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SENATE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

STATEMENT OF

VICE ADMIRAL JAMES W. KILBY
DEPUTY CHIEF OF NAVAL OPERATIONS
WARFIGHTING REQUIREMENTS AND CAPABILITIES (OPNAV N9)

AND

VICE ADMIRAL RANDY B. CRITES
DEPUTY CHIEF OF NAVAL OPERATIONS
INTEGRATION OF CAPABILITIES AND RESOURCES (OPNAV N8)

BEFORE THE

SENATE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

ON

NAVY DIVESTMENTS REQUESTED IN THE FISCAL YEAR 2022 BUDGET

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SUBCOMMITTEE ON DEFENSE

Chairman Tester, Vice Chairman Shelby, distinguished members of the Subcommittee, thank you for the opportunity to testify today on the Navy's proposed divestments in the fiscal year (FY) 2022 President's Budget (PB-22). We thank Congress and the Subcommittee for your support in maintaining a Navy that is both lethal and ready to deploy globally in defense of U.S. national interests.

In an interconnected and interdependent world, a dominant naval force and a strong maritime strategy are critical to the security of our Nation. The global security environment is increasingly influenced by our competitors, requiring the Navy to provide credible combat power forward to ensure a ready response to global crises and disasters. Even as the world focused on dealing with the COVID-19 pandemic last year, your Navy continued to deploy to hot spots around the globe where U.S. interests are challenged, executing eight major Carrier and Expeditionary Strike Group deployments, amassing close to 700,000 flight hours and over 23,000 total steaming days. This builds on two decades of Navy forces deploying at our highest operational tempo since World War II, in a conflict that has lasted five times longer.

As our national security posture evolves to confront new challenges, the Navy continues to invest in key naval capabilities to maximize our naval power contribution to the Joint Force. PB-22 advances critical Navy priorities to defend the nation, innovate and modernize the force, increase resilience and readiness, and take care of our Sailors, civilians, and families. For example, PB-22 supports the sustainment of our readiness recovery to deliver credible ready forces now by accelerating the Navy's Shipyard Infrastructure Optimization Program (SIOP), and fully funds two submarine overhauls in private shipyards. PB-22 aggressively pursues increased lethality and modernization of capabilities with the greatest potential to deliver non-linear warfighting advantages through significant research and development investments in distributed and networked effects to establish and sustain sea control, and future platforms and experimentation with unmanned systems on the sea, under the sea, and in the air. PB-22 continues key investments in advanced technologies and modernization by prioritizing the recapitalization of the strategic ballistic missile submarine, the Columbia class, which remains the Navy's highest acquisition priority. And importantly, PB-22 supports our people and the quality of their life by providing a 2.7 percent pay raise in FY 2022, increasing investments in mental health and sexual assault prevention and response programs, and developing talent through training programs including Ready Relevant Learning, Live Virtual Constructive, and the Naval Community College.

Aligned with the Interim National Security Strategic Guidance, the Tri-Service Maritime Strategy, and within the limits of available resources, the Navy's PB-22 budget represents the best balance and right mix of strategic investments in our Sailors, readiness, capability, and capacity. Our budget decisions are underpinned by campaign analysis and warfighting analytics, and informed by aggressive reform efforts to align every dollar to provide maximum warfighting impact. As we balanced the urgent readiness and modernization needs of our force today with investments in the future force, we also had to make difficult funding decisions to divest of less capable platforms and systems, freeing resources to invest in a future force that can deliver greater efficiency and effectiveness. These divestment decisions were rigorously reviewed, analyzed, and debated to ensure we retain the capabilities needed to be ready to fight tonight, while investing smartly for the future. At a high level, this analysis can be summarized by examining the fiscal context and warfighting value associated with divestments.

Fiscal Context. In constant, non-inflated dollars, the Navy's (as a Service) total funding level (or budget topline) has remained relatively flat since 2010. When inflation is factored in, the result is an overall loss of buying power. Our budget topline today is roughly the same as it was in 2010, despite a growth in the fleet size from 288 ships in 2010 to 297 ships today. In actual dollars, PB-22 reflects a 0.6 percent increase in Navy funding over the FY 2021 enacted appropriations level.

The Navy and Department of the Navy (DON) has been able to offset some of this lost buying power through a series of reform efforts going back to 2012. From PB-12 to PB-22, the Department has executed or programmed savings of over \$150 billion from reform and efficiency initiatives. These reforms involved business process improvements and efficiencies, but also divesting of less capable platforms, mission sets, or capabilities; reduced procurement; and changes in active and reserve component mix. While more efficient, the Department is now also very lean with little margin to address fact-of-life changes, such as increasing material and labor costs that exceed inflation or pandemic response. Going forward, with very few programs that have not already been heavily scrutinized, reform and efficiencies are unlikely to produce substantial savings. As identified in several recent Congressional Budget Office publications, the pressure on all Navy accounts will continue, with costs increasing at rates higher than projected inflation rates.

