Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress

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Specialist in Naval Affairs

April 12, 2011
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Summary

The Navy has been procuring Virginia (SSN-774) class nuclear-powered attack submarines (SSNs) since FY1998. Twelve were procured through FY2010, two more were requested for FY2011, and another two are requested for FY2012. The eight boats to be procured in the five-year period FY2009-FY2013 (boats 11 through 18, in annual quantities of 1-1-2-2-2) are being procured under a multiyear procurement (MYP) arrangement.

The Navy’s proposed FY2012 budget requests $3,232.2 million in procurement funding to complete the procurement cost of the 15th and 16th Virginia-class boats. The FY2012 budget estimates the combined procurement cost of these two boats at $5,142.8 million, and under Navy budget plans the boats are to receive a total of $1,910.5 million in prior-year advance procurement (AP) and Economic Order Quantity (EOQ) funding. The Navy’s proposed FY2012 budget also requests $1,524.8 million in AP funding for Virginia-class boats to be procured in future years.

Potential issues for Congress regarding the Virginia-class program include the following:

- the Virginia-class procurement rate in coming years, particularly in the context of the larger debate over future U.S. defense strategy and defense spending;
- the Navy’s plans for inserting new technologies into the Virginia-class design; and
- the reliability of in-service Virginia-class boats.
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Introduction

This report provides background information and oversight issues for Congress on the Virginia-class nuclear-powered attack submarine (SSN) program. The Navy’s proposed FY2012 budget requests procurement funding for the 15th and 16th Virginia-class boats, and advance procurement (AP) funding for Virginia-class boats to be procured in future years. Decisions that Congress makes on procurement of Virginia-class boats could substantially affect U.S. Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

The Navy’s SSBN(X) ballistic missile submarine program is discussed in another CRS report.¹

Background

U.S. Navy Submarines²

The U.S. Navy operates three types of submarines—nuclear-powered ballistic missile submarines (SSBNs),³ nuclear-powered cruise missile and special operations forces (SOF) submarines (SSGNs),⁴ and nuclear-powered attack submarines (SSNs). The SSNs are general-purpose submarines that perform a variety of peacetime and wartime missions, including the following:

- covert intelligence, surveillance, and reconnaissance (ISR), much of it done for national-level (as opposed to purely Navy) purposes;
- covert insertion and recovery of SOF (on a smaller scale than possible with the SSGNs);
- covert strikes against land targets with the Tomahawk cruise missiles (again on a smaller scale than possible with the SSGNs);

¹ See CRS Report R41129, Navy SSBN(X) Ballistic Missile Submarine Program: Background and Issues for Congress, by Ronald O'Rourke.
² In U.S. Navy submarine designations, SS stands for submarine, N stands for nuclear-powered, B stands for ballistic missile, and G stands for guided missile (such as a cruise missile). Submarines can be powered by either nuclear reactors or non-nuclear power sources such as diesel engines or fuel cells. All U.S. Navy submarines are nuclear-powered. A submarine’s use of nuclear or non-nuclear power as its energy source is not an indication of whether it is armed with nuclear weapons—a nuclear-powered submarine can lack nuclear weapons, and a non-nuclear-powered submarine can be armed with nuclear weapons.
³ The SSBNs’ basic mission is to remain hidden at sea with their nuclear-armed submarine-launched ballistic missiles (SLBMs) and thereby deter a strategic nuclear attack on the United States. The Navy’s SSBNs are discussed in CRS Report R41129, Navy SSBN(X) Ballistic Missile Submarine Program: Background and Issues for Congress, by Ronald O'Rourke, and CRS Report RL31623, U.S. Nuclear Weapons: Changes in Policy and Force Structure, by Amy F. Woolf.
⁴ The SSGNs' basic mission is to remain hidden at sea with their nuclear-armed submarine-launched ballistic missiles (SLBMs) and thereby deter a strategic nuclear attack on the United States. The Navy’s SSGNs are discussed in CRS Report R41129, Navy SSBN(X) Ballistic Missile Submarine Program: Background and Issues for Congress, by Ronald O'Rourke, and CRS Report RL31623, U.S. Nuclear Weapons: Changes in Policy and Force Structure, by Amy F. Woolf.
⁴ The Navy’s four SSGNs are former Trident SSBNs that have been converted (i.e., modified) to carry Tomahawk cruise missiles and SOF rather than SLBMs. Although the SSGNs differ somewhat from SSNs in terms of mission orientation (with the SSGNs being strongly oriented toward Tomahawk strikes and SOF support, while the SSNs are more general-purpose in orientation), SSGNs can perform other submarine missions and are sometimes included in counts of the projected total number of Navy attack submarines. The Navy’s SSGNs are discussed in CRS Report RS21007, Navy Trident Submarine Conversion (SSGN) Program: Background and Issues for Congress, by Ronald O’Rourke.
• covert offensive and defensive mine warfare;
• anti-submarine warfare (ASW); and
• anti-surface ship warfare.

During the Cold War, ASW against the Soviet submarine force was the primary stated mission of U.S. SSNs, although covert ISR and covert SOF insertion/recovery operations were reportedly important on a day-to-day basis as well.5 In the post-Cold War era, although anti-submarine warfare remains a mission, the SSN force has focused more on performing the other missions noted on the list above.

**Attack Submarine Force-Level Goal**

In February 2006, the Navy proposed achieving and maintaining in coming years a fleet with a total of 313 ships, including 48 SSNs (and 4 SSGNs). For a review of SSN force level goals since the Reagan Administration, see Appendix B.

**Attack Submarine Force Level**

The SSN force included more than 90 boats during most of the 1980s, when plans called for achieving a 600-ship Navy including 100 SSNs. The number of SSNs peaked at 98 boats at the end of FY1987 has declined since then in a manner that has roughly paralleled the decline in the total size of the Navy over the same time period. The 53 SSNs in service at the end of FY2010 included the following:

• 43 Los Angeles (SSN-688) class boats;
• 3 Seawolf (SSN-21) class boats; and
• 7 Virginia (SSN-774) class boats.

