

OSD reviews POM-08

SEEKING STABILITY, NAVY MAKES FEW CHANGES IN NEW SHIPBUILDING PLAN

Date: August 28, 2006

Behind closed doors at the Pentagon, the Navy has prepared a new budget that maintains plans to buy seven vessels in fiscal year 2008 and avoids adjusting long-term schedules for building carriers, submarines, destroyers, cruisers and littoral warships.

The new proposal, which spans FY-08 to FY-13, is remarkably similar to the Bush administration's FY-07 budget request.

This sort of stability, long desired by industry, could bode well for shipbuilding programs. But it will be months before the plan is finalized. It could be revised directly by the Office of the Secretary of Defense or the White House's Office of Management and Budget -- or indirectly by Congress' work on the FY-07 budget.

It remains to be seen, for instance, how the House and Senate will resolve their ongoing FY-07 budget dispute over the Zumwalt-class DDG-1000 destroyer program, formerly called DD(X). Decisions made by Congress about the FY-07 budget could force the Pentagon to make corresponding changes in the FY-08 budget, which is not due for public release until early next year.

And since the Navy's FY-08 budget proposal is so similar to its predecessor, it may inherit criticism from various analysts who have questioned the affordability of Chief of Naval Operations Adm. Michael Mullen's long-term shipbuilding vision.

If the FY-08 plan holds, Mullen will get some credit for consistency. But the harder challenge will be repeating the feat again and again in the coming years to meet increasingly ambitious shipbuilding goals. The plan seeks to boost annual spending on shipbuilding from roughly \$14 billion to nearly \$16 billion by FY-13.

Details about the Navy's new fiscal blueprint are closely guarded. However, according to Pentagon and industry sources and internal documents, the proposal retains plans to buy seven ships in FY-08: the first CVN-21 aircraft carrier (also called CVN-78), a Virginia-class nuclear attack submarine, three Littoral Combat Ships, one San Antonio-class LPD-17 amphibious vessel and a Lewis-and-Clark-class T-AKE cargo ship.

The six-year plan would also buy 11 ships in FY-09, 12 in FY-10, 13 in FY-11, 12 in FY-12 and 12 in FY-13.

Of the 67 vessels slated for purchase during these years, 32 would be Littoral Combat Ships, which are supposed to be relatively small, affordable warships built to operate close to shore. Beyond the three vessels in FY-08, the Navy plans to buy six annually, except for FY-13 when five would be bought.

The six-year plan would buy a total of two aircraft carriers (one in FY-08 and one in FY-12). The budget proposal maintains plans to divide funding for the first carrier between FY-08 and FY-09. But in a change that may garner scrutiny from OMB, the Navy has proposed putting 40 percent of the cost in FY-08 and 60 percent in FY-09 instead of splitting it evenly between the years. In other words, the Navy is seeking to postpone paying some of the construction costs for the mammoth vessel.

At Mullen's direction, the Navy has pushed to reduce the price of the Virginia-class submarine and the DDG-1000 destroyer, incorporating cost savings into both programs.

The six-year plan would buy eight subs: one annually from FY-08 to FY-11 and two annually in FY-12 and FY-13. Mullen wants the cost of these subs reduced to \$2 billion by FY-12. Earlier this summer, Rear Adm. William Hilarides, program executive officer for submarines, said the projected unit cost of each sub is \$2.4 billion.

The idea of buying two subs sooner (in FY-11) was considered but ultimately rejected by the department's leadership, according to internal documents and a Pentagon source.

The sea service continues to wrestle with the cost of the DDG-1000 program. Each of the first two destroyers is estimated to cost at least \$3.3 billion. The Navy has proposed cutting the program by \$160 million in FY-08 and \$1.2 billion over the six-year plan.

The Navy plans to buy two destroyers concurrently in FY-07, none in FY-08, and one annually from FY-

09 to FY-13. The program's dual-lead ship strategy would buy two lead ships concurrently from separate shipyards: Northrop Grumman's Ingalls facility in Mississippi and General Dynamics' Bath Iron Works in Maine. The Navy believes this approach is important to give both shipyards a fair shot at competing to build the remaining ships in the class.

Senate authorizers and appropriators have supported the DDG-1000 acquisition strategy in their review of the FY-07 budget.

But House authorizers and appropriators have bashed the plan, recommending the Navy fully fund one destroyer in FY-07, rather than split-funding two. House authorizers have questioned the affordability of buying seven destroyers, arguing it would be better to simply buy two and then incorporate aspects of the program into new, more affordable surface combatants.

"The committee supports the construction of up to two DD(X)s to demonstrate technologies that could be incorporated into future, more affordable, major surface combatants," states the report that accompanies the House version of the FY-07 defense authorization bill.

If the cost of DDG-1000 ultimately leads the U.S. government to buy fewer than seven destroyers that would obviously be a major change in the shipbuilding plan.

Navy spokesman Lt. Bashon Mann said the Navy "asked for seven" in the FY-07 long-term budget it submitted to Congress earlier this year. The Navy has yet to receive an answer from Congress in the form of an approved FY-07 budget, he said.

The Navy's senior leadership is continuing to review its plans for DDG-1000 as the department awaits decisions on Capitol Hill and prepares for a Defense Acquisition Board review of the program scheduled for this fall.

In addition to the DDG-1000 program, the Navy's budget retains plans to develop a new cruiser called CG(X) that will be tailored for missile defense missions. The plan calls for buying the first CG(X) in FY-11 and another CG(X) in FY-13.

The proposal also maintains plans to develop a family of new maritime prepositioning ships to realize the Pentagon's vision for seabasing. The ships, called MPF(F) vessels, are supposed to diminish the Pentagon's reliance on foreign ports and airfields by providing the capability to stage troops at sea.

Nearly all of these MPF(F) vessels would be based on the designs of several existing ship classes.

For instance, there are no “regular” LHA(R) amphibious assault ships in the six-year plan, but there are two LHA(R) MPF(F) variants slated for purchase, respectively, in FY-10 and FY-13. During the recent preparation of the Navy’s FY-08 long-term budget, there was discussion about whether the FY-10 ship ought to be a regular LHA(R) or the first LHA(R) MPF(F) variant, Pentagon and industry sources said. The Marine Corps pushed for the former, but the Navy settled on the latter this month when it submitted its new budget to the Office of the Secretary of Defense, these sources said.

The Navy plan would also buy three MPF(F) ships based on the design of Large Medium-Speed Roll-On/Roll-Off cargo ships (one annually from FY-10 to FY-12).

Another kind of vessel, the Mobile Landing Platform, would be the only MPF(F) ship built from a brand new design, though it would be based on existing technology. The Navy plans to buy one of these in FY-09, one in FY-11 and one in FY-13. The last of the three was previously planned for FY-12 but was delayed one year.

The department is slated to buy T-AKE cargo ships at a rate of one annually from FY-08 to FY-11.

The plan would buy the final San Antonio-class LPD-17 amphibious vessel in FY-08.

The sea service plans to buy three Joint High Speed Vessels (one annually from FY-09 to FY-11). The JHSV is supposed to be an intratheater transport based on a commercial design with low technical risk.

Plans to develop a completely different platform called the High Speed Ship have been delayed beyond the scope of the long-term budget. The one HSS previously slated for purchase in FY-12 has been deleted from the long-term budget.

The first and only JCC(X) command-and-control ship in the plan is slated for purchase in FY-12. Previously it was planned for FY-13.

In addition, the department plans to buy a new tugboat called the T-ATF in FY-13. -- *Christopher J. Castelli*