

Stenographic Transcript
Before the

Subcommittee on Seapower

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON UNITED STATES
NAVY AND MARINE CORPS READINESS

Wednesday, December 12, 2018

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1 HEARING TO RECEIVE TESTIMONY ON UNITED STATES NAVY AND
2 MARINE CORPS READINESS

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U.S. Senate

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Subcommittee on Seapower and

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Subcommittee on Readiness

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and Management Support

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Committee on Armed Services

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Washington, D.C.

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The subcommittees met, pursuant to notice, at 9:35 a.m.

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in Room SD-G50, Dirksen Senate Office Building, Hon. Roger

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F. Wicker, chairman of the Subcommittee on Seapower,

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presiding.

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Subcommittee Members Present: Senators Wicker, Rounds,

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Ernst, Sullivan, Shaheen, Blumenthal, Hirono, Kaine, and

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King.

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1 OPENING STATEMENT OF HON. ROGER F. WICKER, U.S.
2 SENATOR FROM MISSISSIPPI

3 Senator Wicker: This joint meeting of the Senate Armed
4 Services Subcommittees on Seapower and Readiness and
5 Management Support convenes this morning to examine Navy and
6 Marine Corps readiness.

7 We welcome our four distinguished witnesses: the
8 Honorable Richard V. Spencer, Secretary of the Navy; General
9 Robert B. Neller, Commandant of the Marine Corps; Admiral
10 William F. Moran, Vice Chief of Naval Operations; and Mr.
11 John H. Pendleton, Director of Defense Capabilities and
12 Management at the Government Accountability Office.

13 Let me begin by expressing my deepest condolences to
14 the families and friends of the six marines who died after a
15 mid-air collision last Thursday near Japan. This tragedy
16 serves as a reminder of the constant dangers those in
17 uniform face on a daily basis.

18 I thank Chairman Sullivan and Ranking Members Hirono
19 and Kaine for agreeing to hold this hearing jointly -- this
20 rescheduled hearing. We will discuss a range of important
21 issues today that cross subcommittee jurisdictions, such as
22 equipment modernization and funding for spare and repair
23 parts. Although there is plenty to discuss regarding Navy
24 and Marine Corps readiness, I will focus my opening remarks
25 on the readiness of the Navy surface ships.

1 This February, the late Senator John McCain and I
2 introduced legislation to help the Navy restore its surface
3 force readiness. The Surface Warfare Enhancement Act of
4 2018 sought to address some of the root causes of declining
5 readiness, which were outlined in the Secretary of the
6 Navy's Strategic Readiness Review and the CNO's
7 Comprehensive Review.

8 In the aftermath of the tragic USS Fitzgerald and USS
9 John S. McCain collisions, in which 17 sailors lost their
10 lives, our commanders and sailors called for meaningful
11 reform. Navy and Government Accountability Office reviews
12 cited over-extended and undermanned ships, overworked crews,
13 a decline in naval mastery, and confusing chains of commands
14 as contributing factors to the Navy's readiness problems.

15 Our legislation, based on the Navy's own
16 recommendations, was specifically designed to address these
17 and other challenges. Although I have confidence in the
18 Navy's leadership, I believe Congress must continue to play
19 an active role in ensuring the right long-term corrective
20 actions are successfully implemented.

21 The John S. McCain National Defense Authorization Act
22 for fiscal year 2019, which President Trump signed into law
23 in August, includes 11 provisions derived from our original
24 legislation. These reforms required the Navy to review its
25 chains of command, ensure that the ships home-ported

1 overseas rotate back home, and keep formal watchstanding
2 records, among other several other provisions. We must
3 learn the hard lessons of the past 2 years and get
4 meaningful reforms implemented.

5 I look forward to receiving an update on the progress
6 of implementing these reforms for our surface ships.

7 Clearly there will be several other topics which will
8 be highlighted in our witnesses' prepared testimony, but in
9 the interest of time, I will conclude my opening remarks.

10 I think by agreement, we are now to recognize Senator
11 Kaine for whatever opening remarks he might have. Senator
12 Kaine?

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1 STATEMENT OF HON. TIM KAINED, U.S. SENATOR FROM
2 VIRGINIA

3 Senator Kaine: Well, thank you, Mr. Chairman. Thanks
4 to the witnesses for being here today, to my colleague,
5 Senator Hirono, and all who are here.

6 This is an important hearing. I appreciated the
7 opportunity to meet in the office to talk a little bit about
8 it. It is rare to have a hearing of two of the
9 subcommittees jointly, but it is very appropriate to talk in
10 this joint subcommittee hearing about readiness in both the
11 Marine Corps and the Navy.

12 I will also echo what Senator Wicker said. Our prayers
13 go out to the family members affected in the Marine family
14 by the mid-air collision. One of those killed was a marine,
15 Kevin Herman from Fredericksburg, Virginia. Thinking about
16 Kevin and his family.

17 I am going to keep my remarks brief as well because we
18 want to get into the Q&A.

19 First, on readiness recovery, I am encouraged by
20 Secretary Mattis' expressed goal of an 80 percent readiness
21 figure. That is a lofty goal. It is a stretch goal, a gasp
22 goal, but it is the kind of goal you need to do good work.
23 While I support the goal, I do have concerns about how we
24 come up with and then allocate the resources that we need to
25 meet it.