**Los Angeles- and Seawolf-Class Boats**

A total of 62 Los Angeles-class submarines, commonly called 688s, were procured between FY1970 and FY1990 and entered service between 1976 and 1996. They are equipped with four 21-inch diameter torpedo tubes and can carry a total of 26 torpedoes or Tomahawk cruise missiles in their torpedo tubes and internal magazines. The final 31 boats in the class (SSN-719 and higher) are equipped with an additional 12 vertical launch system (VLS) tubes in their bows for carrying and launching another 12 Tomahawk cruise missiles. The final 23 boats in the class (SSN-751 and higher) incorporate further improvements and are referred to as Improved Los Angeles class boats or 688Is. As of the end of FY2010, 19 of the 62 boats in the class had been retired.

The Seawolf class was originally intended to include about 30 boats, but Seawolf-class procurement was stopped after three boats as a result of the end of the Cold War and associated

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5 For an account of certain U.S. submarine surveillance and intelligence-collection operations during the Cold War, see Sherry Sontag and Christopher Drew with Annette Lawrence Drew, _Blind Man’s Bluff_ (New York: Public Affairs, 1998).
changes in military requirements. The three Seawolf-class submarines are the Seawolf (SSN-21),
the Connecticut (SSN-22), and the Jimmy Carter (SSN-23). SSN-21 and SSN-22 were procured
in FY1989 and FY1991 and entered service in 1997 and 1998, respectively. SSN-23 was
originally procured in FY1992. Its procurement was suspended in 1992 and then reinstated in
FY1996. It entered service in 2005. Seawolf-class submarines are larger than Los Angeles-class
boats or previous U.S. Navy SSNs. They are equipped with eight 30-inch-diameter torpedo tubes
and can carry a total of 50 torpedoes or cruise missiles. SSN-23 was built to a lengthened
configuration compared to the other two ships in the class.

**Virginia (SSN-774) Class Program**

**General**

The Virginia-class attack submarine (see Figure 1) was designed to be less expensive and better
optimized for post-Cold War submarine missions than the Seawolf-class design. The Virginia-
class design is slightly larger than the Los Angeles-class design, but incorporates newer
technologies. Virginia-class boats currently cost about $2.6 billion each to procure. The first
Virginia-class boat entered service in October 2004.

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6 Los Angeles-class boats have a beam (i.e., diameter) of 33 feet and a submerged displacement of about 7,150 tons. Seawolf-class boats have a beam of 40 feet. SSN-21 and SSN-22 have a submerged displacement of about 9,150 tons.

7 SSN-23 is 100 feet longer than SSN-21 and SSN-22 and has a submerged displacement of 12,158 tons.

8 Virginia-class boats have a beam of 34 feet and a submerged displacement of 7,800 tons.
Past and Projected Procurement Rate

As shown in Table 1, 12 Virginia-class boats were procured through FY2010 at a rate of about one boat per year, and the Navy’s proposed FY2011 budget increased the planned procurement rate to two boats per year.

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Source: Prepared by CRS based on U.S. Navy data. The eight boats procured or to be procured in FY2009-FY2013 are being procured under a multiyear procurement (MYP) arrangement.

Multiyear Procurement (MYP)

Under a multiyear procurement (MYP) arrangement requested by the Navy and approved by Congress in FY2008 and FY2009, a total of eight Virginia-class boats (boats 11 through 18 in the

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Section 8011 of the compromise version of the FY2009 defense appropriations act (Division C of H.R. 2638/P.L. (continued...)

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program) are to be procured in the period FY2009-FY2013, in annual quantities of 1, 1, 2, 2, and 2, respectively.

The five Virginia-class boats procured in FY2004-FY2008 were also procured under a multiyear procurement (MYP) arrangement. The four boats procured in FY1998-FY2002 were procured under a somewhat similar arrangement called a block buy. The boat procured in FY2003 fell between the FY1998-FY2002 block buy and the FY2004-FY2008 MYP, and was contracted for separately.

**Joint Production Arrangement**

Virginia-class boats are built jointly by General Dynamics’ Electric Boat Division (GD/EB) of Groton, CT, and Quonset Point, RI, and the Newport News, VA, shipyard that forms part of Northrop Grumman Shipbuilding (NGSB). Under the arrangement, GD/EB builds certain parts of each boat, Newport News builds certain other parts of each boat, and the yards take turns building the reactor compartments and performing final assembly of the boats. GD/EB is building the reactor compartments and performing final assembly on boats 1, 3, and so on, while Newport News is doing so on boats 2, 4, and so on. The arrangement results in a roughly 50-50 division of Virginia-class profits between the two yards and preserves both yards’ ability to build submarine reactor compartments (a key capability for a submarine-construction yard) and perform submarine final-assembly work.

The joint production arrangement is a departure from past U.S. submarine construction practices, under which complete submarines were built in individual yards. The joint production arrangement is the product of a debate over the Virginia-class acquisition strategy within Congress, and between Congress and the Department of Defense (DOD), that occurred in 1995-1997 (i.e., during the markup of the FY1996-FY1998 defense budgets). The goal of the arrangement is to keep both GD/EB and Newport News involved in building nuclear-powered submarines, and thereby maintain two U.S. shipyards capable of building nuclear-powered submarines, while minimizing the cost penalties of using two yards rather than one to build a submarine design that is being procured at a relatively low annual rate.

**Cost-Reduction Effort**

The Navy states that it has achieved a goal of reducing the procurement cost of Virginia-class submarines so that two boats can be procured in FY2012 for combined cost of $4.0 billion in constant FY2005 dollars—a goal referred to as “2 for 4 in 12.” Achieving this goal involved

(...continued)

110-329 of September 30, 2008) granted authority for using FY2009 funds for an MYP arrangement for the Virginia-class program. Section 122 of the compromise version of the FY2009 defense authorization bill (S. 3001/P.L. 110-417 of October 14, 2008) modified the authority to use an MYP arrangement for Virginia-class boats to be procured in FY2009-FY2013 that was granted to the Secretary of the Navy by Section 121 of FY2008 defense authorization act (H.R. 4986/P.L. 110-181 of January 28, 2008). The modification additionally permits the Secretary to enter into one or more contracts for advance procurement and advance construction of components for the boats procured under the MYP arrangement.

10 GD/EB and the Newport News shipyard are the only two shipyards in the country capable of building nuclear-powered ships. GD/EB builds submarines only, while the Newport News shipyard also builds nuclear-powered aircraft carriers and is capable of building other types of surface ships.
removing about $400 million (in constant FY2005 dollars) from the cost of each submarine. (The
Navy calculates that the unit target cost of $2.0 billion in constant FY2005 dollars for each
submarine translates into about $2.6 billion for a boat procured in FY2012.)

