to the Committees on Armed Services of the Senate and the 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 264-265)

## HASC-SASC-Negotiated Proposal

The joint explanatory statement for the HASC-SASC-negotiated proposal for the FY2022 National Defense Authorization Act (S. 1605) that was released on December 7, 2021, recommends the funding levels shown in the HASC-SASC column of **Table 7**.

Among the recommended changes shown in the table, the HASC-SASC-negotiated proposal is recommending funding for the procurement of two additional DDG-51 destroyers; two additional expeditionary fast transport (EPF) ships; one additional TAO-205 oiler; two additional ship-to-shore connectors (SSCs, i.e., next generation air-cushioned landing craft); and two auxiliary sealift vessels (i.e., used sealift ships), or three fewer than the five auxiliary sealift vessels that were requested.

**Section 355** of the HASC-SASC-negotiated proposal for S. 1605 states

> SEC. 355. IMPROVED OVERSIGHT FOR IMPLEMENTATION OF SHIPYARD INFRASTRUCTURE OPTIMIZATION PROGRAM OF THE NAVY.
>
> (a) UPDATED PLAN.—
>
> (1) IN GENERAL.—Not later than September 30, 2022, the Secretary of the Navy shall submit to the congressional defense committees an update to the plan of the Secretary for

implementation of the Shipyard Infrastructure Optimization Program of the Department of the Navy, with the objective of providing increased transparency for the actual costs and schedules associated with infrastructure optimization activities for shipyards covered by such program.

(2) UPDATED COST ESTIMATES.—The updated plan required under paragraph (1) shall include up dated cost estimates comprising the most recent costs of capital improvement projects for each of the four public shipyards covered by the Shipyard Infrastructure Optimization Program.

(b) BRIEFING REQUIREMENT.—

(1) IN GENERAL.—Before the start of physical construction with respect to a covered project, the Secretary of the Navy or a designee of the Secretary shall brief each of the congressional defense committees on such project, regardless of the source of funding for such project.

(2) WRITTEN INFORMATION.—Before conducting a briefing under paragraph (1) with respect to a covered project, the Secretary of the Navy or a designee of the Secretary shall submit to the congressional defense committees in writing the following information:

(A) An updated cost estimate for such project that—

(i) meets the standards of the Association for the Advancement of Cost Engineering for a Level 1 or Level 2 cost estimate; or

(ii) is an independent cost estimate.

(B) A schedule for such project that is comprehensive, well-constructed, credible, and controlled pursuant to the Schedule Assessment Guide: Best Practices for Project Schedules (GAO–16–89G) set forth by the Comptroller General of the United States in December 2015, or successor guide.

(C) An estimate of the likelihood that programmed and planned funds for such project will be sufficient for the completion of the project.

(3) COVERED PROJECT DEFINED.—In this subsection, the term ‘‘covered project’’ means a shipyard project under the Shipyard Infrastructure Optimization Program—

(A) with a contract awarded on or after October 1, 2024; and

(B) valued at $250,000,000 or more.

(c) ANNUAL REPORT.—

(1) IN GENERAL.—Not later than December 31, 2022, and not later than December 31 of each year thereafter, the Commander of the Naval Sea Systems Command, in coordination with the Program Manager Ships 555, shall submit to the congressional defense committees a report detailing the use by the Department of the Navy of funding for all efforts associated with the Shipyard Infrastructure Optimization Program, including the use of amounts made available by law to support the projects identified in the plan to implement such program, including any update to such plan under subsection (a).

(2) ELEMENTS.—Each report required by paragraph (1) shall include updated cost and schedule estimates—

(A) for the plan to implement the Shipyard Optimization Program, including any update to such plan under subsection (a); and

(B) for each dry dock, major facility, and infrastructure project valued at $250,000,000 or more under such program.

(d) COMPTROLLER GENERAL REPORT.—

(1) REPORT.—

(A) IN GENERAL.—Not later than May 1, 2023, the Comptroller General of the United States shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the progress of the Secretary of the Navy in implementing the Shipyard Infrastructure Optimization Program, including—

(i) the progress of the Secretary in completing the first annual report required under such program; and

(ii) the cost and schedule estimates for full implementation of such program.

(B) ELEMENTS.—The report required by subparagraph (A) shall include the following:

(i) An assessment of the extent to which the cost estimate for the updated optimization plan for the Shipyard Infrastructure Optimization Program is consistent with leading practices for cost estimation.

(ii) An assessment of the extent to which the project schedule for such program is comprehensive, well-constructed, credible, and controlled.

(iii) An assessment of whether programmed and planned funds for a project under such program will be sufficient for the completion of the project.

(iv) Such other related matters as the Comptroller General considers appropriate.

(2) INITIAL BRIEFING.—Not later than April 1, 2023, the Comptroller General shall brief the Committees on Armed Services of the Senate and the House of Representatives on the preliminary findings of the report under paragraph (1).

**Section 362** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 362. ANNUAL REPORT ON MATERIAL READINESS OF NAVY SHIPS.

Section 8674(d) of title 10, United States Code, is amended—

(1) in paragraph (1)—

(A) by striking ‘‘submit to the’’ and inserting ‘‘provide to the’’;

(B) by inserting ‘‘a briefing and submit to such committees’’ after ‘‘congressional defense committees’’; and

(C) by striking ‘‘setting forth’’ and inserting ‘‘regarding’’;

(2) in paragraph (2)—

(A) by striking ‘‘in an unclassified form that is releasable to the public without further redaction.’’ and inserting ‘‘in—’’; and

(B) by adding at the end the following new subparagraphs:

‘‘(A) a classified form; and

‘‘(B) an unclassified form that is releasable to the public without further redaction.’’; and

(3) by striking paragraph (3).

Regarding Section 362, the joint explanatory statement states

*Annual report on material readiness of Navy ships (sec. 362)*

The House bill contained a provision (sec. 363) that would amend section 8674 of title 10, United States Code, to make permanent the requirement for an annual report to the congressional defense committees on the material readiness of Navy ships.

The Senate amendment contained a similar provision (sec.373).

The agreement includes the House provision with an amendment that would remove the requirement that the classified form of the report only be made available to the congressional defense committees.

We understand that based on the Navy's investigation into the USS Bonhomme Richard fire the Chief of Naval Operations intends to restructure the Naval Safety Center into the Naval Safety Command with a more senior flag officer in command and a mandate to ensure safety best practices and lessons learned are more fully incorporated across the Navy.

Accordingly, we direct the Chief of Naval Operations to provide a briefing to the Committees on Armed Services of the Senate and the House of Representatives, not later than March 1, 2022, on the roles and responsibilities of the Naval Safety Command. This briefing shall include an assessment of the appropriateness of such Command, or another command, to conduct minimal or no-notice inspections of battle force ships undergoing depot maintenance for compliance with applicable safety, firefighting, and other procedures. (PDF page 50 of 670)

**Section 379** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 379. MANAGEMENT OF FATIGUE AMONG CREW OF NAVAL SURFACE SHIPS AND RELATED IMPROVEMENTS.

(a) REQUIREMENT.—The Secretary of the Navy shall implement each recommendation for executive action set forth in the report of the Government Accountability Office titled ''Navy Readiness: Additional Efforts Are Needed to Manage Fatigue, Reduce Crewing Shortfalls, and Implement Training'' (GAO–21–366).

(b) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary of the Navy shall submit to the congressional defense committees and the Comptroller General a report on the status of actions taken by the Secretary to monitor crew fatigue and ensure equitable fatigue management throughout the naval surface ship fleet in accordance with subsection (a). Such report shall include the following:

(1) An assessment of the extent of crew fatigue throughout the naval surface ship fleet.

(2) A description of the metrics used to assess the extent of fatigue pursuant to paragraph (1).

(3) An identification of results-oriented goals for effective fatigue management.

(4) An identification of timeframes for achieving the goals identified pursuant to paragraph (3).

**Section 816** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 816. LIMITATION ON PROCUREMENT OF WELDED SHIPBOARD ANCHOR AND MOORING CHAIN FOR NAVAL VESSELS.

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

(1) in subsection (a)(2), by adding at the end the following new subparagraph:

''(F) Welded shipboard anchor and mooring chain.''; and

(2) in subsection (b)—

(A) by striking ''A manufacturer'' and inserting ''(1) Except as provided in paragraph

(2), a manufacturer''; and

(B) by adding at the end the following new paragraph:

''(2) A manufacturer of welded shipboard anchor and mooring chain for naval vessels meets the requirements of this subsection if the manufacturer is part of the national technology and industrial base.''

**Section 877** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 877. REPORT ON REQUESTS FOR EQUITABLE ADJUSTMENT IN DEPARTMENT OF THE NAVY.

(a) REPORT REQUIRED.—Not later than 60 days after the date of the enactment of this Act, the Secretary of the Navy shall submit to the congressional defense committees a report describing in detail the processing of requests for equitable adjustment by the Department of the Navy between October 1, 2011, and the date of the enactment of this Act, including progress by components within the Department of the Navy in complying with the covered directive.

(b) CONTENTS.—The report required under subsection (a) shall include, at a minimum, the following:

(1) The number of requests for equitable adjustment submitted between October 1, 2011, and the date of the enactment of this Act.

(2) The components within the Department of the Navy to which each such request was submitted.

(3) The number of requests for equitable adjustment outstanding as of the date of the enactment of this Act.

(4) The number of requests for equitable adjustment settled but not paid as of the date of the enactment of this Act, including a description of why each such request has not been paid.

(5) A detailed explanation of the efforts by the Secretary of the Navy to ensure compliance of components within the Department of the Navy with the covered directive.

(c) COVERED DIRECTIVE DEFINED.—In this section, the term ''covered directive'' means the directive of the Assistant Secretary of the Navy for Research, Development, and Acquisition, dated March 20, 2020, and titled ''(Intent and Direction) Withholds and Retentions During COVID-19'' requiring—

(1) payment to contractors of all settled requests for equitable adjustment; and

(2) the expeditious resolution of all outstanding requests for equitable adjustment.

**Section 1011** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1011. MODIFICATION TO ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.

(a) IN GENERAL.—Section 231 of title 10, United States Code, is amended—

(1) in subsection (b)(2), by adding at the end the following new subparagraphs:

''(G) The expected service life of each vessel in the naval vessel force provided for under the naval vessel construction plan, disaggregated by ship class, and the rationale for any changes to such expectations from the previous year's plan.