1 The GAO found just last month the Navy spent about \$1.5
2 billion since 2008 to support submarines that were not able
3 to be deployed. I am very interested to hear from the
4 witnesses how the Navy can best use both public and private
5 shipyards to ensure readiness goals are met and taxpayer
6 dollars are used wisely. And I know you are prepared to
7 testify about that.

8 Second, infrastructure challenges. I am encouraged by
9 the Navy's shipyard optimization plan. The plan has an
10 estimated cost of \$21 billion over the next 20 years, which
11 would be nearly three times what the Navy has historically
12 spent on capital shipyard investment. So if we are going to
13 get to the 355-ship Navy, we need to make those investments,
14 but that will be challenging. And I am interested to hear
15 from the witnesses today on how exactly they plan to achieve
16 this amount of investment. And obviously, Congress has a
17 huge role in that. So you will be giving us a challenge as
18 well as you describe it.

19 An additional concern I have about infrastructure,
20 especially just following the fall that we have been
21 through, is climate change. Hurricane Florence did
22 significant damage to North Carolina, and the costs at
23 Lejeune to the Marine Corps could be significant. This is
24 not an Air Force hearing, but Tindall in Florida also
25 suffered significantly, and so there will be costs connected

1 with it.

2 The GAO recently found, quote, DOD acknowledges that
3 the potential impacts of weather effects associated with
4 climate change pose operational and budgetary risk to our
5 military installations. We are seeing examples of that.

6 Notably, the fiscal year 2018 NDAA required DOD to
7 report on vulnerabilities to installations from climate-
8 related events. It could be a hurricane. It could be
9 flooding. It could be drought, depending on the part of the
10 country, wildfires -- including the top 10 most vulnerable
11 installations in each military service. The report is due
12 this month, and I will ask both the Navy and Marine Corps
13 for their top 10 today, either for verbal testimony or
14 testimony for the record. I am not expecting each of you to
15 pound the table about debating about climate change and the
16 causes of it, but we do need to know, coming up with the
17 NDAA and prepping for it for next year, what we need to
18 build in to deal with those vulnerabilities.

19 And with that, Mr. Chairman, thanks for calling this
20 joint hearing, and I appreciate the opportunity to dialogue
21 with our witnesses today.

22 Senator Wicker: Thank you, Senator Kaine.

23 Before moving to the other two opening statements, you
24 mentioned your constituent. Let me just say that we now
25 have the names of four of the five marines who have been

1 declared dead after the crash of the two war planes. Family
2 members of the fallen marines identified their loved ones to
3 Stars and Stripes. In addition to Major Kevin Herman of
4 Fredericksburg, Virginia, who Senator Kaine has already
5 mentioned, Staff Sergeant Maximo Flores of Litchfield Park,
6 Arizona; Corporal Carter Ross from Hendersonville,
7 Tennessee; and Corporal Daniel Baker of Tremont, Illinois
8 have been identified as deceased by their loved ones. And
9 the fighter pilot involved in the crash who died was
10 identified last week as Captain Jahmar Resilard of Miramar,
11 Florida. So we mention all of those names with our thoughts
12 and prayers to their families and our appreciation for their
13 service and sacrifice to our country.

14 Senator Sullivan?

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1 STATEMENT OF HON. DAN SULLIVAN, U.S. SENATOR FROM
2 ALASKA

3 Senator Sullivan: Thank you, Mr. Chairman. And I want
4 to thank all the members for being here for this important
5 hearing that really kind of emphasizes that modernization
6 and readiness go hand in hand. And I know that our full
7 committee chairman, Senator Inhofe, is committed to ensuring
8 that we continue down the path to readiness and recovery
9 while we still prioritize modernization.

10 I want to thank the witnesses for being here today. It
11 has been over 6 months since we received testimony from the
12 Navy and Marine Corps on their current posture in support of
13 the fiscal year 2019 budget. Much has happened since then.

14 I am going to try to keep my opening remarks short, but
15 like Senator Kaine, I want to just highlight a couple areas
16 that I hope our witnesses can address for us.

17 First, the readiness issues with regard to the Navy and
18 the Marine Corps, importantly within the context of the new
19 National Defense Strategy and the recent National Defense
20 Commission report, which was mandated by this committee and
21 the Congress -- the leaders of that commission testified
22 recently, and I thought they did a very good job. All of
23 this within the context of the great power competition with
24 China and Russia that are the highlights and emphasis in the
25 National Defense Strategy.

1 As Senator Kaine mentioned, I also want to get a sense
2 from our witnesses on the laudable but, let us say, as he
3 said, a stretch goal with regard to 80 percent mission-
4 capable by the year end with regard to Navy and Marine Corps
5 aircraft. The readiness issues in terms of naval aviation
6 has been a big challenge and continues to be.

7 I am also curious to get an assessment from, Mr.
8 Secretary, you and General Neller and Admiral Moran how you
9 plan to get to the 80 percent capable mission for those
10 airframes while keeping training up, which has been a big
11 problem, and not degrading readiness capabilities.

12 On the topic of modernization, I am concerned about a
13 significant burden that we are seeing on sustainment. Last
14 month, Vice Admiral Moore stated that only 35 percent of the
15 ships that he had in maintenance availabilities would move
16 on time. This again is an area where maintenance and
17 sustainment of our fleet has typically been a strategic
18 comparative advantage of the United States Navy relative to
19 other countries, particularly China and Russia. And I want
20 to get a sense from our witnesses on how we make progress on
21 that. Those numbers are concerning.