The Navy says that, in constant FY2005 dollars, about $200 million of the $400 million in the
sought-after cost reductions was accomplished simply through the improved economies of scale
(e.g., better spreading of shipyard fixed costs and improved learning rates) of producing two
submarines per year rather than one per year. The remaining $200 million in sought-after cost
reductions, the Navy says, was accomplished through changes in the ship’s design (which will
contribute roughly $100 million toward the cost-reduction goal) and changes in the shipyard
production process (which will contribute the remaining $100 million or so toward the goal).
Some of the design changes are being be introduced to Virginia-class boats procured prior to
FY2012, but the Navy says the full set of design changes will not be ready for implementation
until the FY2012 procurement.

Changes in the shipyard production process are aimed in large part at reducing the total shipyard
construction time of a Virginia-class submarine from 72 months to 60 months. (If the ship spends
less total time in the shipyard being built, its construction cost will incorporate a smaller amount
of shipyard fixed overhead costs.) The principal change involved in reducing shipyard
construction time to 60 months involves increasing the size of the modules that form each
submarine, so that each submarine can be built out of a smaller number of modules.11

Submarine Construction Industrial Base

In addition to GD/EB and Newport News, the submarine construction industrial base includes
scores of supplier firms, as well as laboratories and research facilities, in numerous states. About
80% of the total material procured from supplier firms for the construction of submarines
(measured in dollar value) comes from single or sole source suppliers. Observers in recent years
have expressed concern for the continued survival of many of these firms. For nuclear-propulsion
component suppliers, an additional source of stabilizing work is the Navy’s nuclear-powered
aircraft carrier construction program.12 In terms of work provided to these firms, a carrier nuclear
propulsion plant is roughly equivalent to five submarine propulsion plants.

Much of the submarine design and engineering portion is resident at GD/EB. Smaller portions are
resident at Newport News and some of the component makers. Several years ago, some observers
expressed concern about the Navy’s plans for sustaining the design and engineering portion of the
submarine construction industrial base. These concerns appear to have receded, in large part
because of the Navy’s plan to design and procure a next-generation ballistic missile submarine
called the SSBN(X).13

11 For a detailed discussion of the Virginia-class cost-reduction effort, see David C. Johnson et al., “Managing Change
12 For more on this program, see CRS Report RS20643, Navy Ford (CVN-78) Class Aircraft Carrier Program:
Background and Issues for Congress, by Ronald O’Rourke.
13 For more on the SBN(X) program, see CRS Report R41129, Navy SSBN(X) Ballistic Missile Submarine Program:
Background and Issues for Congress, by Ronald O’Rourke.
Projected SSN Shortfall

Size and Timing of Shortfall

The Navy’s 30-year SSN procurement plan, if implemented, would not be sufficient to maintain a force of 48 SSNs consistently over the long run. As shown in Table 2, the Navy projects that the SSN force will fall below 48 boats starting in 2024, reach a minimum of 39 boats in 2030, and remain below 48 boats through 2040. Since the Navy plans to retire the four SSGNs by 2028 without procuring any replacements for them, no SSGNs would be available in 2028 and subsequent years to help compensate for a drop in SSN force level below 48 boats. The projected SSN shortfall has been discussed in CRS reports and testimony since 1995.

Table 2. SSN Force Level, 2011-2040 (Navy Projection)

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Size of Shortfall Under FY2009 and FY2011 30-Year Shipbuilding Plans

Navy 30-year shipbuilding plans for FY2009 and prior years showed the SSN force recovering to 48 boats by the early 2030s. The Navy’s FY2011 30-year (FY2011-FY2040) plan shows the SSN remaining below 48 boats through 2040. The change is due to a reduction in planned SSN procurements. As can be seen in Table 3, the FY2009 plan included procurement of 53 SSNs over 30 years, while the FY2011 plan includes procurement of 44 SSNs over 30 years. The reduction in SSN procurements in the FY2011 plan may be due in large part to the planned procurement of 12 next-generation SSBNs in FY2019-FY2033. The FY2009 plan did not account for the cost of these 12 SSBNs, while the FY2011 does, apparently causing reductions in planned procurement rates for SSNs and other types of ships during that period.
Table 3. SSNs in FY2009 and FY2011 30-Year Shipbuilding Plans

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Source: Prepared by CRS using data figures from Navy FY2009 and FY2011 30-year shipbuilding plans.

Note: n/a means not applicable.
2006 Navy Study on Options for Mitigating Projected Shortfall

The Navy in 2006 initiated a study on options for mitigating the projected SSN shortfall. The study was completed in early 2007 and briefed to CRS and the Congressional Budget Office (CBO) on May 22, 2007.\(^\text{14}\) At the time of the study, the SSN force was projected to bottom out at 40 boats and then recover to 48 boats by the early 2030s. Principal points in the Navy study (which cite SSN force-level projections as understood at that time) include the following:

- The day-to-day requirement for deployed SSNs is 10.0, meaning that, on average, a total of 10 SSNs are to be deployed on a day-to-day basis.\(^\text{15}\)

- The peak projected wartime demand is about 35 SSNs deployed within a certain amount of time. This figure includes both the 10.0 SSNs that are to be deployed on a day-to-day basis and 25 additional SSNs surged from the United States within a certain amount of time.\(^\text{16}\)

- Reducing Virginia-class shipyard construction time to 60 months—something that the Navy already plans to do as part of its strategy for meeting the Virginia-class cost-reduction goal (see earlier discussion on cost-reduction goal)—will increase the size of the SSN force by two boats, so that the force would bottom out at 42 boats rather than 40.\(^\text{17}\)

- If, in addition to reducing Virginia-class shipyard construction time to 60 months, the Navy also lengthens the service lives of 16 existing SSNs by periods ranging from 3 months to 24 months (with many falling in the range of 9 to 15 months), this would increase the size of the SSN force by another two boats, so that the force would bottom out at 44 boats rather than 40.\(^\text{18}\) The total cost of extending the lives of the 16 boats would be roughly $500 million in constant FY2005 dollars.\(^\text{19}\)


\(^{15}\) The requirement for 10.0 deployed SSNs, the Navy stated in the briefing, was the current requirement at the time the study was conducted.

