Program: Shipbuilding

Agency: Department of Defense--Military
Bureau: Procurement

The shipbuilding program buys new ships and overhauls older ships for the Navy. The assessment shows that the Navy's shipbuilding program has a clear purpose, which directly relates to the Navy's mission to defend the nation. The shipbuilding program is designed around long-term goals to maintain a specific fleet size and capability. For example, the Navy uses a baseline of 12 aircraft carriers as the minimum number needed to carry out required missions. Because of this goal, aircraft carriers are purchased at levels required to maintain this quantity. Additional findings include:

1. The Navy has specific cost, schedule, and performance goals for each shipbuilding program.
2. The Department of Defense conducts periodic reviews of programs at major milestones of development and uses a structured reporting regime to help monitor the status of ship development and cost, and construction schedule.
3. The shipbuilding program is limited by industrial base, political, and budgetary pressures that have prevented the Navy from building ships at an optimal, efficient rate to provide for the long term.
4. The Navy has experienced cost increases and schedule slips on some ship construction programs.
5. The unique attributes of each ship and the small procurement quantities within the shipbuilding program challenge the Navy from realizing efficiencies that could be achieved program-wide. Optimistic budget assumptions have exacerbated this problem.

In response to these findings the Administration will:

1. Improve the cost estimates for the shipbuilding program or, in some cases, fully budget to cost estimates.
2. Work to ensure that shipbuilding decisions are made with long term fleet size and capability goals in mind.
3. Institute program-wide goals rather than the ship specific goals that are currently used.

Key Performance Measures

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>&lt;10%</td>
<td>12%</td>
</tr>
<tr>
<td>2001</td>
<td>&lt;10%</td>
<td>12%</td>
</tr>
<tr>
<td>2002</td>
<td>&lt;10%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>&lt;10%</td>
<td></td>
</tr>
</tbody>
</table>

Annual Measure:
Percent change in acquisition costs for individual programs from established cost of the program. Results from Virginia Class attack submarine program shown as example; data from DoD's annual Selected Acquisition Reports. The Dec 2001 report represents a two-year period (1999-2001) due to the absence of a Dec 2000 report.

Annual Measure:
Percentage of ship construction complete
Each ship under construction has a delivery date and construction schedule. At the end of each year, the Program Manager has a goal to have a percentage of the ship construction completed. The information provided is for the first Virginia Class submarine (SSN 774).

Program Funding Level (in millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002 Actual</th>
<th>2003 Estimate</th>
<th>2004 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>9,798</td>
<td>9,457</td>
<td>12,161</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Rating: Adequate

Program Type: Capital Assets

Program Summary:

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