''(H) A certification by the appropriate Senior Technical Authority designated under section 8669b of this title of the expected service life of each vessel in the naval vessel force provided for under the naval vessel construction plan, disaggregated by ship class, and the rationale for any changes to such expectations from the previous year's plan.

''(I) For each battle force ship planned to be inactivated during the five-year period beginning on the date of the submittal of the report, a description of the planned disposition

of each such ship following such inactivation and the potential gaps in warfighting capability that will result from such ship being removed from service.''; and

(2) in subsection (f), by adding at the end the following new paragraph:

''(6) The term 'expected service life' means the number of years a naval vessel is expected to be in service.''.

(b) REPEAL OF TERMINATION OF ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.—Section 1061(c) of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328; 10 U.S.C. 111 note) is amended by striking paragraph (15).

**Section 1012** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1012. IMPROVING OVERSIGHT OF NAVY CONTRACTS FOR SHIPBUILDING, CONVERSION, AND REPAIR.

(a) IN GENERAL.—Chapter 805 title 10, United States Code, is amended by adding at the end the following new section:

''§ 8039. Deputy Commander of the Naval Sea Systems Command for the Supervision of Ship building, Conversion, and Repair

''(a) IN GENERAL.—The Secretary of the Navy shall establish and appoint an individual to the position of Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair (in this section referred to as the 'Deputy Commander').

''(b) QUALIFICATIONS.—The Deputy Commander shall be a flag officer of the Navy or an employee of the Navy in a Senior Executive Service position who possesses the expertise required to carry out the responsibilities specified in this section.

''(c) REPORTING.—The Deputy Commander shall report directly to the Commander of the Naval Sea Systems Command.

''(d) GENERAL RESPONSIBILITIES.—The Deputy Commander shall oversee—

''(1) the independent administration and management of the execution of Department of Defense contracts awarded to commercial entities for ship building, conversion, and repair at the facilities of such entities;

''(2) the designated contract administration office of the Department responsible for performing contract administration services for such contracts;

''(3) enforcement of requirements of such contracts to ensure satisfaction of all contractual obligations;

''(4) the work performed on such contracts to facilitate greater quality and economy in the products and services being procured; and

''(5) on-site quality assurance by the Government for such contracts, including inspections.

''(e) NON-CONTRACT ADMINISTRATION SERVICES FUNCTIONS.—The Deputy Commander shall manage the complexities and unique demands of shipbuilding, conversion, and repair by overseeing the performance of the following non-contract administration services functions for Navy Program Executives Offices, fleet commanders, and the Naval Sea Systems Command headquarters:

''(1) Project oversight, including the following:

''(A) Coordinating responses to non-contractual emergent problems, as assigned by the Commander of Naval Sea Systems Command.

''(B) Jointly coordinating activities of precommissioning crews and ship's force, and other Government activities.

‘‘(C) Communicating with customers and higher authority regarding matters that may affect project execution.

‘‘(D) Contract planning and procurement, including participation in acquisition planning and pre-award activities, including assessment of contractor qualifications.

‘‘(2) Technical authority, including the following:

‘‘(A) Execution of the technical authority responsibilities by the Waterfront Chief Engineer.

‘‘(B) Execution of the waterfront technical authority responsibilities of the Naval Sea Systems Command for providing Government direction and coordination in the resolution of technical issues.

‘‘(f) COMPREHENSIVE CONTRACT MANAGEMENT.—The Deputy Commander shall maintain direct relationships with the Director of the Defense Contract Management Agency and the Director of the Defense ContractAudit Agency to facilitate comprehensive contract management and oversight of commercial entities awarded a contract described in subsection (d)(1) and subcontractors (at any tier).

‘‘(g) SUBCONTRACTOR AUDITS.—The Deputy Commander shall request that the Director of the Defense Contract Audit Agency perform periodic audits of subcontractors that perform cost-type subcontracts or incentive subcontracts—

‘‘(1) that are valued at $50,000,000 or more; and

‘‘(2) for which the Deputy Commander oversees the designated contract administration office of the Department pursuant to subsection (d)(2).

‘‘(h) ANNUAL WRITTEN ASSESSMENT.—(1) Not later than March 1 of each year, the Deputy Commander shall submit to the congressional defense committees a written assessment summarizing the activities and results associated with the contracts for which the Deputy Commander oversees the designated contract administration office of the Department.

‘‘(2) Each written assessment required by paragraph (1) shall include the following:

‘‘(A) A summary of shipbuilding performance that—

‘‘(i) includes common critical process metrics documented by the appropriate Navy supervisor of shipbuilding, conversion, and repair for each commercial entity described in subsection (d)(1);

‘‘(ii) outlines corrective action requests for critical defects and any actions planned or taken to address them;

‘‘(iii) indicates waivers approved to support acceptance trials, combined trials, and Navy acceptance of ship delivery from the commercial entity described in subsection (d)(1), to include the conditions requiring the approval of each waiver; and

‘‘(iv) includes information on the extent to which letters of delegation are used for each shipbuilding program to provide for quality assurance oversight of subcontractors (at any tier) by the Defense Contract Management Agency.

‘‘(B) A summary of any significant deficiencies in contractor business systems or other significant contract discrepancies documented by the appropriate Navy supervisor of shipbuilding, conversion, and repair, the Defense Contract Management Agency, or the Defense Contract Audit Agency for such contracts, and any actions planned or taken in response.

‘‘(C) A summary of the results from audits and inspections completed by Naval Sea Systems Command that evaluate the performance of the appropriate Navy supervisor of

shipbuilding, conversion, and repair in executing their quality assurance and contract administration responsibilities.

‘‘(D) A summary of any dedicated evaluation, such as a review by a task force or working group, of the organizational structure and resourcing plans and requirements that support the supervision of shipbuilding, conversion, and repair, that—

‘‘(i) includes key findings, recommendations, and implementation plans; and

‘‘(ii) indicates any additional support needed from other organizations of the Department, such as the Defense Contract Audit Agency and the Defense Contract Management Agency, for implementation.’’.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 805 of such title is amended by adding at the end the following new item:

‘‘8039. Deputy Commander of the Naval Sea Systems Command for the Supervision of Shipbuilding, Conversion, and Repair.’’.

(c) EFFECTIVE DATE.—On the date that is 30 days after the date of enactment of the National Defense Authorization Act for Fiscal Year 2023—

(1) this section and the amendments made by this section shall take effect; and

(2) the Secretary of the Navy shall appoint an individual to the position of Deputy Commander of the Naval Sea Systems Command for the Super vision of Shipbuilding, Conversion, and Repair and notify the congressional defense committees of such appointment.

**Section 1013** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1013. CODIFICATION OF REQUIREMENT FOR ASSESSMENTS PRIOR TO START OF CONSTRUCTION ON FIRST SHIP OF A SHIPBUILDING PROGRAM.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended by inserting after section 8669b the following new section:

‘‘§ 8669c. Assessments required prior to start of construction on first ship of a shipbuilding

program

‘‘(a) IN GENERAL.—The Secretary of the Navy may not approve the start of construction of the first ship for any major shipbuilding program until a period of 30 days has elapsed following the date on which the Secretary—

‘‘(1) submits a report to the congressional defense committees on the results of any production readiness review;

‘‘(2) certifies to the congressional defense committees that the findings of any such review support commencement of construction; and

‘‘(3) certifies to the congressional defense committees that the basic and functional design of the vessel is complete.

‘‘(b) REPORT.—The report required by subsection (a)(1) shall include, at a minimum, an assessment of each of the following:

‘‘(1) The maturity of the ship’s design, as measured by stability of the ship contract specifications and the degree of completion of detail design and production design drawings.

‘‘(2) The maturity of developmental command and control systems, weapon and sensor systems, and hull, mechanical and electrical systems.

‘‘(3) The readiness of the shipyard facilities and workforce to begin construction.

''(4) The Navy's estimated cost at completion and the adequacy of the budget to support the estimate.

''(5) The Navy's estimated delivery date and description of any variance to the contract delivery date.

''(6) The extent to which adequate processes and metrics are in place to measure and manage program risks.

''(c) DEFINITIONS.—For the purposes of subsection (a):

''(1) BASIC AND FUNCTIONAL DESIGN.—The term 'basic and functional design', when used with respect to a vessel, means design through computer aided models, that—

''(A) fixes the major hull structure of the vessel;

''(B) sets the hydrodynamics of the vessel; and

''(C) routes major portions of all distributive systems of the vessel, including electricity, water, and other utilities.

''(2) FIRST SHIP.—The term 'first ship' applies to a ship if—

''(A) the ship is the first ship to be constructed under that shipbuilding program; or

''(B) the shipyard at which the ship is to be constructed has not previously started construction on a ship under that shipbuilding program.

''(3) MAJOR SHIPBUILDING PROGRAM.—The term 'major shipbuilding program' means a program for the construction of combatant and support vessels required for the naval vessel force, as reported within the annual naval vessel construction plan required by section 231 of this title.

''(4) PRODUCTION READINESS REVIEW.—The term 'production readiness review' means a formal examination of a program prior to the start of construction to determine if the design is ready for production, production engineering problems have been resolved, and the producer has accomplished adequate planning for the production phase.

''(5) START OF CONSTRUCTION.—The term 'start of construction' means the beginning of fabrication of the hull and superstructure of the ship.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 8669b the following new item:

''8669c. Assessments required prior to start of construction on first ship of a shipbuilding program.''.

(c) CONFORMING REPEAL.—Section 124 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110–181; 122 Stat. 28; 10 U.S.C. 8661 note) is repealed.

**Section 1014** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1014. LIMITATION ON DECOMMISSIONING OR INACTIVATING A BATTLE FORCE SHIP BEFORE THE END OF EXPECTED SERVICE LIFE.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended by inserting after section 8678 the following new section:

''§ 8678a. Limitation on decommissioning or inactivating a battle force ship before the end of expected service life

''(a) LIMITATION.—The Secretary of the Navy may not decommission or inactivate a battle force ship before the end of the expected service life of the ship.

‘‘(b) WAIVER.—The Secretary of the Navy may waive the limitation under subsection (a) with respect to a battle force ship if—

‘‘(1) the Secretary submits to the congressional defense committees the certification described in subsection (c) with respect to such ship; and

‘‘(2) a period of 30 days has elapsed following the date on which such certification was submitted.