\(^{16}\) The peak projected wartime demand of about 35 SSNs deployed within a certain amount of time, the Navy stated, is an internal Navy figure that reflects several studies of potential wartime requirements for SSNs. The Navy stated that these other studies calculated various figures for the number of SSNs that would be required, and that the figure of 35 SSNs deployed within a certain amount of time was chosen because it was representative of the results of these other studies.

\(^{17}\) If shipyard construction time is reduced from 72 months to 60 months, the result would be a one-year acceleration in the delivery of all boats procured on or after a certain date. In a program in which boats are being procured at a rate of two per year, accelerating by one year the deliveries of all boats procured on or after a certain date will produce a one-time benefit of a single year in which four boats will be delivered to the Navy, rather than two. In the case of the Virginia-class program, this year might be around 2017. As mentioned earlier in the discussion of the Virginia-class cost-reduction goal, the Navy believes that the goal of reducing Virginia-class shipyard construction time is a medium-risk goal. If it turns out that shipyard construction time is reduced to 66 months rather than 60 months (i.e., is reduced by 6 months rather than 12 months), the size of the SSN force would increase by one boat rather than two, and the force would bottom out at 41 boats rather than 42.

\(^{18}\) The Navy study identified 19 existing SSNs whose service lives currently appear to be extendable by periods of 1 to 24 months. The previous option of reducing Virginia-class shipyard construction time to 60 months, the Navy concluded, would make moot the option of extending the service lives of the three oldest boats in this group of 19, leaving 16 whose service lives would be considered for extension.

\(^{19}\) The Navy stated that the rough, order-of-magnitude (ROM) cost of extending the lives of 19 SSNs would be $595 million in constant FY2005 dollars, and that the cost of extending the lives of 16 SSNs would be roughly proportional.
The resulting force that bottoms out at 44 boats could meet the 10.0 requirement for day-to-day deployed SSNs throughout the 2020-2033 period if, as an additional option, about 40 SSN deployments occurring in the eight-year period 2025-2032 were lengthened from six months to seven months. These 40 or so lengthened deployments would represent about one-quarter of all the SSN deployments that would take place during the eight-year period.

The resulting force that bottoms out at 44 boats could not meet the peak projected wartime demand of about 35 SSNs deployed within a certain amount of time. The force could generate a total deployment of 32 SSNs within the time in question—three boats (or about 8.6%) less than the 35-boat figure. Lengthening SSN deployments from six months to seven months would not improve the force’s ability to meet the peak projected wartime demand of about 35 SSNs deployed within a certain amount of time.

To meet the 35-boat figure, an additional four SSNs beyond those planned by the Navy would need to be procured. Procuring four additional SSNs would permit the resulting 48-boat force to surge an additional three SSNs within the time in question, so that the force could meet the peak projected wartime demand of about 35 SSNs deployed within a certain amount of time.

Procuring one to four additional SSNs could also reduce the number of seven-month deployments that would be required to meet the 10.0 requirement for day-to-day deployed SSNs during the period 2025-2032. Procuring one additional SSN would reduce the number of 7-month deployments during this period to about 29; procuring two additional SSNs would reduce it to about 17, procuring three additional SSNs would reduce it to about 7, and procuring four additional SSNs would reduce it to 2.

The Navy added a number of caveats to these results, including but not limited to the following:

- The requirement for 10.0 SSNs deployed on a day-to-day basis is a current requirement that could change in the future.
- The peak projected wartime demand of about 35 SSNs deployed within a certain amount of time is an internal Navy figure that reflects recent analyses of potential future wartime requirements for SSNs. Subsequent analyses of this issue could result in a different figure.
- The identification of 19 SSNs as candidates for service life extension reflects current evaluations of the material condition of these boats and projected use rates for their nuclear fuel cores. If the material condition of these boats years from now turns out to be worse than the Navy currently projects, some of them might no longer be suitable for service life extension. In addition, if world conditions over the next several years require these submarines to use up their nuclear fuel cores more quickly than the Navy now projects, then the amounts of time that their service lives might be extended could be reduced partially, to zero, or to less than zero (i.e., the service lives of the boats, rather than being extended, might need to be shortened).
The analysis does not take into account potential rare events, such as accidents, that might force the removal an SSN from service before the end of its expected service live.\textsuperscript{20}

Seven-month deployments might affect retention rates for submarine personnel.

**Issues for Congress**

Potential issues for Congress regarding the Virginia-class program include the following:

- the Virginia-class procurement rate in coming years, particularly in the context of the larger debate over future U.S. defense strategy and defense spending;
- the Navy’s plans for inserting new technologies into the Virginia-class design; and
- the reliability of in-service Virginia-class boats.

**Virginia-Class Procurement Rate**

Another oversight issue for Congress concerns the Virginia-class procurement rate in coming years, particularly in the context of the larger debate over future U.S. defense strategy and defense spending. Some observers—particularly those who propose reducing U.S. defense spending as part of an effort to reduce the federal budget deficit—have recommended that the SSN force-level goal be reduced to something less than 48 boats, and/or that Virginia-class procurement be reduced. A June 2010 report from a group called the Sustainable Defense Task Force recommends a Navy of 230 ships, including 37 SSNs,\textsuperscript{21} and a September 2010 report from the Cato Institute recommends a Navy of 241 ships, including 40 SSNs.\textsuperscript{22} Both reports recommend limiting Virginia-class procurement to one boat per year, as does a September 2010 report from the Center for American Progress.\textsuperscript{23} A November 2010 report from a group called the Debt Reduction Task Force recommends “deferring” Virginia-class procurement.\textsuperscript{24} The November 2010 draft recommendations of the co-chairs of the Fiscal Commission include recommendations for reducing procurement of certain weapon systems; the Virginia-class program is not among them.

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\textsuperscript{20} In January 2005, the Los Angeles-class SSN San Francisco (SSN-711) was significantly damaged in a collision with an undersea mountain near Guam. The ship was repaired in part by transplanting onto it the bow section of the deactivated sister ship Honolulu (SSN-718). (See, for example, Associated Press, “Damaged Submarine To Get Nose Transplant,” *Seattle Post-Intelligencer*, June 26, 2006.) Prior to the decision to repair the San Francisco, the Navy considered the option of removing it from service. (See, for example, William H. McMichael, “Sub May Not Be Worth Saving, Analyst Says,” *Navy Times*, February 28, 2005; Gene Park, “Sub Repair Bill: $11M,” *Pacific Sunday News* (Guam), May 8, 2005.)