22 I also want to get a sense, in light of the NDS, as
23 Senator Kaine and I are going to be conducting a classified
24 hearing later today with regard to the Pacific laydown of
25 our force posture in light of the National Defense Strategy

1 in the Asia-Pacific, Indo-Pacific. That is going to be an
2 important hearing. And my State plays an important role in
3 that, being one of the most strategically located places in
4 the world. So I would like to get an update on utilization
5 of that platform, JPARK, Adak, other future year training
6 and basing opportunities that fit well within the NDS.

7 And finally and I think most importantly -- we have
8 already touched on it -- the trend in the INDOPACOM region
9 with regard to accidents that we have had in the Navy, in
10 the Marine Corps. I do not want to go down the whole list,
11 but we know what they are: the USS McCain, others, the
12 collisions of our ships at sea resulting in the deaths of 17
13 sailors, several Marine Corps and Navy aviation crashes in
14 training, including the latest that we just talked about.

15 We, of course, send our heartfelt condolences to the
16 families of the marines who have lost loved ones during this
17 holiday season. I know all of you gentlemen take these
18 issues extremely seriously. These are the men under your
19 charge, but we have to do better. We must do better, all of
20 us, including the Congress. We have to do better.

21 And what we need to do here on our side is make sure
22 you get the authorization and appropriations bills on time.
23 CRs and omnibuses that you have been forced to endure for
24 over a decade do not help readiness and contribute to the
25 problem.

1 So with that, Mr. Chairman, I look forward to very much
2 hearing from our witnesses.

3 Senator Wicker: The ranking member of the Seapower
4 Subcommittee, Senator Hirono.

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1 STATEMENT OF HON. MAZIE HIRONO, U.S. SENATOR FROM
2 HAWAII

3 Senator Hirono: Thank you very much. I will keep my
4 remarks very short.

5 And I do add my own condolences to the families of the
6 marines lost in the tragedy off the coast of Japan last
7 week, as well as their fellow marines at Marine Corps Air
8 Station Iwakuni and throughout the Pacific.

9 Gentlemen, it is nice to see, well, three out of the
10 four of you. Thank you very much for coming to see me not
11 too long ago.

12 These are the areas that I would like to focus on, and
13 some of them have already been, of course, mentioned.

14 One of the most important areas of concern for me is
15 shipyard modernization because Pearl Harbor Navy Shipyard is
16 very much a part of our industrial base in Hawaii, as well
17 as, of course, being a major part of our national security.
18 I too would like to know how we are going to get to 80
19 percent availability for aviation.

20 Something that I have been talking about quite a bit,
21 not necessarily mentioned by others, is how we are
22 addressing the corrosion problem because that can lead to
23 deaths, as it has, when a propeller falls off due to
24 corrosion and lack of adequate maintenance.

25 And then, of course, as mentioned by Senator Sullivan,

1 preventing collisions at sea.

2 So thank you very much, Mr. Chairman.

3 Senator Wicker: Thank you.

4 And I believe Secretary Spencer is first in line to
5 make opening remarks. Sir, we are delighted to have you.

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1 STATEMENT OF HON. RICHARD V. SPENCER, SECRETARY OF THE
2 NAVY

3 Mr. Spencer: Great to be here, Chairman.

4 And I would open up by saying thank you for keeping
5 your thoughts and prayers in mind for those marines
6 affected, and I would go one step further and please say
7 keep your thoughts and prayers in mind for all our
8 Navy/Marine Corps team that are out in harm's way.

9 Chairman Wicker, Chairman Sullivan, Ranking Member
10 Hirono, Ranking Member Kaine, distinguished members who are
11 all here today, first off, on behalf of the sailors,
12 marines, civilians, all our teammates serving around the
13 world, we want to thank you for your bipartisan effort to
14 restore funding stability to the Department of the Navy. It
15 is critical and it is doing its work. I will tell you that
16 the weather vanes are all pointed in the right direction.
17 Urgency is the message that we have now. You are seeing
18 improvement. You will hear it today. But the rate of
19 improvement must increase and we believe we do have plans to
20 address that.

21 The foundation for restoring readiness and increasing
22 lethality has been set, but we must build on this, as I
23 said, with a sense of urgency, with a focus on people,
24 capabilities, and process. And while we have much to do, we
25 are well underway. And during this testimony, we will

1 highlight and answer questions for you that will delineate
2 what is being done.

3 The National Defense Strategy identifies three lines of
4 effort to counter the increasingly complex security
5 environment that we presently face. The first is to build a
6 more lethal and ready force. The second is to strengthen
7 alliances. And the third is to reform the way that we do
8 business.

9 I am going to highlight a couple of the major muscle
10 movements that we are making.

11 We are increasing lethality and readiness through
12 targeted investments in weapons platforms and munitions,
13 while enhancing our partnerships with the private sector.
14 As an example, alongside our private sector partners, we are
15 gleaning commercial best practices to increase efficiency
16 and flow in our maintenance facilities to turn those
17 platforms back to the fleet as quickly as possible.

18 The Navy/Marine Corps team is strengthening our network
19 of allies and attracting new partners through joint
20 exercises such as RIMPAC, Trident Juncture, Malabar, and
21 Bold Alligator, all the way increasing opportunities for our
22 personnel and their allied counterparts to study together,
23 serve together, and operate as a single unit. Teaching,
24 learning, and exercising together seals a long-term bond
25 with those that will be part of the fight, if called on.