The ability to self-finance growth in the size of the force is also limited by strategic priorities and accounts that Navy considers non-discretionary. We must pay our people and sustain our current force – we will never field a hollow force. We must keep the Columbia class program – a once-in-a-generation recapitalization program – on track for lead ship delivery in 2027 in order to meet U.S. Strategic Command’s requirement for Columbia ballistic missile submarines to be on patrol by 2030. And now we are faced with a once-in-a-century investment to recapitalize and modernize our public shipyards. These must-fund priorities limit our ability to recover readiness, modernize the force, address shortfalls, and invest in new technologies to pace strategic threats.

Finally, unstable and unpredictable budgets encumber the Navy’s ability to maximize use of every dollar. Continuing resolutions drive inefficiency, uncertainty, and delays in execution that become increasingly difficult to recover from in the years to follow. This impacts everything from acquisition new starts to ship maintenance planning to permanent change of station funding for Sailors and their families.

Warfighting Value. Continuing to purchase and/or sustain older, less capable or obsolete equipment takes defense dollars away from the acquisition of systems that are needed for modernization or sustainment of higher value systems. Our competitors – especially China – continue to advance their capabilities. We must outpace those advances to remain a credible deterrent to conflict around the world. This requires us to maintain and improve this advantage on land, at sea, in the air, and in emerging domains, including space and cyberspace. We must divest select less capable platforms to ensure that every defense dollar is spent on programs and equipment that will be relevant in the next fight. PB-22 proposes cuts to systems and capabilities that no longer meet the challenges and requirements of the defense strategy, making room for more advanced programs that maximize naval capability and lethality aligned with the Interim National Security Strategic Guidance.

Navy’s PB-22 Proposed Divestments

The FY 2022 President’s Budget includes a total of \$1.3 billion in cost savings across the Department of the Navy from proposed divestments in FY 2022. This includes retiring less capable platforms, reducing costs, and realigning funds to source higher priority efforts to field the strongest balance of capabilities. The major Navy divestments include:

Decommission Two Guided Missile Cruisers (CG 66 and CG 68). Today, the average cruiser age is 32 years, with four ships already beyond their 35 year service live expectancy. The Navy plans to divest two non-modernized cruisers in FY 2022, in addition to the five previously programmed for FY 2022 decommissioning in the FY 2020 and FY 2021 President’s Budgets. Decommissioning these two non-modernized ships enables reallocation of funds to achieve program wholeness for the modernization of the remaining five CGs in the cruiser modernization program (CG 63, 64, 65, 69, and 71). Due to ongoing execution challenges, discovered growth work, and underestimation of risk in system reactivation, cruiser modernization costs have grown by 90 to 200 percent above their initial programmed estimates. These five ships provide sufficient capacity to sustain air and missile defense commander (AMDC) coverage as DDG Flight III ships begin to deliver in FY23 with more capable advanced radars.

Retaining CG 66 and CG 68 would require approximately \$1.5 billion to execute the required maintenance and modernize the ships, and CG 66 would likely return to operational status “late to need” after the low-point inventory of AMDC-capable ships. A decision to retain these two ships would provide, at most, 12 years of remaining service life each, assuming a 45-year expected service life, and realistically four remaining deployments total. This equates to ~\$400M per deployment when adding the cost of modernization to the operations and sustainment costs for their remaining service lives – a low return on investment.

The five cruisers previously planned for decommissioning in FY 2022 are either at the end of their service life (CG 56 and 57) or are less-capable ships with only basic ballistic missile defense capability (CG 61, 72, and 73). The cost of maintaining aging cruisers with substantial degradations in material condition, including tank top cracking, aluminum superstructure stress cracks, and increasingly obsolete systems is prohibitive. Less-capable cruisers are being divested to fund more capable Air Defense Commander (ADC) ships. DDG Flight III ships and selective service life extensions of ADC cruisers will provide the ADC capability needed in the future. The inventory of vertical launching system (VLS) cells was considered in the divestment decision. VLS cells in aging cruisers that cannot get to the fight due to persistent material challenges add no warfighting value or capability. It is more important to have fully ready, materially sound, sustainable platforms equipped with and able to employ our most capable offensive and defensive weapons.

Decommission One Dock Landing Ship (LSD 41). PB-22 continues the divestment of dock landing ships consistent with the Commandant's Planning Guidance and Force Design 2030 to divest of aging, least capable force structure in order to reallocate funding towards improving the Navy's lethality. The aging LSD ships continue to have challenges with overall maintenance health and there is diminishing return on investment for sustaining their increasingly obsolete systems. PB-22 includes the decommissioning of LSD 41 in FY 2022. LSD 41 is currently 36 years old. This divestment avoids the cost of an extensive 21-month CNO maintenance availability in FY 2022, three years before the end of expected service life at 40 years.

LPD Flight II is the functional replacement for LSD ships and begins to deliver in FY 2025. LPD Flight II integrates a more capable combat system, radar, and communications system and will be CMV-22 capable. Navy is committed to delivering the most capable multi-mission amphibious warships, partnering closely with the Marine Corps and our critical industrial base. Amphibious warships, including the LPD Flight II and the future Light Amphibious Warship, remain a key component of the Nation's global forward presence, playing a pivotal role in responding to world crises and supporting a broad range of missions across the spectrum of conflict.