\textsuperscript{24} Debt Reduction Task Force, *Restoring America’s Future[:] Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System*, November 2010, p. 103.
Other observers have recommended that the SSN force-level goal should be increased to something higher than 48 boats, particularly in light of Chinese naval modernization.\(^{25}\) For example, the July 2010 report of an independent panel that assessed the 2010 Quadrennial Defense Review (QDR)—an assessment that is required by the law governing QDRs (10 U.S.C. 118)—recommends a Navy of 346 ships, including 55 SSNs.\(^{26}\)

Factors to consider in assessing whether to maintain, increase, or reduce the SSN force-level goal and/or planned Virginia-class procurement include but are not limited to the federal budget and debt situation, the value SSNs in defending U.S. interests and implementing U.S. national security strategy, and potential effects on the submarine industrial base.

As discussed earlier (see “Multiyear Procurement (MYP)” in “Background”), Virginia-class boats scheduled for procurement in FY2011-FY2013 are covered under a multiyear procurement (MYP) contract for the five-year period FY2009-FY2013. This MYP contract calls for procuring two Virginia-class boats per year in FY2011-FY2013. If fewer than two boats per year were funded in any one of those years, the contractor would be permitted to renegotiate the cost of the boats.

**Virginia-Class Technology Insertion**

Another oversight issue for Congress concerns Navy plans for inserting new technology into the Virginia-class design. A March 2011 Government Accountability Office (GAO) report stated:

> The Navy has decided not to pursue two planned technology insertions for the Virginia class, but it is still developing advanced electromagnetic signature reduction (AESR) technology that will be introduced onto existing and new submarines. The Navy plans to install AESR—software that monitors and optimizes the submarine’s signature—on ships starting with SSN 782. The software will be installed on earlier ships over time. According to the Navy, AESR prototype testing slipped by more than a year due to non-AESR-related schedule delays, and is scheduled to begin on SSN 778 in September 2011. The Navy decided not to incorporate a conformal acoustic velocity sensor wide aperture array on the ship after it found it would significantly increase, not decrease, life-cycle costs and complicate maintenance. The Navy is still evaluating more affordable sail designs, but according to officials, the larger, flexible payload sail is no longer being considered because the communications requirements that drove the need for more space have been eliminated.\(^{27}\)

\(^{25}\) For further discussion of China’s naval modernization effort, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.


Reliability of In-Service Virginia-Class Boats

December 2010 DOT&E Report

Another oversight issue for Congress concerns the reliability of in-service Virginia-class boats. A December 2010 report on various DOD acquisition programs from DOD’s Director, Operational Test and Evaluation (DOT&E)—DOT&E’s annual report for FY2010—stated, in its entry on the Virginia class program, that

The reliability of several key [Virginia-class] engineering components, NPES [non-propulsion electronics systems] equipment, Government Furnished Equipment, and the Photonics Mast need improvement.…

Virginia’s mission performance is significantly dependent on supporting acquisition programs that make up the Virginia combat and weapon systems. The performance requirements or demonstrated performance of some NPES components do not support meeting Virginia’s requirements. The A-RCI [acoustic rapid COTS (commercial off the shelf) insertion] Sonar AN/BQQ-10, the TB-29 series towed [sonar] array, the AN/BLQ-10 Electronics Support Measures [system] and the Mk 48 Advanced Capability torpedo are examples of systems with known performance limitations or reliability programs that affected Virginia’s performance during IOT&E [initial operational test and evaluation].

June 30, 2010, DOT&E Memorandum

A June 30, 2010, memorandum from J. Michael Gilmore, the Director, Operational Test and Evaluation, discussed reliability issues concerning in-service DOD weapon systems, including Virginia-class submarines. The memorandum stated the following of Virginia-class boats:


- Multiple “fail to sail” issues, and test aborts associated with low reliability;
- No enterprise wide reliability measurement or growth program;
- Additional subsystems require reliability improvements (Active Shaft Grounding System, Circuit D, Ship Service Turbine Generator magnetic levitation bearings / throttle control system, etc.);
- Special Hull Treatment continues to debond from VIRGINIA Class submarines during underway periods, often in large sections up to hundreds of square feet.29

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July 15, 2010, Navy Statement

On July 15, 2010, the Navy issued a statement to a news organization defending the reliability of in-service Virginia-class boats. The Navy document states:

The Program Support Review [PSR] final report, referenced in the June 30 letter, was issued in November 2009 and stated “the design and reliability deficiencies identified during the PSR have mitigation plans and do not preclude the program from moving forward,” and recommended the program proceed to the Milestone III / Full Rate Production review. On 23 June 2009 COMOPTEVFOR [Commander, Operational and Test and Evaluation Force] deemed the VIRGINIA Class “operationally effective” and “operationally suitable.” On 12 November 2009, the Director, Operational Test and Evaluation deemed the VIRGINIA Class an “operationally effective, suitable and survivable replacement for the LOS ANGELES Class submarine.”

It is inaccurate to say the VIRGINIA Class has a reliability problem. The [Virginia-class] Program ensures reliability by finding and correcting defects during the design, construction and post delivery periods. One of the last and most important reliability checks before a ship becomes fully operational is the shakedown and maintenance availability period between the submarine’s delivery from construction and the beginning of full fleet operations. Most of the issues and fail-to-sail events in the program have occurred and were corrected during this period. There have been comparatively few fail to sail events on ships that have completed PSA [post-shakedown availability].30 While this shows the effectiveness of the Program’s approach to improving the platform reliability, the Navy continues to monitor the success of the reliability improvement efforts in progress.

The proof of the reliability of a weapons system is in its intended use in its intended environment. For a US Navy Submarine in peacetime, this event occurs during a full six-month deployment. USS VIRGINIA (SSN 774) recently completed a highly successful full-length deployment including operations in the United States European Command (EUCOM) and United States African Command (AFRICOM) Area of Responsibility (AORs), with the highest Operational Tempo (OPTEMPO) (84.6%) of any deployed unit during that time period. Her deployment included several lengthy uninterrupted at-sea periods, including one of 75 days, during which she conducted highly classified missions of vital importance to the nation’s security. At no time during these missions, or her entire deployment, was she unable to accomplish her tasking due to material failure.