1 Aligned and training allies and friends are our force
2 multiplier both in manpower, ideas, and capital assets.

3 And we have made business process reform a top
4 priority. At every level we must become -- and we are
5 moving there -- to be a continual learning enterprise,
6 identifying best practices from outside the building,
7 promoting a culture of problem solving, and achieving
8 efficiency at the speed of relevance. Recent examples of
9 this include the newly revised surface force training and
10 readiness manual, which places more focus on training and
11 changes the delivery strategy of basic phased training to
12 ensure ships are able to continuously train during the
13 optimized fleet replacement plan cycle. This, coupled with
14 the establishment of the Marine Skills Training Centers in
15 both Norfolk and San Diego, enable surface warfare offices
16 to develop their mariner skills throughout their career.
17 They are increasing the ability of the United States Navy
18 and this shows what we are investing in our people.

19 The American taxpayers provide us with a treasure, and
20 in return, we must protect them from the risks associated
21 with an ever-changing world. We owe it to them to ensure
22 that every single dollar we invest has a return on
23 lethality. We must do this to fulfill our oath to them.

24 We have more examples of our efforts put forth to
25 increase readiness and lethality. While we have been

1 focused on addressing root cause issues that we face, you
2 should be aware that we are making systemic changes that
3 will take time to meaningfully move the needle. In order to
4 effect our goals, we must, ladies and gentlemen -- we must
5 have consistent funding. Any breaking in that consistency
6 will have dire effects on the process and progress that we
7 have made to date.

8 We appreciate the support and the oversight of this
9 committee, and on behalf of the world's finest marines and
10 sailors, we look forward to your questions.

11 [The prepared statement of Mr. Spencer, General Neller,
12 and Admiral Moran follows:]

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1 Senator Wicker: Thank you, Mr. Secretary.

2 Mr. Pendleton, I understand you also have an opening
3 statement. You are recognized.

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1 STATEMENT OF JOHN H. PENDLETON, DIRECTOR, DEFENSE
2 CAPABILITIES AND MANAGEMENT, UNITED STATES GOVERNMENT
3 ACCOUNTABILITY OFFICE

4 Mr. Pendleton: Chairman Wicker, Chairman Sullivan,
5 Ranking Member Hirono, Ranking Member Kaine, thank you for
6 inviting me to discuss our body of work on Navy and Marine
7 Corps readiness issues.

8 I will break my statement into two parts. First, I
9 will describe ship and submarine readiness, and then I will
10 move to aviation.

11 Just over a year ago, I had the grim duty to report to
12 you that Navy training was not up to its own standards.
13 Training requirements at that time were being waived at an
14 alarming rate. The Navy, in a series of internal studies,
15 concluded that this lack of training had contributed to the
16 deadly collisions.

17 When I learned that I would be testifying at this
18 hearing, I decided to go out to Japan to see for myself how
19 things were going. What I found was encouraging. The Navy
20 has stepped up training to make sure that ship crews are
21 deployed before they train, and they have committed to
22 provide dedicated training time going forward. Things had
23 improved markedly.

24 However, this is keeping the sailors very busy. We
25 talked to 10 groups of sailors on two ships out in Japan,

1 and they told us the sense of morale was high, but they told
2 us that they are still working very hard, sometimes 100
3 hours a week or more. I am concerned that this reveals an
4 underlying problem still facing the Navy, that it simply is
5 not yet putting enough sailors on the ships to cover the
6 workload.

7 We reported on this last year, and the Navy is working
8 to develop ship manning requirements, both at sea and in
9 port, and we eagerly await the results of those studies, as
10 I suspect a number of hardworking sailors do as well.

11 Completing maintenance on time has proven to be a
12 wicked problem. Since 2012, the Navy has lost more than
13 27,000 days of ship and submarine availability due to delays
14 getting in and out of maintenance. 2018 was particularly
15 challenging with the equivalent of 17 ships and subs not
16 available because they were waiting to get into or out of
17 maintenance.

18 Looking forward, I do see some cause for concern
19 because the dry docks are short about a third of the
20 capacity that will be needed to conduct the planned
21 maintenance that the Navy already has on the books, and that
22 does not include the fleet increase.

23 Moving to aviation, the issues center around sustaining
24 older aircraft while incorporating new aircraft into the
25 fleet. In a report earlier this year, we looked at seven

1 different Navy and Marine Corps aircraft, and none were
2 meeting availability goals, and those availability goals
3 were less than 80 percent. Many had delays in depot due to
4 personnel and parts shortages and unexpected repairs due to
5 their age. As you know, the Hornet and the Harrier and
6 other aircraft are 20 or more years old, and we are having
7 to extend their service life to bridge the gap until more
8 F-35s come into the fleet.

9 And also moving to the F-35, early indications
10 incorporating the fleet is we are seeing some challenges
11 there as well. We found in a report last year that depot
12 capabilities were already 6 years behind. And what that
13 meant as a practical matter is it took months, sometimes 6
14 months or more, to get the parts repaired and back out to
15 the fleet.

16 I understand the rush to field F-35, and I know the
17 Navy and the Marine Corps and DOD is working on this. But
18 we feel additional attention has to be paid to sustaining
19 the F-35.