‘‘(c) CERTIFICATION DESCRIBED.—A certification described in this subsection is a certification that—

‘‘(1)(A) maintaining the battle force ship in a reduced operating status is not feasible;

‘‘(B) maintaining the ship with reduced capability is not feasible;

‘‘(C) maintaining the ship as a Navy Reserve unit is not feasible;

‘‘(D) transferring the ship to the Coast Guard is not feasible; and

‘‘(E) maintaining the ship is not required to support the most recent national defense strategy required by section 113(g) of this title; and

‘‘(2) includes an explanation of—

‘‘(A) the options assessed and the rationale for the determinations under subparagraphs (A) through (D) of paragraph (1); and

‘‘(B) the rationale for the determination under subparagraph (E) of such paragraph.

‘‘(d) FORM.—A certification submitted under subsection (b) shall be submitted in unclassified form, but may include a classified annex.

‘‘(e) DEFINITIONS.—In this section:

‘‘(1) The term ‘battle force ship’ means the following:

‘‘(A) A commissioned United States Ship

warship capable of contributing to combat operations.

‘‘(B) A United States Naval Ship that contributes directly to Navy warfighting or support

missions.

‘‘(2) The term ‘expected service life’ means the number of years a naval vessel is expected to be in service.’’.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is amended by inserting after the item relating to section 8678 the following new item:

‘‘8678a. Limitation on decommissioning or inactivating a battle force ship before the end of expected service life.’’.

**Section 1015** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1015. BIENNIAL REPORT ON SHIPBUILDER TRAINING AND THE DEFENSE INDUSTRIAL BASE.

(a) TECHNICAL CORRECTION.—The second section 8692 of title 10, United States Code, as added by section 1026 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283), is redesignated as section 8693 and the table of sections at the beginning of chapter 863 of such title is conformed accordingly.

(b) MODIFICATION OF REPORT.—Such section is fur ther amended—

(1) by striking ''Not later'' and inserting ''(a) IN GENERAL.—Not later'';

(2) in subsection (a), as so redesignated, by adding at the end the following new paragraph:

''(7) An analysis of the potential benefits of multi-year procurement contracting for the stability of the shipbuilding defense industrial base.''; and

(3) by adding at the end the following new sub section:

''(b) SOLICITATION AND ANALYSIS OF INFORMATION.—In order to carry out subsection (a)(2), the Secretary of the Navy and Secretary of Labor shall—

''(1) solicit information regarding the age demographics and occupational experience level from the private shipyards of the shipbuilding defense industrial base; and

''(2) analyze such information for findings relevant to carrying out subsection (a)(2), including findings related to the current and projected defense shipbuilding workforce, current and projected labor needs, and the readiness of the current and projected workforce to supply the proficiencies analyzed in subsection (a)(1).''.

**Section 1016** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1016. ANNUAL REPORT ON SHIP MAINTENANCE.

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

''§ 8694. Annual report on ship maintenance

''(a) REPORT REQUIRED.—Not later than October 15 of each year, the Secretary of the Navy shall submit to the Committees on Armed Services of the Senate and House of Representatives a report setting forth each of the following:

''(1) A description of all ship maintenance planned for the fiscal year during which the report is submitted, by hull.

''(2) The estimated cost of the maintenance described pursuant to paragraph (1).

''(3) A summary of all ship maintenance conducted by the Secretary during the previous fiscal year.

''(4) A detailed description of any ship maintenance that was deferred during the previous fiscal year, including specific reasons for the delay or cancellation of any availability.

''(5) A detailed description of the effect of each of the planned ship maintenance actions that were delayed or cancelled during the previous fiscal year, including—

''(A) a summary of the effects on the costs and schedule for each delay or cancellation; and

''(B) the accrued operational and fiscal cost of all the deferments over the fiscal year.

''(b) FORM OF REPORT.— Each report submitted under subsection (a) shall be submitted in unclassified form and made publicly available on an appropriate internet website in a searchable format, but may contain a classified annex.''.

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

''8694. Annual report on ship maintenance.''.

**Section 1017** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1017. NAVY BATTLE FORCE SHIP ASSESSMENT AND REQUIREMENT REPORTING.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, as amended by section 1023, is further amended by adding at the end the following new section:

''SEC. 8695. NAVY BATTLE FORCE SHIP ASSESSMENT AND REQUIREMENT REPORTING.

''(a) IN GENERAL.—Not later than 180 days after the date on which a covered event occurs, the Chief of Naval Operations shall submit to the congressional defense committees a battle force ship assessment and requirement.

''(b) ASSESSMENT.—Each assessment required by subsection (a) shall include the following:

''(1) A review of the strategic guidance of the Federal Government, the Department of Defense, and the Navy for identifying priorities, missions, objectives, and principles, in effect as of the date on which the assessment is submitted, that the force structure of the Navy must follow.

''(2) An identification of the steady-state demand for maritime security and security force assistance activities.

''(3) An identification of the force options that can satisfy the steady-state demands for activities required by theater campaign plans of combatant commanders.

''(4) A force optimization analysis that produces a day-to-day global posture required to accomplish peacetime and steady-state tasks assigned by combatant commanders.

''(5) A modeling of the ability of the force to fight and win scenarios approved by the Department of Defense.

''(6) A calculation of the number and global posture of each force element required to meet steady-state presence demands and warfighting response timelines.

''(c) REQUIREMENT.—(1) Each requirement required by subsection (a) shall—

''(A) be based on the assessment required by subsection (b); and

''(B) identify, for each of the fiscal years that are five, 10, 15, 20, 25, and 30 years from the date of the covered event—

''(i) the total number of battle force ships required;

''(ii) the number of battle force ships required in each of the categories described in paragraph (2);

''(iii) the classes of battle force ships included in each of the categories described in paragraph (2); and

''(iv) the number of battle force ships required in each class.

''(2) The categories described in this paragraph are the following:

''(A) Aircraft carriers.

''(B) Large surface combatants.

''(C) Small surface combatants.

''(D) Amphibious warfare ships.

''(E) Attack submarines.

''(F) Ballistic missile submarines.

''(G) Combat logistics force.

''(H) Expeditionary fast transport.

''(I) Expeditionary support base.

''(J) Command and support.

''(K) Other.

''(d) DEFINITIONS.—In this section:

''(1) The term 'battle force ship' means the following:

''(A) A commissioned United States Ship warship capable of contributing to combat operations.

''(B) A United States Naval Ship that contributes directly to Navy warfighting or support

missions.

''(2) The term 'covered event' means a significant change to any of the following:

''(A) Strategic guidance that results in changes to theater campaign plans or warfighting scenarios.

''(B) Strategic laydown of vessels or aircraft that affects sustainable peacetime presence or warfighting response timelines.

''(C) Operating concepts, including employment cycles, crewing constructs, or operational tempo limits, that affect peacetime presence or warfighting response timelines.

''(D) Assigned missions that affect the type or quantity of force elements.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is further amended by adding at the end the following new item:

''8695. Navy battle force ship assessment and requirement reporting.''.

(c) BASELINE ASSESSMENT AND REQUIREMENT REQUIRED.—The date of the enactment of this Act is deemed to be a covered event for the purposes of establishing a baseline battle force ship assessment and requirement under section 8695 of title 10, United States Code, as added by subsection (a).

**Section 1018** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1018. PROHIBITION ON USE OF FUNDS FOR RETIREMENT OF MARK VI PATROL BOATS.

(a) PROHIBITION.—None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2022 for the Navy may be obligated or expended to retire, prepare to retire, or place in storage any Mark VI patrol boat.

(b) REPORT.—Not later than February 15, 2022, the Secretary of the Navy, in consultation with the Commandant of the Marine Corps, shall submit to the congressional defense committees a report that includes each of the following:

(1) The rationale for the retirement of existing Mark VI patrol boats, including an operational analysis of the effect of such retirements on the warfighting requirements of the commanders of each of the combatant commands.

(2) A review of how the Fifth Fleet requirements, which are currently being met by Mark VI patrol boats, will continue to be met without such boats, including an evaluation of the cumulative effect of eliminating Mark VI patrol boats in addition to other recent reductions in Navy riverine force structure, such as riverine command boats, in the theater.

(3) An update on the implementation of the corrective actions and lessons learned from the Navy's investigation of the January 12, 2016, incident in which 10 United States sailors were detained by Iranian forces near Farsi Island, the extent to which retiring existing Mark

VI patrol boats will affect such implementation, and how such implementation will be sustained in the absence of Mark VI patrol boats.

(4) A review of operating concepts for escorting high value units without Mark VI patrol boats.

(5) A description of the manner and concept of operations in which the Marine Corps could use Mark VI patrol boats to support distributed maritime operations, advanced expeditionary basing operations, and persistent presence near maritime choke points and strategic littorals in the Indo-Pacific region.

(6) An assessment of the potential for modification, and the associated costs, of the Mark VI patrol boat for the inclusion of loitering munitions or anti-ship cruise missiles, such as the Long Range Anti-Ship Missile and the Naval Strike Missile, particularly to support the concept of operations described in paragraph (5).

(7) A description of resources required for the Marine Corps to possess, man, train, and maintain Mark VI patrol boats in the performance of the concept of operations described in paragraph (5) and modifications described in paragraph (6).

(8) A determination of whether the Marine Corps should take possession of the Mark VI patrol boats effective on or before September 30, 2022.

(9) Such other matters the Secretary deter mines appropriate.

**Section 1019** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1019. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF GUIDED MISSILE CRUISERS.

None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2022 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage more than 5 guided missile cruisers.

**Section 1020** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1020. REVIEW OF SUSTAINMENT KEY PERFORMANCE PARAMETERS FOR SHIPBUILDING PROGRAMS.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Chairman of the Joint Chiefs of Staff shall initiate a review of the Joint Capabilities Integration and Development System policy related to the setting of sustainment key performance parameters and key system attributes for shipbuilding programs to ensure such parameters and attributes account for a comprehensive range of factors that could affect the operational availability and materiel availability of a ship. Such review shall include the extent to which—

(1) the term ‘‘operational availability’’ should be redefined by mission area and to include equipment failures that affect the ability of a ship to perform primary missions; and

(2) the term ‘‘materiel availability’’ should be redefined to take into account factors that could result in a ship being unavailable for operations, including unplanned maintenance, unplanned losses, and training.

**Section 1021** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1021. ASSESSMENT OF SECURITY OF GLOBAL MARITIME CHOKEPOINTS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a report on the security of global maritime chokepoints from the threat of hostile kinetic attacks, cyber disruptions, and other form of sabotage. The report shall include an assessment of each of the following with respect to each global maritime chokepoint covered by the report:

(1) The expected length of time and resources required for operations to resume at the chokepoint in the event of attack, sabotage, or other disruption of regular maritime operations.