The VIRGINIA program measures System Reliability using Under Secretary of Defense for Acquisition, Technology and Logistics Life Cycle Sustaintment metrics and is currently scored at 97.7%, comparable to or higher than other classes of submarines. This level of reliability was achieved by invoking reliability, maintainability, and availability requirements during design development.

Subsystem reliability issues are managed by the respective Participating Managers (FARMs), which are separate program offices that supply capability to all classes of submarines in accordance with the Team Submarine business practice. In many cases the specific issues noted by the report have already been corrected. Subsystem reliability also

30 At this point in the statement, there is a footnote that states: “20 total Fail-to-Sail events over the program to date, 5 on ships that have completed PSA.” A PSA is an availability (i.e., a period of time when the ship is in a shipyard, available for maintenance work to be performed on it) that follows a ship’s shakedown cruise (i.e., a cruise on a newly built ship that is intended in part to uncover defects in the ship’s construction).
performed at a high level during USS VIRGINIA’s deployment and is included in the statistics above.

Mold-in-Place Special Hull Treatment (MIP/SHT) debonding has not caused any fail-to-sail events over the life of the program. The debonding issue has been aggressively pursued since its recognition in 2006. The problem was largely due to immature application processes, which have been corrected on later ships. Because of the parallel construction process, MIP/SHT was applied to several ships before the first at-sea testing of USS VIRGINIA. The Program Office continues to monitor the performance on all ships and pursue improvement.31

January 21, 2011, Press Report

A January 21, 2011, press article stated:

The sharkskin-like coating that peeled off early Virginia Class submarines in large swatches appears to be adhering better to newer boats, a top Navy procurement official said.

After the Navy found that the specialized, sonar-absorbing coating had sloughed off three of the first four subs in the class, they initiated an investigation to determine the cause of the problem and how to fix it.

“Clearly we had problems on the early ships,” said Vice Adm. Kevin M. McCoy, commander of Naval Sea Systems Command, the Navy’s ship-buying and maintenance arm. “We think, for the most part, those issues are behind us.”

The loss of the specialized hull coating—designed to be “anechoic,” or able to absorb waves of active sonar so it does not bounce back to the ship or sub emitting the signal—could imperil underway submarines by making them easier to detect.

Despite those problems, McCoy insisted that the hull-coating failures have not contributed to operational issues for the submarines, saying “It’s not been a real big deal for us.”

McCoy said the Navy’s investigation revealed “no single smoking gun,” and that he’s “very confident going forward” that the Navy’s fast-attack submarines will retain the thick black coating that helps keep them silent and stealthy.

Affected submarines are being fixed during their normal dry-dock maintenance periods.…

Although Northrop and Electric Boat apply the hull coatings, the Navy specifies the process of application.

The sea service has said it started making procedural changes in how the coating was applied immediately after the first problems surfaced in 2007 on the Virginia, the first sub of the class and the one with the most acute debonding problem to date.

While McCoy declined to reveal the specific of how the process has changed, he said it “has gotten much better improved in terms of temperature controls, humidity controls and adhesion.”\(^{32}\)

March 2011 GAO Report

A March 2011 GAO report stated:

The Navy is working to address quality control and reliability concerns. In November 2009, the Director, Defense Research and Engineering (DDR&E), highlighted several design and reliability-related deficiencies the program needed to address, but concluded they did not preclude the program from moving forward into full-rate production. These deficiencies, which included multiple subsystem failures, multiple “fail to sail” issues, and test aborts, were also cited by the Director, Operational Test and Evaluation, as examples of the pervasive reliability problems that affect DOD systems. DDR&E also noted that the program did not have a reliability measurement or growth program—a best practice. Navy officials told us that plans are in place to mitigate each of these issues. For example, according to the Navy, subsystem problems are being addressed with the vendors and shipyards through changes to installation techniques, engineering changes or redesigns, and evaluations of alternative technologies. Navy officials also told us fail to sail events are not unexpected early in a program and that the Virginia class submarine has not experienced any fail to sail events while deployed. According to Navy and DDR&E officials, problems with a special hull treatment separating from the hull have also been mitigated by changing surface preparation techniques and redesigning coating molds. Delivered hulls will have the coating restored as needed, and more significant restoration can occur during scheduled dry-dockings. According to Navy officials, this issue is not unique to the Virginia class and has not resulted in any operational deficiencies. Navy officials said the shipbuilder has also addressed the torpedo-room manufacturing quality issues that were identified in 2009.\(^{33}\)

Legislative Activity for FY2012

The Navy’s proposed FY2012 budget requests $3,232.2 million in procurement funding to complete the procurement cost of the 15\(^{th}\) and 16\(^{th}\) Virginia-class boats. The FY2012 budget estimates the combined procurement cost of these two boats at $5,142.8 million, and under Navy budget plans the boats are to receive a total of $1,910.5 million in prior-year advance procurement (AP) and Economic Order Quantity (EOQ) funding. The Navy’s proposed FY2012 budget also requests $1,524.8 million in AP funding for Virginia-class boats to be procured in future years.


Appendix A. Legislative Activity for FY2011

FY2011 Funding Request

The Navy’s proposed FY2011 budget requested $3,441.5 million in procurement funding to complete the procurement cost of the 13th and 14th Virginia-class boats. The FY2011 budget estimated the combined procurement cost of these two boats at $5,344.4 million, and the boats through FY2010 had received a total of $1,903.0 million in prior-year advance procurement (AP) and Economic Order Quantity (EOQ) funding. The Navy’s proposed FY2011 budget also requested $1,436.8 million in AP funding for Virginia-class boats to be procured in future years, and $254.4 million in additional AP funding for Economic Order Quantity (EOQ) purchases of long-leadtime items for Virginia-class boats to be procured under the FY2009-FY2013 MYP arrangement.