20 As mentioned, the Secretary of Defense has established
21 a goal to have 80 percent mission capability of several
22 aircraft, including the F-35, by next year. This will be
23 difficult to achieve in my assessment. And I offer a couple
24 of cautions as we move forward on this, Mr. Chairman.

25 Consistent and clear definitions will be critical.

1 There have been some efforts to define what we mean, both in
2 the numerator and the denominator of that 80 percent. And I
3 think that is a step in the right direction. This is
4 basically the 80 percent of what question.

5 Secondly, we need to be sure that everyone understands
6 what mission-capable is. It does not mean the aircraft can
7 do all the missions it might be assigned to it. That is
8 typically called fully mission-capable, and that is
9 typically lower because they need to perform all the
10 missions, including the high-end missions. When we looked
11 at the F-35 last year, it had a 15 percent fully mission-
12 capable rate. This has significant implications for a high-
13 end fight because those difficult missions are the ones that
14 are often hard to find time to train for.

15 In closing, Mr. Chairman, as my statement indicates, we
16 have 45 recommendations to the Navy and the Marine Corps and
17 DOD. And I am happy to report to you there is progress
18 being made on those recommendations. We see actions being
19 taken. We have not closed that many of them, but we are
20 working closely with the Navy and monitoring progress and I
21 am encouraged by what I see. But make no mistake, it will
22 take significant time to rebuild the readiness of the ship,
23 submarine, and aviation fleets, and it will require
24 sustained attention.

25 We stand ready to assist you in your oversight, and I

1 am happy to take any questions.

2 [The prepared statement of Mr. Pendleton follows:]

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1 Senator Wicker: Thank you. A very plain and
2 forthright testimony that we need to heed.

3 Secretary Spencer, we are entering a time of divided
4 government in this Congress. We will soon have a Republican
5 Senate and a Democratically controlled house, and we are
6 going to have to join hands as Americans and give you the
7 resources, give all four of you gentlemen and the people you
8 represent the resources that you need.

9 Let me just remind folks listening that there is a
10 provision in a statute that has not yet been repealed, and
11 if it should be allowed to take effect, it would put us back
12 in sequestration, an unthinkable result, and utterly
13 irresponsible act that I feel sure this Republican Senate
14 and this upcoming Democrat House will avoid.

15 I remember a previous Secretary of the Navy, Secretary
16 Mabus, telling me in a budget hearing that they had no
17 contingency plans for sequestration because it was so
18 utterly irresponsible and unthinkable that it could not
19 happen. And lo and behold, it happened. And we received
20 testimony before our full committee some 3 years ago from a
21 previous CNO that the sequestration cuts resulted in five
22 canceled ship deployments, \$2 billion in deferred
23 procurement, a 30 percent cut to facilities sustainment,
24 increased maintenance backlogs, and approximately one-half
25 of the Marine Corps home station units at unacceptable

1 levels of readiness. And the CNO could have gone on and on
2 on that.

3 I do not think this is going to happen, but it is in
4 the statute and unless we take action, bipartisan action, to
5 give our citizens the security they need, it is there in the
6 statute, and we must be mindful of that.

7 Secretary Spencer, you first, then General Neller, and
8 then Admiral Moran. Please give us illustrations of what
9 impacts that would result in if the sequestration kicks back
10 in as is currently slated under current statute. Secretary
11 Spencer, I will let you go first.

12 Mr. Spencer: Mr. Chairman, devastating in many ways.

13 First, right off the bat, the money that you gave us in
14 2017, 2018, and 2019 -- you are going to hear what is being
15 done. And we are doing some very unique and trailblazing
16 efforts to really get us back on our feet into the fight at
17 fighting weight. We are on the bicycle peddling. It took
18 us a while to get up.

19 This would just knock us down, flat down. If you look
20 at what sequester does, it is a \$26 billion cut to the
21 Department of the Navy. And if the President has MILPERS as
22 exempt or 19 percent non-exempt, 14 percent. It is
23 devastating.

24 I am more than happy to share with you all later a
25 graphic that I put together here, going around the country

1 for everyone's district, what this would mean that we would
2 have to do if sequestration hit, and no area of the country
3 is really unscathed by this.

4 Senator Wicker: Let us go ahead and put that in the
5 record right now, Mr. Secretary.

6 Mr. Spencer: Will do.

7 Senator Wicker: Without objection.

8 [The information follows:]

9 [SUBCOMMITTEE INSERT]

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1 Mr. Spencer: Will do, sir.

2 That is the bottom line. I turn it over to my two
3 compatriots.

4 Senator Wicker: General Neller?

5 General Neller: As the Secretary said, we are making
6 progress, certainly not as fast as we would like or you
7 would like, but I can show you quantifiably how our
8 readiness is improving.

9 And we have a unique problem. I mean, we are at an
10 inflection point for our nation. We have to maintain the
11 current operations, and those are being reviewed and looked
12 at. We have to modernize a force that has been at war for
13 17 years, and then we have to prepare for something we have
14 not had to prepare for since the Cold War to fight a peer
15 adversary. And those particular nations have had to do
16 nothing other than recapitalize their force.

17 So if we were forced back to a sequestration level, it
18 would be more than just the Blue Angels not doing air shows
19 and people not going to conferences. It would be units
20 getting ready to deploy later. It would cause us to look at
21 our force structure and have to make ourselves a smaller
22 force, which we lose capacity, which means we would have
23 less presence around the world. It would delay almost every
24 single acquisition program that we have underway, ground and
25 air, to try to not just modernize but to create future

1 capabilities for the force that we think we need to be to
2 defend the interests of this nation.