(2) The security of any secondary chokepoint that could be affected by a disruption at the global maritime chokepoint.

(3) Options to mitigate any vulnerabilities resulting from a hostile kinetic attack, cyber disruption, or other form of sabotage at the chokepoint.

(b) FORM OF REPORT.—The report required by subsection (a) shall be submitted in unclassified form, but may contain a classified annex.

(c) GLOBAL MARITIME CHOKEPOINT.—In this section, the term ''global maritime chokepoint'' means any of the following:

(1) The Panama Canal.

(2) The Suez Canal.

(3) The Strait of Malacca.

(4) The Strait of Hormuz.

(5) The Bab el-Mandeb Strait.

(6) Any other chokepoint determined appropriate by the Secretary.

**Section 1022** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1022. REPORT ON ACQUISITION, DELIVERY, AND USE OF MOBILITY ASSETS THAT ENABLE IMPLEMENTATION OF EXPEDITIONARY ADVANCED BASE OPERATIONS.

(a) REPORT REQUIRED.—Not later than 180 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 a detailed description of each of the following:

(1) The doctrine, organization, training, materiel, leadership and education, personnel, and facilities required to operate and maintain a force of 24 to 35 Light Amphibious Warships, including—

(A) the estimated timeline for procuring and delivering such warships;

(B) the estimated cost to procure, man, train, operate, maintain, and modernize such warships for each of the 10 years following the year in which the report is submitted, together with the notional Department of Defense appropriations account associated with each such cost; and

(C) the feasibility of accelerating the cur rent Light Amphibius Warship procurement plan and delivery schedule.

(2) The specific number, type, and mix of manned and unmanned platforms required to support distributed maritime operations and expeditionary advanced base operations.

(3) The feasibility of Marine Littoral Regiments using other joint and interagency mobility platforms prior to, in addition to, or in lieu of the operational availability of Light Amphibious Warships, including—

(A) Army LCU-2000, Runnymede-class and General Frank S. Besson-class logistics support vessels;

(B) Navy LCU-1610 or LCU-1700, Landing Craft Air Cushioned, and Ship-to-Shore Connector vessels;

(C) commercial vessel options that—

(i) are available as of the date of the enactment of this Act; and

(ii) meet Marine Littoral Regiment requirements for movement, maneuver, sustainment, training, interoperability, and cargo capacity and delivery;

(D) maritime prepositioning force vessels; and

(E) Coast Guard vessels.

(4) The specific number, type, and mix of long range unmanned surface vessel platforms required to support distributed maritime operations, expeditionary advanced base operations, along with their operational interaction with the warfighting capabilities of the fleet, including—

(A) the estimated timeline for procuring and delivering such platforms; and

(B) the estimated cost to procure, man, train, operate, maintain, and modernize such platforms for each of the 10 years following the year in which the report is submitted, together with the notional Department of Defense appropriations account associated with each such cost.

(5) The feasibility of integrating Marine Littoral Regiments with—

(A) special operations activities;

(B) joint and interagency planning;

(C) information warfare operations; and

(D) command, control, communications, computer, intelligence, surveillance and reconnaissance, and security cooperation activities.

(6) The projected cost and timeline for deploying Marine Littoral Regiments, including—

(A) the extent to which such regiments will deploy with the capabilities listed in paragraphs

(1) through (5) during each of the 10 years following the year in which the report is submitted; and

(B) options to accelerate such deployments or increase the capabilities of such regiments if additional resources are available, together with a description of such resources.

(b) FORM OF REPORT.—The report required by subsection (a) shall be submitted in a publicly accessible, unclassified form, but may contain a classified annex.

**Section 1053** of the HASC-SASC-negotiated proposal for S. 1605 states

SEC. 1053. NAVY COORDINATION WITH COAST GUARD AND SPACE FORCE ON AIRCRAFT, WEAPONS, TACTICS, TECHNIQUE, ORGANIZATION, AND EQUIPMENT OF JOINT CONCERN.

Section 8062(d) of title 10, United States Code, is amended by inserting ‘‘the Coast Guard, the Space Force,’’ after ‘‘the Air Force,’’.[63]

[63] 10 U.S.C. 8062(d) as of December 8, 2021, states: “(d) The Navy shall develop aircraft, weapons, tactics, technique, organization, and equipment of naval combat and service elements. Matters of joint concern as to these functions shall be coordinated between the Army, the Air Force, and the Navy.”

# FY2022 DOD Appropriations Act (H.R. 4432/S. XXXX)

## House

The House Appropriations Committee, in its report (H.Rept. 117-88 of July 15, 2021) on H.R. 4432, recommended the funding levels shown in the HAC column of **Table 7**.

Among the recommended changes shown in the table, the committee is recommending funding for the procurement of one additional DDG-51 destroyer and funding for the procurement of one TATS towing, salvage, and rescue ship (one less than the two TATS ships that were requested).

**Section 8095** of H.R. 4432 as reported by the committee states

> SEC. 8095. Of the amounts appropriated in this Act for ''Shipbuilding and Conversion, Navy'', $299,900,000, to remain available for obligation until September 30, 2026, may be used for the purchase of five used sealift vessels for the National Defense Reserve Fleet, established under section 11 of the Merchant Ship Sales Act of 1946 (46 U.S.C. 57100): Provided, That such amounts are available for reimbursements to the Ready Reserve Force, Maritime Administration account of the United States Department of Transportation for programs, projects, activities, and expenses related to the National Defense Reserve Fleet: Provided further, That notwithstanding section 2218 of title 10, United States Code, none of these funds shall be transferred to the National Defense Sealift Fund for execution.

**Section 8104** of H.R. 4432 as reported by the committee states

> SEC. 8104. None of the funds provided in this Act for requirements development, performance specification development, concept design and development, ship con figuration 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, or T–AGOS(X) Oceanographic Surveillance Ship may be used to award a new contract for such activities unless these contracts include specifications that all auxiliary equipment, including pumps and propulsion shafts are manufactured in the United States.

**Section 8105** of H.R. 4432 as reported by the committee states

> SEC. 8105. None of the funds made available by this Act may be obligated or expended for the purpose of decommissioning the [Littoral Combat Ships] USS *Fort Worth* [LCS-3], the USS *Detroit* [LCS-7], or the USS *Little Rock* [LCS-9].

Regarding Section 8105, H.Rept. 117-88 states

> LITTORAL COMBAT SHIPS
>
> The Committee recommendation includes a general provision [Section 8105] which allows for the decommissioning of only the USS Coronado [LCS-4]. The Committee is disappointed that the Navy has planned to decommission two ships, the USS Detroit [LCS-7] and the USS Little Rock [LCS-9], that are five and four years old, respectively. The Committee believes this is a misuse of taxpayer funds and directs the Secretary of the Navy to provide a report to the congressional defense committees not later than 60 days after the enactment of this Act on specific plans and missions for the USS Fort Worth [LCS-3], the USS Detroit, and the USS Little Rock in the fiscal year 2023 budget request. (Page 8)

H.Rept. 117-88 also states

> SHIPYARD DOMESTIC INDUSTRIAL BASE
>
> The Committee supports the Navy's efforts to procure domestically sourced industrial and marine gear drives, motors, and generators; industrial cranes; and associated maintenance

> and installation services for use in Navy public shipyards. The Committee directs the Secretary of the Navy to conduct a study examining the economic impact on domestic suppliers and their supply chains that would arise from the application of a domestic content requirement to manufactured articles, materials, supplies, and services. The Secretary of the Navy shall prioritize critical items, including but not limited to those previously mentioned, for executing construction at the four shipyards under the Shipyard Infrastructure Optimization Program. The analysis shall include possible expansion of Buy America laws to the prioritized procurements. The Committee further directs the Secretary of the Navy to provide a report on the study's findings to the congressional defense committees not later than 180 days after the enactment of this Act. (Pages 9-10)

H.Rept. 117-88 also states

> ICEBREAKERS
>
> The Committee understands that the Coast Guard is expanding its fleet of polar icebreakers but is disappointed that the Navy has not also considered purchasing either new or used icebreakers. The Committee directs the Secretary of the Navy to submit a report to the congressional defense committees not later than 60 days after the enactment of this Act which details the Navy's plan to address this capability requirement in fiscal year 2022 and the future years defense program. (Page 186)[64]

## Senate

The Senate Appropriations Committee, in the explanatory statement it released on October 18, 2021, for the FY2022 DOD Appropriations Act (S. XXXX), recommended the funding levels shown in the SAC column of **Table 7**.

Among the recommended changes shown in the table, the committee is recommending funding for the procurement of one additional DDG-51 destroyer, one additional Expeditionary Sea Base (ESB) ship, two additional Expeditionary Fast Transport ships (EPFs) (one of which is to be built as an emergency medical ship [EMS] variant), and three additional ship-to-shore connector (SSC) landing craft. (PDF page 106 of 253)

The explanatory statement for S. XXXX that the committee released on October 18, 2021, states

> BUDGETING for NAVY MODERNIZATION
>
> In the fiscal year 2022 budget request, the Navy proposed to break the multi-year procurement contract [MYP] for the DDG–51 Destroyer, while simultaneously requesting that Congress appropriate the necessary additional funds for that Destroyer in the amount of $1,659,200,000 by listing it as its top unfunded priority. The Committee notes that this five-year MYP was authorized by the congressional defense committees in fiscal year 2018 at the request of the Navy, certified by the Under Secretary of Defense (Acquisition and Sustainment), and with cost estimates provided by the Director, Cost Assessment and Program Evaluation [CAPE]. Failure to fully budget for this MYP, therefore, implies a lack of understanding of the full five-year funding requirements, and creates an unnecessary risk to the predictable and stable funding required for this MYP.
>
> The Committee is concerned that this continues a trend by the Navy to submit budgets to the Congress that deliberately underfund programs deemed by the Navy to be critical, with the expectation that the congressional appropriations committees will restore funds for these programs within the budget allocation for the Department of Defense. For instance, in fiscal year 2021, the Navy's budget request underfunded the MYP for the VIRGINIA Class submarine that had been authorized in fiscal year 2018, requiring the congressional

[64] For more on the Coast Guard's icebreaker acquisition program, see CRS Report RL34391, *Coast Guard Polar Security Cutter (Polar Icebreaker) Program: Background and Issues for Congress*, by Ronald O'Rourke.