FY2011 DOD and Full-Year Continuing Appropriations Act (H.R. 1473)

According to line-item funding tables posted by the House Rules Committee, the FY2011 Department of Defense and Full-Year Continuing Appropriations Act (H.R. 1473 of the 112th Congress, introduced on April 11, 2011) reduces the Navy’s request for FY2011 procurement funding for the Virginia class program by $11.109 million, and fully funds the Navy’s request for FY2011 advance procurement funding for the Virginia class program. The reduction of $11.109 million in procurement funding includes $5.795 million for “Sonar System Hardware Growth,” $1.43 million for “Modular Mast Cost Growth,” and $3.884 million for “Propulsor Cost Growth.”

FY2011 DOD Appropriations Bill (S. 3800)

Senate

The Senate Appropriations Committee, in its report (S.Rept. 111-295 of September 16, 2010) on S. 3800 of the 111th Congress, recommends approval of the Navy’s FY2011 request for procurement and advance procurement funding for the Virginia-class program (page 86).


House (H.R. 5136)

The House Armed Services Committee, in its report (H.Rept. 111-491 of May 21, 2010) on the FY2011 defense authorization bill (H.R. 5136), recommends approval of the Navy’s FY2011 request for procurement and advance procurement funding for the Virginia-class program (page 34 The funding tables were posted at http://rules.house.gov/Legislation/legislationDetails.aspx?NewsID=244.
The report states the following in the section discussing the Navy’s FY2011 funding request for its research and development account:

Development of hybrid multi-functional composites for submarine structures

The budget request contained $608.6 million in PE 63561N for advanced submarine systems development, but contained no funding for the development of hybrid multi-functional composites for submarine structures.

The committee notes the excellent results of the Virginia-class submarine program of composite technology in the areas of the wide aperture array and main ballast tank vent gratings. The committee understands the use of composites is beneficial in life-cycle maintenance costs, as well as weight savings, which are always a key element of submarine design. The committee understands that emerging technologies using hybrid composite structures have the potential to continue to reduce weight with increased strength for many submarine applications.

The committee recommends an increase of $4.0 million in PE 63561N for continued development of hybrid multi-functional composite technology. (Page 157)

**Senate (S. 3454)**

The FY2011 defense authorization bill (S. 3454), as reported by the Senate Armed Services Committee (S.Rept. 111-201 of June 4, 2010), recommends approval of the Navy’s request for FY2011 procurement and advance procurement funding for the Virginia-class program (see page 677 of the printed bill).

**Final Version (H.R. 6523/P.L. 111-383)**

Section 102(a)(3) of H.R. 6523/P.L. 111-383 of January 7, 2011, authorizes FY2011 funding for the Navy’s entire shipbuilding account at the requested amount. The act contains no provisions relating specifically to procurement of Virginia-class submarines. The joint explanatory statement of the House and Senate Armed Services Committees on H.R. 6523 does not discuss procurement of Virginia-class submarines.

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35 Line items in DOD research and development accounts are called program elements (PEs).
Appendix B. Past SSN Force-Level Goals

This appendix summarizes attack submarine force-level goals since the Reagan Administration (1981-1989).

The Reagan-era plan for a 600-ship Navy included an objective of achieving and maintaining a force of 100 SSNs.

The George H. W. Bush Administration’s proposed Base Force plan of 1991-1992 originally called for a Navy of more than 400 ships, including 80 SSNs.36 In 1992, however, the SSN goal was reduced to about 55 boats as a result of a 1992 Joint Staff force-level requirement study (updated in 1993) that called for a force of 51 to 67 SSNs, including 10 to 12 with Seawolf-level acoustic quieting, by the year 2012.37

The Clinton Administration, as part of its 1993 Bottom-Up Review (BUR) of U.S. defense policy, established a goal of maintaining a Navy of about 346 ships, including 45 to 55 SSNs.38 The Clinton Administration’s 1997 QDR supported a requirement for a Navy of about 305 ships and established a tentative SSN force-level goal of 50 boats, “contingent on a reevaluation of peacetime operational requirements.”39 The Clinton Administration later amended the SSN figure to 55 boats (and therefore a total of about 310 ships).

The reevaluation called for in the 1997 QDR was carried out as part of a Joint Chiefs of Staff (JCS) study on future requirements for SSNs that was completed in December 1999. The study had three main conclusions:

- “that a force structure below 55 SSNs in the 2015 [time frame] and 62 [SSNs] in the 2025 time frame would leave the CINC’s [the regional military commanders-in-chief] with insufficient capability to respond to urgent crucial demands without gapping other requirements of higher national interest. Additionally, this force structure [55 SSNs in 2015 and 62 in 2025] would be sufficient to meet the modeled war fighting requirements;”

- “that to counter the technologically pacing threat would require 18 Virginia class SSNs in the 2015 time frame;” and

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Navy Virginia (SSN-774) Class Attack Submarine Procurement

- “that 68 SSNs in the 2015 [time frame] and 76 [SSNs] in the 2025 time frame would meet all of the CINCs’ and national intelligence community’s highest operational and collection requirements.”

The conclusions of the 1999 JCS study were mentioned in discussions of required SSN force levels, but the figures of 68 and 76 submarines were not translated into official Department of Defense (DOD) force-level goals.

The George W. Bush Administration’s report on the 2001 QDR revalidated the amended requirement from the 1997 QDR for a fleet of about 310 ships, including 55 SSNs. In revalidating this and other U.S. military force-structure goals, the report cautioned that as DOD’s “transformation effort matures—and as it produces significantly higher output of military value from each element of the force—DOD will explore additional opportunities to restructure and reorganize the Armed Forces.”

DOD and the Navy conducted studies on undersea warfare requirements in 2003-2004. One of the Navy studies—an internal Navy study done in 2004—reportedly recommended reducing the attack submarine force level requirement to as few as 37 boats. The study reportedly recommended homeporting a total of nine attack submarines at Guam and using satellites and unmanned underwater vehicles (UUVs) to perform ISR missions now performed by attack submarines.

In March 2005, the Navy submitted to Congress a report projecting Navy force levels out to FY2035. The report presented two alternatives for FY2035—a 260-ship fleet including 37 SSNs and 4 SSGNs, and a 325-ship fleet including 41 SSNs and 4 SSGNs.

In May 2005, it was reported that a newly completed DOD study on attack submarine requirements called for maintaining a force of 45 to 50 boats.

In February 2006, the Navy proposed to maintain in coming years a fleet of 313 ships, including 48 SSNs.