3 I would never underestimate the impact it would have on
4 the force itself. It is important for -- I know this
5 committee understands that, but the American people
6 understand. This is not just an all volunteer force. This
7 is an all recruited force. And they expect that when they
8 are recruited and they sign up, and we send them -- we want
9 all games to be away games. We do not do home games -- that
10 they are going to have the best gear and the best training
11 that this nation can provide. And we would be challenged to
12 do that. Obviously, those that are going to be forward
13 deployed are going to get the best that we have got and they
14 are going to get the most ready capable equipment. But the
15 time for them to get ready would take longer, and the depth
16 on the bench, if there were an unexpected contingency, the
17 readiness of that force would go down. It would be
18 devastating. I agree with the Secretary.

19 Senator Wicker: Thank you.

20 Admiral?

21 Admiral Moran: Thank you, Mr. Chairman.

22 When I think about the Budget Control Act,
23 sequestration, and even multiple continuing resolutions as
24 opposed to a stable, predictable budget, I go back 5 years
25 ago or so when the first time we went through this occurred.

1 And it has taken us 5 years to really get back on our
2 bicycle, as the Secretary referred to. So I think about
3 this with a component of time, time for our sailors to learn
4 how to operate their gear, time to fly airplanes to become
5 proficient and beyond proficient, but experts, masters at
6 what they came in the Navy to do. I think about time for
7 families, notification for PCS that gets driven down to 1 or
8 2 months instead of 6 months as it should be. And I also
9 think of time in terms of our ability to recover if we were
10 to go back to those levels again. Even though we would
11 probably start to recover, you are talking 5 years if you
12 just use the recent last 5 years as an example. So the
13 component of time is time you cannot get back. So we lose
14 proficiency. We lose expertise, and we have to recover that
15 by skipping generations of people who missed the opportunity
16 during the time when we did not have the resources
17 available.

18 Senator Wicker: Thank you, gentlemen.

19 Senator Hirono?

20 Senator Hirono: Thank you, Mr. Chairman.

21 I mentioned in my opening statement the concern that I
22 have about our public shipyards, and I know that the Navy
23 has a new plan for modernizing the public shipyards called
24 the Shipyard Infrastructure Optimization Plan. I consider
25 this to be a major improvement after years of neglect of

1 this important infrastructure. Certainly there have been
2 military construction projects and various upgrades over the
3 years, but there is nothing like a comprehensive plan that
4 can be implemented to really move us to the point where we
5 need to be.

6 So the Navy told us earlier this year that the Navy
7 would issue a master plan for modernizing the four public
8 shipyards in the fall of 2018. That master plan was
9 intended to guide Navy investments over the next 20 years.

10 So, Secretary Spencer, where does the Navy stand on
11 implementing that master plan?

12 Mr. Spencer: Underway, Senator. The key that we are
13 looking at right now when we fund and we are looking to
14 build up the POM is basically three buckets, and that is our
15 legacy systems, what I call our installed base,
16 modernization, and then Force 2.0, which are our present
17 investment for future weapons, think AI, directed energy, et
18 cetera.

19 We have stepped back and taken a close look because the
20 fact of the matter is until we get our shipyards,
21 specifically for our underwater fleet, our public shipyards
22 primarily, increased flow and increased efficiencies for
23 throughput, we are hurting ourselves. I am responsible with
24 my Title 10 hat to man, equip, train, and deliver those
25 assets needed by the combatant commanders. This is a key

1 focus. We are allocating dollars. Hawaii is one of the
2 first projects that we are looking at right now. We are
3 sitting there taking an industrial flow overview look on how
4 we are going to rebuild these. The fact of the matter is
5 that the science of industrial flow has progressed
6 tremendously since we have last touched these shipyards. We
7 are going to modernize them.

8 Senator Hirono: So I am glad to hear that Pearl Harbor
9 is one of your first shipyard focuses. So I would be very
10 interested to know what specifically is happening at Pearl
11 Harbor that will lead to its modernization.

12 Mr. Pendleton, has the GAO reviewed the Navy shipyard
13 modernization plans? And if so, have you drawn any
14 conclusions from that review?

15 Mr. Pendleton: Ma'am, we have a review underway
16 looking at how that is going. We have work that indicates
17 the age and condition of the shipyards and have looked at
18 the impact on maintenance delays. The documentation itself
19 -- we are still looking at that.

20 Senator Hirono: So when you say looking at it, when
21 can we expect a report?

22 Mr. Pendleton: Let me check.

23 Summer, ma'am.

24 Senator Hirono: I am sorry?

25 Mr. Pendleton: Summer of next year, so probably May,

1 June. But we would be happy to brief you earlier.

2 Senator Hirono: Meanwhile, the modernization plans are
3 proceeding. They are being implemented per our Secretary.
4 So thank you very much.

5 Mr. Moran has mentioned that it would be pretty
6 challenging to get to the 80 percent aircraft availability.
7 So are we being realistic in expecting, Mr. Secretary, an 80
8 percent readiness?