> appropriations committees to provide approximately $2,600,000,000 in additional funds for this MYP.
>
> As a result of these repeated budgetary maneuvers, the Committee questions whether the Navy's budget requests accurately reflect the service's most important priorities. This is particularly concerning given the Navy's plans to initiate and ramp up several major acquisition programs in the near-term, including the COLUMBIA Class submarine, the Next Generation Air Dominance Family of Systems, the DDG(X) Destroyer, FFG, and SSN(X). At the same time, the Navy is struggling to manage cost on several major acquisition programs, including the COLUMBIA Class submarine, certain subsea and seabed warfare programs, and the TAO fleet oiler, revealing significant cost increases for each of these programs in the fiscal year 2022 budget submission.
>
> The Committee directs the Comptroller General to review the Department of the Navy's and the CAPE's processes for identifying and budgeting funds required to fully fund MYPs during the Departments' programming, planning, and budgeting processes and to report back to the congressional defense committees no later than 90 days after enactment of this act. This report shall include an analysis on treatment of MYP funds for Navy programs in the fiscal year 2021 and fiscal year 2022 President's budget submissions. (PDF pages 6-7 of 253)

The explanatory statement also states

> *Land-Based Testing.*—The fiscal year 2022 President's budget request includes funds for no less than five different land-based test enterprises in support of four Navy acquisition programs, to include the Medium Unmanned Surface Vessel program, the Large Unmanned Surface Vessel program, the Next-Generation Guided-Missile destroyer program, and the CONSTELLATION Class program.
>
> The Committee recognizes the value of, and supports, land-based testing to demonstrate maturity of critical technologies for major Navy acquisition programs prior to construction; however, the Committee is concerned by an apparent lack of coordination among the multitude of efforts, as well as the potential for disconnects between the land-based test sites and the acquisition programs they support, and recommends several adjustments, as detailed in the table of Committee Recommended Adjustments accompanying this section. Further, the Committee believes that costs to establish and operate land-based test sites should be included in programs' acquisition costs estimates up front. (PDF page 178 of 253)

# Appendix A. 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 A-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** |

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

**Notes:** QDR = 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 B. 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,[65] and as of December 9, 2021, included a total of 295 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 December 2021 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 2021 fleet in areas such as profusion of precision-guided weapons and the sophistication of C4ISR systems and networking capabilities.[66]

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 295-ship fleet of December 2021 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

[65] 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.

[66] 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 296-ship Navy of September 2020 was appropriately sized for meeting the mission requirements of 2020, even though there were differences of opinion among observers on that question, simply because a figure of 296 ships appears in the historical records for 2020, 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 G-1**.

Previous Navy force structure plans, such as those shown in **Table A-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.[67]

[67] Navy force structure plans that predate those shown in **Table A-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 C. 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].[68]

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

[68] 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."[69]

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."[70]

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.[71]

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

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

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

[71] 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.[72]

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.

[72] 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.[73]

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

[73] 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."[74]

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 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

[74] 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.

> 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.[75]

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 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-

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

> 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.[76]

## 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.[77]

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."[78] The 2015

[76] 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.

[77] 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 Corporation, 2015.

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

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."[79]

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.)

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

# Appendix D. 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.
- **Use mature technologies.** Use land-based prototyping and testing to bring new technologies to a high state of maturity before incorporating them into ship designs, and limit the number of major new technologies to be incorporated into a new ship design.
- **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 E. 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."[80]

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.[81]

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[80] 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.

[81] 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.[82]

*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.

[82] 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 F. 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 G. Size of the Navy and Navy Shipbuilding Rate

## Size of the Navy

**Table G-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.[83] 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 December 9, 2021, the Navy had 295 battle force ships.

As discussed in **Appendix B**, historical figures for total fleet size might not be a reliable yardstick for assessing the appropriateness of proposals for the future size and structure of the Navy, particularly if the historical figures are more than a few years old, because the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time, and because the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for 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.

[83] 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 G-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 G-2** shows past (FY1982-FY2021) and programmed (FY2022-FY2026) rates of Navy ship procurement.

**Table G-2. Battle Force Ships Procured or Requested, FY1982-FY2026**

(Procured in FY1982-FY2021 and *programmed for FY2022-FY2026*)

| **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*** | ***26*** | | | | | | | | | | | | |
| 13 | 10 | 7 | | | | | | | | | | | | | | | | |

**Source:** CRS compilation based on Navy budget data and examination of defense authorization and appropriation committee and conference reports for each fiscal year. The table excludes 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 H. Effort in 2019 and 2020 to Develop New Navy Force-Level Goal

This appendix presents additional background information on the effort in 2019 and 2020 to develop a new Navy force level goal.[84]

## Navy's Initial Effort Was Called the Integrated Naval FSA (INFSA)

The effort to develop a new Navy force-level goal began in the Navy with a new FSA that Navy and Marine Corps officials called the Integrated Naval FSA (INFSA), with the words *integrated naval* intended to signal that this FSA would integrate Marine Corps requirements into the analytical process more fully than previous FSAs did. Department of the Navy (DON) officials stated that the INFSA would 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,[85] as well as updated information on Chinese and Russian naval and other military capabilities and recent developments in new technologies, including those related to UVs.[86]

## INFSA May Have Called for a 390/435-Ship Force-level Goal

Press reports and statements from Navy officials suggested that the INFSA was completed in late 2019 or early 2020, and that it may have resulted in a new Navy force-level goal for a fleet of about 390 manned ships plus about 45 unmanned or optionally manned ships, for a total of about 435 manned and unmanned/optionally manned ships. Navy officials provided few additional details about the composition of this 390/435-ship force-level goal.[87]

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[84] See also Megan Eckstein, "After 9 Months of Study, Pentagon's Fleet Architecture Similar to Original Navy Plan," *USNI News*, November 4, 2020; Mallory Shelbourne and Sam LaGrone, "SECDEF Esper's 'Battle Force 2045' Plan Still Awaiting White House Approval," *USNI News*, October 231, 2020; John R. Kroger, "Esper's Fantasy Fleet, The SecDef's 500-Ship Plan Is an Exercise in Wishful Thinking That Avoids Hard Choices," *Defense One*, October 13, 2020; Gina Harkins, "The Navy Really Does Need 500 Ships, Experts Say. But Paying for Them Won't Be Easy," *Military.com*, October 8, 2020. For a series of additional reaction and commentary articles on the Battle Force 2045 plan, see Dmitry Filipoff, "Fleet Force Structure Series," Center for International Maritime Security (CIMSEC), undated, with the linked reaction and commentary pieces dated October 26 to November 2, 2020.

[85] 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.

[86] 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.

[87] 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.

## INFSA Results and Associated FY2021 30-Year Shipbuilding Plan Withheld from Congress

The release to Congress of the new Navy force-level goal resulting from the INFSA was postponed repeatedly in late 2019 and early 2020.[88] Remarks from DOD officials and press reports indicated that then-Secretary of Defense Mark Esper and officials OSD disagreed with some of the INFSA's assumptions and resulting conclusions. Coincident with this, OSD reportedly also withheld the release to Congress of the Navy's associated FY2021 30-year shipbuilding plan, because Esper and OSD officials reportedly believed that it did not present a "credible pathway" for achieving a fleet of at least 355 ships in a timely manner.[89]

## INFSA Superseded by DOD's Future Naval Force Study (FNFS)

The INFSA reportedly was superseded in early 2020 by an OSD-led effort called the Future Naval Force Study (FNFS) that reportedly involves OSD and the Joint Staff and is being overseen by Deputy Defense Secretary David Norquist.[90] As part of the FNFS, OSD reportedly has used war games to assess the merits of three candidate fleet plans prepared by the Navy, the Joint Staff, and the Cost Assessment and Program Evaluation (CAPE) office within OSD. The Hudson Institute, a private defense and foreign policy think tank, provided an additional study to help inform DOD's work.[91] With the INFSA having been superseded by the FNFS, the Navy

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[88] 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. (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.)

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. (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.)

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

[89] 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; 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; 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.

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

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

reportedly "has lost much of its power on deciding what its future fleet will look like…."[92] No release date for the result of the FNFS has been announced, but press reports suggest that much of the analytical work on the FNFS has now been completed, and that the results of the FNFS could be released in coming days or weeks.[93]

## April and June 2020 Press Reports About FNFS Results

April and June 2020 press reports stated that FNFS as of April 2020 was moving toward recommending a fleet with, among other things, 68 or 69 nuclear-powered attack submarines (SSNs), 9 aircraft carriers, 80 to 90 large surface combatants (i.e., cruisers and destroyers), 55 to 70 small surface combatants (i.e., frigates and Littoral Combat Ships [LCSs]), 65 unmanned or lightly manned surface vehicles, and 50 extra-large unmanned underwater vehicles (XLUUVs).[94]

## September 2020 Press Reports About FNFS Studies

A September 24, 2020, press report about studies done in April in support of the FNFS stated

> The Pentagon's upcoming recommendation for a future Navy is expected to call for a significant increase in the number of ships, with officials discussing a fleet as large as 530 hulls, according to documents obtained by Defense News.
>
> Supporting documents to the forthcoming Future Navy Force Study reviewed by Defense News show the Navy moving towards a lighter force with many more ships but fewer aircraft carriers and large surface combatants. Instead, the fleet would include more small surface combatants, unmanned ships and submarines and an expanded logistics force.
>
> Two groups commissioned by Secretary of Defense Mark Esper to design what a future Navy should look like suggested fleets of anywhere from 480 to 534 ships, when manned and unmanned platforms are accounted for—at least a 35 percent increase in fleet size from the current target of 355 manned ships by 2030.
>
> The numbers all come from an April draft of inputs to the Future Navy Force Study conducted by the Office of the Secretary of Defense. While the number will likely have changed somewhat in final recommendations recently sent to Esper, the plans being discussed in April are notable as they reflect what will likely be major shift in the Navy's future—and the expectation is that a larger-than-planned Navy based on the concepts laid out in the documents will remain intact in the final analysis….
>
> The Future Naval Force Study, overseen by Deputy Secretary of Defense David Norquist, kicked off in January after Esper decided he wanted an outside take on the Navy's self-review of its future force structure. The OSD-led review tasked three groups to provide their version of an ideal fleet construction for the year 2045, one each by the Pentagon's Cost Assessment & Program Evaluation office, the Joint Staff, the Navy and a group from the Hudson Institute.
>
> Those fleets were war-gamed and the results were compiled into the Future Naval Force Study, which was briefed to Esper earlier this month….