Decommission Four Littoral Combat Ships (LCS 3, 4, 7, and 9). The FY 2021 President's Budget proposed decommissioning of the first four LCS ships (LCS 1-4) because they are dedicated test ships with unique systems and are not configured like the other LCS ships. The initial two test ships will decommission in FY 2021 and PB-22 re-proposes to decommission the third and fourth test ships once all testing is complete in FY 2022. Decommissioning LCS 3 and LCS 4 avoids the significant cost to upgrade these test ships to the common LCS configurations, including structural, cooling, and hull, mechanical, and electrical (HM&E) upgrades. It also avoids the additional cost of procuring a mission package for these ships, which are not included in the current mission package procurement plan. Continued fleet operations would require purchasing a mission package for each ship.

Decommissioning LCS 7 and LCS 9 is a difficult funding decision that allows the Navy to free resources needed to invest in higher priorities. They were selected because their decommissioning presents less impact to the Fleet employment and force management because these ships are not scheduled to deploy in the near-term. In addition, both ships do not have

lethality and survivability upgrades or Naval Strike Missile installations planned within the next two years and both require combining gear repairs.

Divesting these four LCS ships results in cost savings and significant cost avoidance to enable investments in higher priority capability and capacity to prevail in future conflicts. Strategic competition and the on-going focus on the Indo-Pacific region requires a more capable small surface combatant for operations in contested environments. The remaining LCS ships, with lethality and survivability upgrades and the Naval Strike Missile, along with the FFG 62 *Constellation* class will provide the improved capability to support the full range of military operations as part of a more lethal Joint Force.

Divest 12 Mark VI Patrol Boats from Coastal Riverine Squadrons. Consistent with the divestment decisions above, investing in more capable assets is necessary to prevail in strategic competition and meet the demands of the defense strategy. In developing the PB-22 budget, the Navy analyzed the MK VI Patrol Boat's ability to compete against a near-peer adversary and determined that the savings from divesting MK VI would be better invested in higher priority platforms better suited for strategic competition. The MK VI requirement originated from a November 2007 Commander, U.S. Fifth Fleet Urgent Operational Needs Statement for a visit, board, search, and seizure overwatch platform in the littorals. This mission is decreasingly relevant in the current and future threat environments, and the other MK VI missions can be conducted by existing Navy surface combatants and U.S. Coast Guard patrol boats.

The final deployment for the affected coastal riverine companies is scheduled to be complete by approximately the end of 2021. MK VI divestment provides cost savings from operations and maintenance funding and manpower reductions. Navy continues to assess options for final disposition, including potential transition to another service or another U.S. government agency, nomination for Foreign Military Sales (FMS), or placement into long-term storage. The Navy International Programs Office has had at least one inquiry from a nation showing interest in the Navy's MK VI patrol boats and in January 2021, the Department of Defense announced that Ukraine is procuring two new MK VI patrol boats, with a potential total sale up to 16 craft, through an FMS case.

Accelerate Divestment of Navy F/A-18A-D Hornets. The FY 2019 President's Budget included a phased divestment of Navy F/A-18A-D legacy Hornets, planned for completion by

FY 2024. PB-22 accelerates this divestment plan to complete in FY 2022, in conjunction with the completion of the Navy Reserve's transition from F/A-18A-D to F/A-18E/F from the Navy Active Component, and F-16C/D from the U.S. Air Force and Air National Guard by the end of FY 2022.

Navy will divest 45 Hornets in FY 2022. This divestment reduces long-term support costs for these older Type/Model/Series, while retaining adversary capacity with F-16s and Block I Super Hornets, and Naval Aviation Warfighting Development Center testing capability using Block I Super Hornets.

Accelerate Divestment of Broad Area Maritime Surveillance Demonstrator (BAMS-D). The FY 2021 President's Budget originally scheduled BAMS-D divestment in FY 2023. BAMS-D has limited capability to perform maritime and littoral intelligence, surveillance, and reconnaissance (ISR). PB-22 accelerates divestment of BAMS-D to FY 2022 in order to harvest cost savings sooner and reinvest in higher priority capabilities and capacity. BAMS-D is not a program of record and was intended to be a demonstration prototype for MQ-4C Triton, which will provide greater capabilities. Maritime ISR missions will be conducted by P-8A Poseidon, MQ-4C Triton, and EP-3E operations, which were extended by one year to FY 2024 in compliance with the FY 2011 National Defense Authorization Act.

Conclusion

Thank you for the strong support this Subcommittee continues to provide our Navy. The Navy takes seriously our duty to be good stewards of taxpayer dollars by assessing and recommending the hard decisions necessary to deliver the highest warfighting return on investment and maximize naval power within limited resources. This requires a multi-pronged effort to improve affordability, increase efficiency through reform, and divest of systems that are decreasingly relevant to the strategic environment or no longer operationally effective in executing their missions. We ask for Congress' support of the critical balance between readiness, capability, capacity and taking care of our people as reflected in the FY 2022 President's Budget.