9 Mr. Spencer: It is a stretch goal, Senator, but it is
10 a stretch goal that we will take. If I could bring you out
11 to one of our depots out west to show you what we are doing
12 as a program for the F-18 Super Hornet -- we have hired a
13 fellow who ran Southwest Airlines maintenance. And in a
14 matter of 8 weeks -- and I can turn it over to the Vice here
15 because he sits on the steering committee for this program.

16 In 8 weeks, we have increased throughput by 40 percent.

17 Senator Hirono: So there is a concern about something
18 called innovative accounting techniques to indicate to us
19 that these 80 percent goals are being met. Can you assure
20 us that that is not what you are going to provide us?

21 Mr. Spencer: It is not going to be done by pencil
22 whipping, I will tell you that.

23 Senator Hirono: Thank you.

24 I think it would be good for me to go and take you up
25 on that visit.

1 Now, I did want to get to the corrosion issue because
2 we recently had multiple deaths as a result. And just this
3 week the Marine Corps released their official results of the
4 investigation into the crash of a Marine Corps KC-1330
5 aircraft in Mississippi in 2017, and the investigation found
6 that aircraft crashed because a corroded propeller blade
7 came off during the flight killing all 16 people aboard.

8 So, Secretary Spencer, can you give us your views on
9 the importance of pursuing corrosion prevention and
10 mitigation programs, as you seek to take good care of the
11 people and equipment under your control? And of course,
12 part of what happened in that tragic incident was that there
13 was inadequate training for the maintenance people. So can
14 you tell us what you are doing to address the corrosion
15 issues?

16 Mr. Spencer: I can, Senator, in two ways. One is how
17 we go about doing our maintenance. The fact that corrosion
18 was the actual fault in that accident, the real problem was
19 that we were not doing the appropriate preventative
20 maintenance in the right way as outlined in the procedure.
21 That has been corrected on both fronts.

22 Now, when it comes to corrosion in general, we work in
23 a maritime environment, highly corrosive. This is something
24 that we are actually enhancing our efforts at because if you
25 could see, when we start peeling back the onion on our

1 maintenance issues, corrosion ends up being one of the
2 biggest manpower consumers. With the chemistry that is out
3 there today, we have the ability to really address this,
4 along with process, to stay ahead of it.

5 Senator Hirono: I think when I met with you, I was
6 very interested in making sure that when we purchase the
7 ships, et cetera, aircraft, that corrosion is one of the
8 factors that we would consider in putting out the contract
9 to begin with, that all these people should be looking at
10 ways that they can incorporate anti-corrosive products into
11 the crafts.

12 Mr. Spencer: Most definitely, Senator. I mean, if you
13 were to see the efforts that are going on now with two of
14 our prime suppliers, they are partners in this problem.
15 They are not simply contractors. We are living it through
16 them saying, one, what can you bring to the table that is
17 new since the last time we let this contract, and two, what
18 are best practices we are seeing out there amongst other
19 areas and what can we do to improve the way that we battle
20 this.

21 Senator Hirono: Thank you.

22 Thank you, Mr. Chairman.

23 Senator Wicker: Senator Sullivan?

24 Senator Sullivan: Thank you, Mr. Chairman.

25 And again, I appreciate the witnesses joining this

1 joint committee today.

2 General Neller, I wanted to ask you. It has been
3 nearly 3 months since Hurricane Florence made landfall in
4 North Carolina. Have you had the opportunity to assess the
5 order of magnitude to the impacts of Camp Lejeune and the
6 challenges we see there?

7 General Neller: Yes, sir, we have.

8 Senator Sullivan: And what are the numbers? Do you
9 have numbers?

10 General Neller: So Camp Lejeune is not as dramatic
11 when you look at it with your own eyes as to what happen on
12 the panhandle of Florida. The storm was very slow moving.
13 There was a lot of wind, but it sat on top of the base and
14 it rained for 2 or 3 days. So a lot of the buildings at
15 Camp Lejeune are very old. They suffered roof damage,
16 exterior damage, and then when that happened, the water got
17 inside, and so you end up with mold and other things.

18 And so there was an effect on housing, which we are
19 working with a private vendor for them to fix that, and they
20 are making some progress, not as fast as we would like, but
21 they are making progress.

22 On the facilities and structures for us, if you were to
23 repair it, it would be one number, but if you were to take
24 the buildings that we would consider to be not worth the
25 cost of just repair, that they needed to be rebuilt, the

1 total bill comes to about \$3.6 billion.

2 Senator Sullivan: Let me ask another question for you,
3 General. You mentioned some of the bad consequences if we
4 went back into sequestration, and you put forward a list
5 that was pretty significant that I think should get
6 everybody's attention in terms of negative consequences.

7 One thing you did not mention, which is obviously an
8 issue that we have raised here, is, to be blunt, the
9 increased probability that some of the really bad things
10 that we have seen could increase in terms of their
11 potential. And I am talking about deaths in training and
12 deaths in the activities of our military. Is that another
13 risk if we go into sequestration? That is the ultimate
14 risk. Right? I love the Blue Angels, but my biggest
15 concern is that we see more of these deaths, and the
16 American people -- none of us should tolerate it. Is that a
17 risk?

18 General Neller: When you are not able to train as hard
19 and as long and fly as many hours as you require to maintain
20 a substantial training level that makes you qualified, based
21 on current standards, yes, Senator, that is a risk.