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

[93] 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.

[94] 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.

The April documents viewed by Defense News included notional fleets designed by CAPE and the Hudson Institute….

The fleets designed by the CAPE and Hudson teams agreed on the need to increase the number and diversity of ships while boosting vertical launch system capacity—while also holding the operations and sustainment cost of the fleet as steady as possible and avoid adding to the number of sailors required to operate it.

As of the April drafts, both the CAPE and Hudson Institute teams were supportive of shrinking the number of supercarriers to nine from the current 11, which would effectively give the country eight active carriers, with one carrier always in midlife overhaul and refueling. The Hudson study also called for investing in four light carriers.

The CAPE fleet called for between 80 and 90 large surface combatants, about the same level as today's 89 cruisers and destroyers. Hudson looked to reduce the number slightly and instead fund more lightly manned corvettes, something Hudson has called for in the past.

The reports called for between 65 and 87 large unmanned surface vessels or optionally unmanned corvettes, which the Navy hopes will boost vertical launch system capacity to offset the loss over time of the Arleigh Burke-class destroyers and the four guided missile submarines.

Both fleets called for increased small surface combatants, with the CAPE study putting the upper limit at 70 ships. Hudson recommended a maximum of 56. The Navy's 2016 Force Structure Assessment called for 52 small surface combatants.

Both fleets also favored a slight increase in attack submarines over the current 66-ship requirement but reflected a big boost in large unmanned submarines, anywhere between 40 and 60 total. The idea would be to get the Extra Large Unmanned Underwater Vehicle to do monotonous surveillance missions or highly dangerous missions, freeing up the more complex manned platforms for other tasking.

On the amphibious side, both fleets reduced the overall number of traditional dock landing ships, such as the LPD-17, from the current 23 to between 15 and 19. As for the big-deck amphibious ships, CAPE favored holding at the current level of 10, while Hudson favored cutting to five, with the savings reinvested towards four light carriers.

The studies called for between 20 and 26 of the Marines' light amphibious warships, which they need for ferrying Marines and gear around islands in the Pacific.

Both fleets significantly expanded the logistics force, with big increases coming from smaller ships similar to offshore or oil platform support-type vessels. The fleets called for anywhere from 19 to 30 "future small logistics" ships. The CAPE and Hudon fleets increased the number of fleet oilers anywhere from 21 to 31, up from today's 17….

The Hudson fleet called for a significant boost to the command and support ship infrastructure from today's 33 ships to 52 ships. CAPE called for the fleet to remain about the same. Those ships include dry cargo ships, the expeditionary fast transports, expeditionary transfer docks and expeditionary sea bases.

All told, the fleets posited between 316 and 358 "traditional" ships, but when new classes and unmanned ships were lumped in, the fleet designs contained upwards of 500 ships or more.[95]

[95] David B. Larter and Aaron Mehta, "The Pentagon Is Eyeing a 500-Ship Navy, Documents Reveal," *Defense News*, September 24, 2020.

A September 25, 2020, press report similarly stated that the Hudson Institute study called for a Navy with 434 manned ships and 139 large UVs, including, among other things, 60 nuclear-powered attack submarines (SSNs), 9 aircraft carriers, 80 corvettes, 26 Light Amphibious Warships (LAWs), 99 medium unmanned surface vessels (MUSVs), and 40 extra-large unmanned underwater vehicles (XLUUVs).[96]

## June 2020 Testimony from Hudson Institute

At a June 4, 2020, hearing on hearing on future force structure requirements for the Navy before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, one of the witnesses, Bryan Clark of the Hudson Institute, presented testimony that proposed a fleet of 473 manned ships and 152 large UVs, including 12 ballistic missile submarines; 61 SSNs; 10 large-deck, nuclear-powered aircraft carriers (CVNs); 77 large surface combatants (i.e., cruisers and destroyers); 52 small surface combatants (i.e., frigates and Littoral Combat Ships); 91 corvettes; 33 larger amphibious ships, including 9 large-deck (LHD/LHA-type) ships and 24 small-deck (LPD-type) ships; 27 smaller Light Amphibious Warships (LAWs); 39 larger resupply ships (including 20 oilers); 20 smaller oilers; 51 command and support ships; 112 MUSVs; and 40 XLUUVs.[97]

## October 2020 Report from Hudson Institute

An October 2020 report by the Hudson Institute on future Navy force structure presented a revised set of force-level goals, recommending a fleet of 442 manned ships and 139 large UVs, including 12 ballistic missile submarines; 60 SSNs; 9 large-deck, nuclear-powered aircraft carriers (CVNs); 64 large surface combatants (i.e., cruisers and destroyers); 52 small surface combatants (i.e., frigates and Littoral Combat Ships); 80 corvettes; 30 larger amphibious ships, including 8 large-deck (LHD/LHA-type) ships and 22 small-deck (LPD-type) ships; 26 smaller Light Amphibious Warships (LAWs); 38 larger resupply ships; 18 smaller oilers; 53 command and support ships; 99 MUSVs; and 40 XLUUVs.[98]

[96] Justin Katz, "Enlisted by DEPSECDEF, Hudson Proposes Fleet Lighter on Carriers, Roughly 140 Unmanned Vessels," *Inside Defense*, September 25, 2020.

[97] Prepared statement by Bryan Clark, Senior Fellow, Hudson Institute, to Seapower and Projection Forces subcommittee, House Armed Services Committee, hearing on future force structure requirements for the United States Navy, June 4, 2020, p. 4.

[98] Bryan Clark, Timothy A. Walton, and Seth Cropsey, *American Sea Power at a Crossroads: A Plan to Restore the US Navy's Maritime Advantage*, Hudson Institute, September 2020, Table 1 on p. 9. The report was released on September 30, 2020.

# Appendix I. 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.

## General Background

### Potential Impacts of CRs on DOD Acquisition Programs, Including Navy Shipbuilding[99]

#### *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 with that program's procurement quantity in the prior year; and
- the signing of new multiyear procurement (MYP) contracts.[100]

#### *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,

[99] 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.

[100] 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.

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 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 with 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 Navy 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,[101] 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.

[101] 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.

A September 2021 GAO report on practices that DOD has adopted for managing within the constraints of CRs states the following:

> GAO found that the Department of Defense (DOD) and the military services' obligations and acquisitions are limited during a Continuing Resolution (CR), but they have some practices in place to minimize the effects. Specifically, GAO found that for selected appropriations' accounts for fiscal years 2017 through 2020, the military services tended to obligate, (i.e., make a legal commitment to pay for goods or services), a lower percentage of their total annual obligations in the first quarter of the fiscal year—when DOD is most likely to be operating under a CR—as compared with the other quarters....
>
> Although DOD officials reported acquisitions were constrained by CR provisions that restrict starting new programs and production rate increases, the programs GAO reviewed were able to avoid delays or cost increases during the fiscal years with CRs. The military services have instituted some practices to minimize the effects of CRs, including initiating service contract start dates after the first quarter of the fiscal year and postponing nonessential purchases and training to later in the fiscal year.
>
> DOD officials stated both that the repetition and incremental planning required during a CR is not an effective or efficient way to operate, but that preparing for and operating under CRs have become routine in nature. GAO identified three activities directly related to preparing for and operating under CRs—developing legislative anomaly proposals (i.e., requests for authority beyond the standard CR provisions), creating spending plans for various CR scenarios, and adjusting contracts to reflect CR funding availability.[102]

In an October 3, 2021, opinion piece about this GAO report, a GAO official states

> Our first key point [in the report] is that there are clear effects of CRs on DOD. We collected and analyzed each military service's quarterly obligation data for fiscal years (FY) 2017 through 2020 for three appropriations accounts—Operation and Maintenance; Research, Development, Test and Evaluation (RDT&E); and Procurement (other)—to assess the percentage of annual funds each military service obligated during CRs and after the enactment of regular appropriations. We saw an unmistakable difference in spending

[102] Government Accountability Office, *Defense Budget[:] DOD Has Adopted Practices to Manage within the Constraints of Continuing Resolutions*, GAO-21-541, September 2021 (released September 13, 2021), summary page.

> patterns during those fiscal years with CRs and the one recent fiscal year without (fiscal year 2019)....
>
> ... we also determined that DOD has developed some practices to mitigate the effects of CRs. For instance, officials can request so-called anomalies to get permission from Congress to spend funds they would normally be restricted from spending during a CR. They can also initiate the start date for one-year service contracts to the second quarter of the fiscal year to avoid a break in service at the beginning of the next fiscal year.
>
> [Other observers] suggest that because these practices are in place, we conclude that CRs are benign. On the contrary, our report provides a more complex discussion of these mitigation practices.
>
> Take, for example, our discussion of major defense acquisition programs (MDAPs) and the constraints posed by the No New Starts provision typically contained in CRs. We analyzed each of the 254 Selected Acquisition Reports the military services submitted to Congress for fiscal years 2017 through 2019....
>
> Of the 254 reports, we identified seven that explicitly cited CRs as posing risks, such as delays and cost increases. When we met with officials, however, we learned that the CRs did not have their predicted effects on these seven programs. We further listed the ways in which DOD managed to avoid the potential problems and cited officials' continued concerns.
>
> For example, we reported that the Navy avoided a problem it faced with its Ship to Shore Connector, which was under production in FY19, but that did not have any planned production in FY20. This gap in production would have meant that any production in FY21 would constitute a "new start" and, therefore, be prohibited under a CR. In this case, Congress authorized the production of a single Ship to Shore Connector during FY20, preventing a production gap. Nonetheless, as we reported, officials also warned there were zero units planned for production in FY21, creating the same risk for FY22.
>
> The key takeaway from our report, therefore, is not that CRs are inconsequential but, rather, that defense officials have found ways to prepare for and respond to the very real constraints they pose.[103]

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....

[103] Elizabeth Field, "Defense Officials Find Ways to Operate within Continuing Resolutions—But That Doesn't Mean CRs Are Smooth Sailing," *The Hill*, October 3, 2021.

> 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.[104]

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.
>
> 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.[105]

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."[106]

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:

[104] Megan Eckstein, "Navy Can Weather 6-Week Continuing Resolution, But Extension Would Delay Columbia Submarine Class, Other Programs," *USNI News*, September 29, 2016.

[105] Jason Sherman, "DOD Procurement Plans Largely Safe Under Short-Term FY-18 CR," *Inside the Navy*, September 11, 2017.