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Appendix C. Options for Funding SSNs

This appendix presents information on some alternatives for funding SSNs that was originally incorporated into this report during discussions in earlier years on potential options for Virginia-class procurement.

Alternative Funding Methods

Alternative methods of funding the procurement of SSNs include but are not necessarily limited to the following:

- **two years of advance procurement funding followed by full funding**—the traditional approach, under which there are two years of advance procurement funding for the SSN’s long-leadtime components, followed by the remainder of the boat’s procurement funding in the year of procurement;

- **one year of advance procurement funding followed by full funding**—one year of advance procurement funding for the SSN’s long-leadtime components, followed by the remainder of the boat’s procurement funding in the year of procurement;

- **full funding with no advance procurement funding (single-year full funding)**—full funding of the SSN in the year of procurement, with no advance procurement funding in prior years;

- **incremental funding**—partial funding of the SSN in the year of procurement, followed by one or more years of additional funding increments needed to complete the procurement cost of the ship; and

- **advance appropriations**—a form of full funding that can be viewed as legislatively locked in form of incremental funding.45

Navy testimony to Congress in early 2007, when Congress was considering the FY2008 budget, suggested that two years of advance procurement funding are required to fund the procurement of an SSN, and consequently that additional SSNs could not be procured until FY2010 at the earliest.46 This testimony understated Congress’s options regarding the procurement of additional SSNs in the near term. Although SSNs are normally procured with two years of advance procurement funding (which is used primarily for financing long-leadtime nuclear propulsion components), Congress can procure an SSN without prior-year advance procurement funding, or

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45 For additional discussion of these funding approaches, see CRS Report RL32776, *Navy Ship Procurement: Alternative Funding Approaches—Background and Options for Congress*, by Ronald O’Rourke.

46 For example, at a March 1, 2007, hearing before the House Armed Services Committee on the FY2008 Department of the Navy budget request, Representative Taylor asked which additional ships the Navy might want to procure in FY2008, should additional funding be made available for that purpose. In response, Secretary of the Navy Donald Winter stated in part: “The Virginia-class submarines require us to start with a two-year advanced procurement, to be able to provide for the nuclear power plant that supports them. So we would need to start two years in advance. What that says is, if we were able to start in ’08 with advanced procurement, we could accelerate, potentially, the two a year to 2010.” (Source: Transcript of hearing.) Navy officials made similar statements before the same subcommittee on March 8, 2007, and before the Senate Armed Services Committee on March 29, 2007.
with only one year of advance procurement funding. Consequently, Congress at that time had option of procuring an additional SSN in FY2009 and/or FY2010.

Single-year full funding has been used in the past by Congress to procure nuclear-powered ships for which no prior-year advance procurement funding had been provided. Specifically, Congress used single-year full funding in FY1980 to procure the nuclear-powered aircraft carrier CVN-71, and again in FY1988 to procure the CVNs 74 and 75. In the case of the FY1988 procurement, under the Administration’s proposed FY1988 budget, CVNs 74 and 75 were to be procured in FY1990 and FY1993, respectively, and the FY1988 budget was to make the initial advance procurement payment for CVN-74. Congress, in acting on the FY1988 budget, decided to accelerate the procurement of both ships to FY1988, and fully funded the two ships that year at a combined cost of $6.325 billion. The ships entered service in 1995 and 1998, respectively.47

The existence in both FY1980 and FY1988 of a spare set of Nimitz-class reactor components was not what made it possible for Congress to fund CVNs 71, 74, and 75 with single-year full funding; it simply permitted the ships to be built more quickly. What made it possible for Congress to fund the carriers with single-year full funding was Congress’s constitutional authority to appropriate funding for that purpose.

Procuring an SSN with one year of advance procurement funding or no advance procurement funding would not materially change the way the SSN would be built—the process would still encompass about two years of advance work on long-leadtime components, and an additional six years or so of construction work on the ship itself. The outlay rate for the SSN could be slower, as outlays for construction of the ship itself would begin one or two years later than normal.

Congress in the past has procured certain ships in the knowledge that those ships would not begin construction for some time and consequently would take longer to enter service than a ship of that kind would normally require. When Congress procured two nuclear-powered aircraft carriers (CVNs 72 and 73) in FY1983, and another two (CVNs 74 and 75) in FY1988, it did so in both cases in the knowledge that the second ship in each case would not begin construction until some time after the first.

**Procuring SSNs in a 2-1-2 Pattern**

Some potential approaches for procuring additional boats in FY2009-FY2011 that were discussed in earlier years could have resulted in a pattern of procuring two boats in a given year, followed by one boat the following year, and two boats the year after that—a 2-1-2 pattern. Navy testimony to Congress in early 2007 and early 2008 suggested that if the procurement rate were increased in a given year to two boats, it would not be best, from an industrial-base point of view, to decrease the rate to a single boat the following year, and then increase it again to two boats the next year, because of the workforce fluctuations such a profile would produce.48

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47 In both FY1988 and FY1980, the Navy had a spare set of Nimitz (CVN-68) class nuclear propulsion components in inventory. The existence of a spare set of components permitted the carriers to be built more quickly than would have otherwise been the case, but it is not what made the single-year full funding of these carriers possible. What made it possible was Congress’ authority to appropriate funds for the purpose.

48 See, for example, the spoken remarks of Secretary of the Navy Donald Winter at hearings before the House Armed Services Committee on March 1, 2007, and March 6, 2008, and spoken remarks by other Navy officials at a March 29, 2007, hearing before the Senate Armed Services Committee and at a March 14, 2008, hearing before the Seapower and (continued...)
This statement may overstate the production-efficiency disadvantages of a 2-1-2 pattern. If two boats were procured in a given year, followed by one boat the next year—a total of three boats in 24 months—the schedule for producing the three boats could be phased so that, for a given stage in the production process, the production rate would be one boat every eight months. A production rate of one boat every 8 months might actually help the industrial base make the transition from the current schedule of one boat every 12 months (one boat per year) to one boat every 6 months (two boats per year). Viewed this way, a 2-1-2 pattern might actually lead to some benefits in production efficiency on the way to a steady rate of two boats per year. The Navy’s own 30-year (FY2009-FY2038) SSN procurement plan calls for procuring SSNs in a 1-2-1-2 pattern in FY2029-FY2038.

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(...continued)
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