[106] Megan Eckstein, "Top Navy Procurement Programs Facing Slow Start In FY 2018 Due to Continuing Resolution," *USNI News*, October 6, 2017.

> **... 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.[107]

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

[107] Source: Transcript of hearing.

> 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.[108]

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.

## Navy Information Paper on CR Impacts to FY2022 Navy Programs

A September 7, 2021, Navy information paper on the impacts to FY2022 Department of the Navy programs of FY2022 CRs lasting 3 months, 6 months, or 12 months that the Navy Office of Legislative Affairs provided to CRS on September 13, 2021,[109] states

> The Department of the Navy (DON) faces numerous challenges operating under a CR, and they are compounded by the global threat environment. The CR specifies a rate of operations, which is usually the current year.[110] This requires the DON to execute at FY21 enacted funding levels while attempting to execute the National Defense Strategy priorities reflected in our PB22 request. Operating under CR authority slows development of critical new capabilities and acquisition schedules, delays new facility construction, disrupts operational readiness, slows accessions and PCS moves, delays force transitions such as the Guam buildup, and creates business process inefficiencies.
>
> As CRs become longer in duration, constraining new starts and rates of operations exacerbates delays in the investments required to deliver a more ready, more lethal, resilient, and rapidly innovative force to ensure we can compete, deter, and win in strategic competition. Recurring CRs erode, and in some cases reverse, the Navy's readiness recovery effort that began in FY18. Momentum gained to rebuild our military forces to win in a high-end fight scenario will continue to slow under an extended CR because funds are misaligned, reduced, or prohibited from use. For the period FY 2003 through FY 2021, only five fiscal years started with appropriation acts. CRs have become the routine method of operating at the beginning of the fiscal year.

[108] Megan Eckstein, "Navy Using 'Legally Creative' Contract Structure to Keep Ship Availabilities On track Despite Continuing Resolutions," *USNI News*, September 28, 2017.

[109] Navy information paper entitled "Fiscal Year Continuing Resolution (CR) Impacts Paper," September 7, 2021, provided by Navy Office of Legislative Affairs to CRS on September 13, 2021, 4 pp. plus attachment. See also Megan Eckstein, "Year-Long Continuing Resolution Would Cost the Navy $14B in Spending Power," *Defense News*, August 3, 2021.

[110] The Navy information paper includes a footnote at this point that states: "A CR specifies a rate of operations that is usually the current year. This is known as the Estimated Annualized CR (FY 2021 for FY 2022 CR). The CR generally provides budget authority for most projects and activities at the rate at which they were funded in the prior year."

There are moderate operational impacts in shorter term CRs, but they are disruptive and result in lost time as well as increased administrative workload that detracts from the business of the Department, including oversight and management, and slows investing in the Navy and Marine Corps force. Non-value added workload includes:

— Planning required in advance of the potential CRs;

— Continuous need to reprioritize efforts during extended periods of CRs to manage impacts on procurement programs, meet the demand signal and ensure continued support to warfighter priorities;

— Increase in the number of transactions processed due to incremental funding under the CR.

Since the basis of operations in a CR is a different fiscal year than the President's Budget Request (PBR), there are misalignments/shortfalls created by CR restrictions on new starts and production rate increases. While the difference between the FY 2022 PBR and the Estimated Annualized CR Base is only $4.4B, restrictions on new starts and production rate increases creates a misalignment of funds of $14.2B in a year-long CR as shown in the table below.

| Amount ($M) | FY22 Annualized CR | PB22 Request | Difference | Misalignment of Funding During Year-long CR * |
|---|---|---|---|---|
| Military Personnel | 54,653,608 | 56,571,638 | 1,918,030 | -1,597,107 |
| Operation & Maintenance | 68,864,233 | 71,198,017 | 2,333,784 | -2,463,717 |
| Procurement | 61,023,124 | 58,175,963 | -2,847,161 | -6,158,377 |
| RDTEN | 20,138,391 | 22,639,362 | 2,500,971 | -2,500,971 |
| Infrastructure | 2,621,714 | 2,986,268 | 364,554 | -1,354,688 |
| NWCF | 0 | 150,000 | 150,000 | -150,000 |
| Total DON | 207,301,070 | 211,721,248 | 4,420,178 | -14,224,860 |

** Adjusts for restrictions on new starts, production rate increases, and rates of operations increases.*

**Anomalies:** DON requested several anomalies for inclusion in an overall DoD anomaly. In addition to a rate of operations anomaly for Shipbuilding and Conversion, Navy (SCN) for Columbia Class submarine Advance Procurement, the DON will require anomalies for new start and production rate increases for several other programs in Procurement, RDTEN, and Military Construction (MILCON). MILCON projects must be both appropriated and authorized (via the National Defense Authorization Act (NDAA). A complete listing of new starts, production rate increases, and appropriations rate of operations increases for the entire fiscal year is provided at Attachment 1 [see below].

**Impacts of a 3-month CR:** The DON may require an Exception To Apportionment (ETA) for MILPERS and will slow new accessions and Permanent Change of Station (PCS) moves.[111] The DON will face a $0.6B first quarter O&M shortfall compared to the budget request for Ship Maintenance, Next Generation Enterprise Network (NGEN), and USMC Operating Forces readiness. This forces DON to manage contracts inefficiently using incremental financial management and contracting practices to piecemeal funds due to limited resources. Acquisition programs will be delayed, slipping capability delivery and causing contract inefficiencies. Other programs impacted by schedule delays/cost growth include CVN 75 Refueling Complex Overhaul (RCOH), V-22, KC-130J, JSF STOVL,

[111] The information paper includes a footnote at this point that states: "Exceptions' refers to requests for exception apportionments during the CR. In most cases, OMB makes automatic apportionments to each account on a pro rata basis according to the CR provisions. While OMB generally cannot apportion an amount above the annualized rate of operations authorized in the CR, it may apportion additional amounts above the automatic apportionment in extraordinary circumstances. Apportionments for these additional amounts are referred to as exception apportionments."

MQ-25, AARGM-ER, Long Range Anti-Ship Missile (LRASM), IWS 12, Naval Strike Missile (NSM), TRIDENT II D5 Life Extension 2 (D5LE2), Conventional Prompt Strike, Long Endurance Electronic Decoy (LEED), Next Generation Fast Attack Nuclear Propulsion Development, Medusa, Common Weapons Datalink Radio, and NGEN. MILCON projects will be delayed in CA, NV, NC, and Guam (5 projects).

**Impacts of a 6-month CR:** MILPERS will require an ETA to cover January increases in basic pay, retired pay accrual (RPA), basic allowance for housing (BAH) and basic allowance for subsistence (BAS) increases. There is an increased likelihood of slowing accessions, PCS moves, and delay in new bonuses. In addition to appropriations, authorization is needed by 31 Dec 2021 (via the NDAA) to renew expiring military and civilian pay, bonuses and other benefits including military pay raises and specialty pays for Servicemembers serving overseas, and targeted reenlistment bonuses.

With a cumulative 6-month shortfall of $1.2B in O&M compared with the budget, levels of effort will be reduced for items increased in the budget to improve DON readiness, including Flight Operations, Fleet Air Training, Ship Operations and Maintenance, Aviation Logistics, Base Support, INDOPACOM Support. Other areas with shortfalls under a CR include ship inactivations, Ready Relevant Learning, and Service-wide Support programs. NGEN requirements continue to increase monthly.

The DON expects significant and some irreversible operational impacts under a 6-month CR or longer as Fleets delay and/or cancel scheduled maintenance, restrict the use of overtime at ship depots, and defer the purchase of Government Furnished Material and spare parts for ships and aircraft. Readiness will degrade across the Fleet Marine Forces. USMC will reduce the scope and scale of exercises which impact Marine Corps unit level deployments for training, service level pre-deployment training, and large, multi-lateral exercises and partnership opportunities by Combatant Commanders. Previously mentioned acquisition programs schedule delays and cost growth are exacerbated. The following programs will also experience delays and cost growth: LCS 23, 25, and 26 Cost to Complete; CVN 74 RCOH; T-ATS; Ship to Shore Connectors; T-AO; E-2D; Marine Group 5 Unmanned Aerial System; and JASSM. MILCON project delays mentioned before will be exacerbated, and additional MILCON projects will be delayed in VA and Guam (2 projects).

**Impacts of a Year-Long CR:** MILPERS appropriation shortfalls ($1.9B) will require a significant reduction in strength, curtailment of PCS moves, and elimination of most new bonus awards. Navy will end the fiscal year significantly below authorized end strength. Total O&M reduction in funding under a full year CR is $2.4B, resulting in cancellation of ship depot maintenance, aircraft repair part purchases, ship underway training, ship, submarine or carrier spare parts purchases, repair contracts and maintenance for LCACs and LCUs, Expeditionary Table of Allowance maintenance and replacement. Cancellations will include training range support, support for C5I efforts, shutdown of non-deployed CVWs and Expeditionary squadrons, Fleet Replacement Squadrons, and Chief of Naval Air Training (CNATRA), and cancellation of efforts in shore programs such as air and port operations, fleet and family services, facilities management and environment compliance and further reduced levels of sustainment.

Marine Corps readiness degradation continues as the delay in appropriations causes funding to be reprioritized to fixed costs. NGEN end user devices will be rendered inoperable. Reduced shore resources will risk shore programs such as air and port operations, fleet and family services, facilities management and environment compliance since utilities and transportation costs must be funded. Procurement ($6.2B) and R&D ($2.5B) shortfalls delay delivery of critical capabilities, and increase cost.

Previously mentioned acquisition programs schedule delays and cost growth are exacerbated. The following programs will also experience delays and cost growth: SSBN 826 (first Columbia class), CVN 80, Cost to Complete (LCS 27, 28, 30, LPD 29, DDG-

121, 122, 123), FFG, Auxiliary Vessels (Used Sealift), T-AGOS, Hellfire, JAGM, Miniature Air Launched Decoy (MALD), and MK-48 Torpedo ADCAP.

MILCON projects experience $1.3B in shortfalls. Delays mentioned before will be exacerbated. Additional MILCON projects will be delayed in VA, and Yokosuka, Japan. Family housing shortfall of $35M disrupts operations. Revolving funds are unable to execute $150M.

**Summary:** In total, a year-long CR creates a misalignment of $14.2B between the annualized CR and the FY 2022 PBR as identified in Attachment 1. Anomalies and the ability to realign funding between the CR authority and PB22 requirements would be required to mitigate the impact of the misalignment of funds. Specific impacts of a FY2020 CR on the Navy and Marine Corps will depend on the duration, becoming more challenging the longer the CR continues. Under a 12-month CR (with no anomalies), there would be severe lasting impacts due to the estimated $20.4B shortfall ($15.8B Navy / $4.6B USMC) due to restrictions on new starts, production rate increases, and appropriation rate increases.

The single most effective way to sustain readiness and maintain critical strategic momentum is to provide adequate, stable and predictable funding.

**Attachment 1**

[See attachment below.]

**FY 2022 CR NEW STARTS, PRODUCTION RATE INCREASES, ANNUALIZED RATES OF OPERATION INCREASES**

| Appropriation/Line Item | TOTAL DON QTY | TOTAL DON Amt. ($K) | Navy/SRB QTY | Navy/SRB Amt. ($K) | Marine Corps QTY | Marine Corps Amt. ($K) |
|---|---|---|---|---|---|---|
| NEW STARTS BY APPROPRIATION AND LINE ITEM | | | | | | |
| APN | 6 | 283,136 | - | 47,468 | 6 | 235,668 |
| MQ-25 | | 47,468 | | 47,468 | | |
| Marine Group 5 UAS | 6 | 233,686 | | | 6 | 233,686 |
| Marine Group 5 UAS Series | | 1,982 | | | | 1,982 |
| OPN | - | 4,387 | - | 4,387 | - | - |
| LCC 19/20 Extended Service Life Program | | 4,387 | | 4,387 | | |
| SCN | 3 | 736,234 | 3 | 736,234 | - | - |
| FFG AP | | 69,100 | | 69,100 | | |
| T-AO Fleet Oiler AP | | 76,012 | | 76,012 | | |
| T-AGOS(X) | 1 | 434,384 | 1 | 434,384 | | |
| Ship to Shore Connector | 2 | 156,738 | 2 | 156,738 | | |
| SCN Completion of Prior Yr. Shipbldg Prog | - | 660,795 | - | 660,795 | - | - |
| Completion of PY SBP (LI 5300) | | 660,795 | | 660,795 | | |
| WPN | 25 | 37,039 | 25 | 37,039 | - | - |
| JASSM | 25 | 37,039 | 25 | 37,039 | | |
| RDTEN (PE / PROJ) | - | 194,521 | - | 194,521 | - | - |
| ADVANCED NUCLEAR POWER SYSTEMS / Next Genen | - | 68,147 | | 68,147 | | |
| DIGITAL WARFARE / Common Weapon Datalink Radic | - | 6,362 | | 6,362 | | |
| SMALL/MEDIUM UNMANNED UNDERSEA VEHICLES / | - | 1,877 | | 1,877 | | |
| PRECISION STRIKE WEAPONS DEVELOPMENT PROGRA | - | 5,736 | | 5,736 | | |
| PRECISION STRIKE WEAPONS DEVELOPMENT PROGRA | - | 5,234 | | 5,234 | | |
| OFFENSIVE ANTI-SURFACE WARFARE WEAPON DEV / | - | 56,964 | | 56,964 | | |
| OFFENSIVE ANTI-SURFACE WARFARE WEAPON DEV / | - | 34,862 | | 34,862 | | |
| WARFARE SUPPORT SYSTEM / Expeditionary xUAS De | - | 249 | | 249 | | |
| SHIP SELF DEFENSE (ENGAGE: SOFT KILL/EW) / Long E | - | 14,183 | | 14,183 | | |
| Intelligence Mission Data (IMD) / Acquisition Intellige | - | 907 | | 907 | | |
| MCN Projects (BA01) | - | 1,237,794 | - | 418,910 | - | 818,884 |
| Aircraft Maintenance Hangar | | 207,897 | | | | 207,897 |
| F-35 Flightline Utilities Modernization Phase 2 | | 113,520 | | | | 113,520 |
| Vehicle Inspection and Visitor Control Center | | 42,850 | | | | 42,850 |
| Dry Dock Saltwater System for CVN-78 | | 156,380 | | 156,380 | | |
| Aviation Admin Building | | 50,890 | | | | 50,890 |
| Ship Handling & Combat Training Facilities | | 49,900 | | 49,900 | | |
| 4th Marines Regiment Facilities | | 109,507 | | | | 109,507 |
| Combat Logistics Batallion-4 Facility | | 92,710 | | | | 92,710 |
| Consolidated Armory | | 43,470 | | | | 43,470 |
| Infantry Battalion Company HQ | | 44,100 | | | | 44,100 |
| Marine Expeditionary Brigade Enablers | | 66,830 | | | | 66,830 |
| Principal End Item (PEI) Warehouse | | 47,110 | | | | 47,110 |
| X-Ray Wharf Berth 2 | | 103,800 | | 103,800 | | |
| Submarine Pier 3 (Inc) | | 88,923 | | 88,923 | | |
| Directed Energy Weapons Test Facilities | | 19,907 | | 19,907 | | |
| MCNR Projects (BA01) | - | 63,440 | - | 14,350 | - | 49,090 |
| Reserve Center & Vehicle Maintenance Facility | | 49,090 | | | | 49,090 |
| Joint Reserve Intelligence Center | | 14,350 | | 14,350 | | |
| NWCF | | 150,000 | - | 150,000 | - | - |
| Direct Authority | | 150,000 | | 150,000 | | |
| **Total New Starts** | **34** | **3,567,346** | **28** | **2,263,704** | **6** | **1,103,642** |

| Appropriation/ Line Item | TOTAL DON QTY | TOTAL DON Amt. ($K) | Navy/SRB QTY | Navy/SRB Amt. ($K) | Marine Corps QTY | Marine Corps Amt. ($K) |
|---|---|---|---|---|---|---|
| PRODUCTION RATE INCREASES BY APPROPRIATION AND LINE ITEM | | | | | | |
| APN | 8 | 1,143,979 | - | - | 8 | 1,143,979 |
| LSF STOVL | 7 | 997,684 | | | 7 | 997,684 |
| KC-130J | 1 | 146,295 | | | 1 | 146,295 |
| PMC | 20 | 95,550 | - | - | 20 | 95,550 |
| Amphibious Combat Vehicle Family of Vehi | 20 | 95,550 | | | 20 | 95,550 |
| SCN | 3 | 2,557,167 | 3 | 2,557,167 | - | - |
| Columbia class | -1 | 133,976 | -1 | 133,976 | | |
| Columbia class (AP) | | 390,805 | | 390,805 | | |
| Carrier Replacement Program (CVN 80) | | 109,772 | | 109,772 | | |
| CVN Refueling Overhauls | | 924,865 | | 924,865 | | |
| CVN Refueling Overhauls AP | | 48,878 | | 48,878 | | |
| FFG | | 34,777 | | 34,777 | | |
| T-AO Fleet Oiler | 1 | 648,184 | 1 | 648,184 | | |
| T-ATS | | 26,010 | | 26,010 | | |
| Auxiliary Vessels (Used Sealift) | 3 | 239,900 | 3 | 239,900 | | |
| WPN | 116 | 101,448 | 58 | 103,422 | 60 | (1,974) |
| AARGM | 38 | (7,305) | 19 | 2,207 | 19 | (9,512) |
| Evolved Sea Sparrow Missile (ESSM) | 9 | 35,982 | 9 | 35,982 | | |
| Hellfire | 25 | 1,483 | | | 25 | 1,483 |
| LRASM | 5 | 27,147 | 5 | 27,147 | | |
| Naval Strike Missile (NSM) | 19 | 27,721 | 19 | 27,721 | | |
| Joint Air Ground Missile (JAGM) | 14 | 6,055 | | | 16 | 6,055 |
| Drones and Decoys | 6 | 10,365 | 6 | 10,365 | | |
| **Total Production Rate Incrs.** | **147** | **3,896,144** | **61** | **2,660,589** | **88** | **1,237,555** |

| Appropriation | TOTAL DON QTY | TOTAL DON Amt. ($K) | Navy/SRB QTY | Navy/SRB Amt. ($K) | Marine Corps QTY | Marine Corps Amt. ($K) |
|---|---|---|---|---|---|---|
| Total APPN Rate of Operational Increase | | | | | | |
| MPN | | 1,383,871 | | 1,383,871 | | |
| RPN | | 104,563 | | 104,563 | | |
| MPMC | | 72,376 | | | | 72,376 |
| RPMC | | 36,297 | | | | 36,297 |
| OMN | | 1,775,260 | | 1,775,260 | | |
| OMNR | | 34,722 | | 34,722 | | |
| OMMC | | 653,735 | | | | 653,735 |
| OPN | | 104,756 | | 166,093 | | (61,337) |
| PANMC | | 127,544 | | (1,993) | | 129,537 |
| PMC | | 306,342 | | | | 306,342 |
| RDTEN | | 2,306,450 | | 2,085,460 | | 220,990 |
| MCN | | 18,735 | | 25,467 | | (6,732) |
| FHCON | | 34,719 | | 24,932 | | 9,787 |
| **Total Rate of Operations Incrs.** | **-** | **6,959,370** | **0** | **5,598,375** | **-** | **1,360,995** |

| Total Misalignment of 12-month CR | | | | | | |
|---|---|---|---|---|---|---|
| Appropriation | TOTAL DON QTY | TOTAL DON Amt. ($K) | Navy/SRB QTY | Navy/SRB Amt. ($K) | Marine Corps QTY | Marine Corps Amt. ($K) |
| Total New Starts | 34 | 3,567,346 | 28 | 2,263,704 | 6 | 1,103,642 |
| Total Production Rate Incrs. | 149 | 3,896,144 | 61 | 2,660,589 | 88 | 1,237,555 |
| Total Rate of Operations Incrs. | - | 6,959,370 | - | 5,598,375 | - | 1,360,995 |
| | 183 | 14,224,860 | 89 | 10,522,668 | 94 | 3,702,192 |

| | |
|---|---|
| 12-Month CR TOA for DON* | 197,496,388 |
| Total 12-Month CR Misalignments | 14,224,860 |
| PB22 Submit | 211,721,248 |

*(Assumes no anomalies to lift restrictions on new starts and rate increases, and no authority to realign funding within and between appropriations)*

Rates of Operations increases by appropriation are calculated after accounting for new starts and production rate increases. With the exception of SCN, CR restrictions for rates of operation are at the total appropriation level. However, it is prudent to consider proposed Congressional adjustments at a line item level when determining amounts that can be executed during the CR period, in order to preserve Congressional funding prerogatives in an appropriation act.

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