22 Senator Sullivan: Okay. That is really important to
23 know.

24 Mr. Pendleton, you also mentioned -- I think we all
25 recognize we have a readiness problem, readiness challenge.

1 You just mentioned in your opening testimony it is going to
2 take significant time to rebuild readiness. Let me ask just
3 the basic question. What in your view -- you kind of have
4 the outside view, the independent view. What put us in this
5 hole in the first place? And remember, it is not just
6 readiness. This is a readiness challenge that is killing
7 our marines and sailors. What put us in the hole? Was it
8 the fact that from 2010 to 2016, the DOD budget was slashed
9 by 25 percent? A lot of people do not know that. That is a
10 fact. Is that it?

11 Mr. Pendleton: I do not think budgets helped.
12 Unpredictability of budgets certainly did not help.

13 But it was also a demand and supply problem. I mean,
14 the Army, if you go back a few years -- they were able to
15 bring more folks home and retrain and get repetitions
16 through the combat training centers.

17 Senator Sullivan: So succinctly, what put us in the
18 readiness hole?

19 Mr. Pendleton: I think for the Navy and Air Force is
20 what I am getting to, is that demand did not really slow
21 down, and so they had to continue to find ways to meet the
22 demand with a shrinking fleet. And with budgets like they
23 were, they affected sustainment accounts, which then had a
24 ripple that we are trying to work off now.

25 Senator Sullivan: Let me ask, Mr. Secretary. You

1 know, one of the things -- and I touched on it briefly in my
2 opening statement. There has been a lot of interest from
3 this committee on what is happening in the Arctic. And it
4 is not just me as Alaska Senator. It is actually broad-
5 based. We have had a number of provisions in the NDAA,
6 including the demand from the Department of Defense for a
7 new Arctic strategy. As you know, the Russians are building
8 up their capability massively, you know, huge exercises, new
9 airfields, new ports, 40 icebreakers, building 13 more.
10 Some are nuclear powered. Many are weaponized.

11 Secretary Mattis, in his visit to Alaska this summer
12 and in a statement to this committee, said it is a strategic
13 area we need to pay more attention you. You and I had the
14 opportunity to visit potential areas, Adak, Port Clarence,
15 Nome, and you recently said in a speech that we need a
16 strategic Arctic port in Alaska.

17 Can you focus on some of the issues that you see as
18 challenges from the national security perspective, National
19 Defense Strategy, and how the Arctic plays into that? And
20 can I get your commitment, as required in statute, to work
21 with this committee on a revised analysis of a strategic
22 Arctic port?

23 Mr. Spencer: One, you do have my commitment, Senator.
24 Last October when I was newly minted, one of my first trips
25 outside the country was to the Arctic, Kavivium and

1 Reykjavik, and that was my educational curve for really what
2 was going on in the Arctic. At that point, our Russian
3 friends were warming up five airstrips, 10,000 Spetsnaz
4 troops up there for, quote/unquote, search and rescue
5 according to the ambassador from Russia. The Chinese are up
6 there. Everybody is up there.

7 Senator Sullivan: Everybody but us.

8 Mr. Spencer: Well, Senator, we are up there under the
9 sea and in the air.

10 Senator Sullivan: But you cannot do a FONOP under the
11 water.

12 Mr. Spencer: I agree to an extent.

13 But I am getting to my point, which is we are looking
14 at how we can get up there. This is portfolio management.
15 If I had a blank check for everything, it would be terrific
16 to ice-harden ships, but with the demand that we have right
17 now, it is unaffordable. Do we have an avenue that could
18 possibly work at seasonal times to go up there? I believe
19 we do. We are looking at that right now. The Coast Guard
20 is getting its heavy ice cutter. We would have to have that
21 in tail, if in fact there was ice. We need to get up there.
22 I can commit to the fact that we are trying to figure out
23 how we do service that.

24 You and I did go look on the coast up there for a
25 potential strategic port. I think the Coast Guard, in

1 concert with the Navy -- we should definitely flesh out what
2 could possibly be done.

3 When it comes to using Alaska in the Arctic area for
4 training, the Commandant and I have talked about this, plans
5 to go look at doing something this summer, possibly on Adak
6 for training. The Vice and I have talked about possible P-8
7 debt up to Adak. There is definite training uses and there
8 is definite ability to effect the National Defense Strategy
9 with Arctic activity.

10 Senator Sullivan: Thank you, Mr. Chairman.

11 Senator Wicker: Thank you very much, Senator Sullivan.

12 Senator Kaine?

13 Senator Kaine: Thank you, Mr. Chair.

14 And, Secretary Spencer, I will start with you. I have
15 chatted with you about the requirement in the NDAA from 2015
16 that is now live about audited financial statements for all
17 functions within the DOD. We view that as a tool not just
18 for congressional oversight, not just for public oversight,
19 but we also view it as a tool for military leadership to
20 manage, to create -- I think you described in your testimony
21 kind of a culture of continuous improvement. If we are
22 going to be reliable on ample budgetary requests and budget
23 certainty going forward, it really helps us if we believe
24 that the DOD is using tools like this to promote
25 improvement, to let go of lesser performing priorities or

1 lower performing programs and invest in other areas, as you
2 describe, bringing in somebody from Southwest to help you
3 figure out new strategies on maintenance. That sounds like
4 a good one.

5 How are you using tools like the audited financial
6 statements and others to try to figure out how to better
7 prioritize and squeeze more value out of the dollars we give
8 you?

9 Mr. Spencer: Senator, the audit process at Navy from
10 the day I arrived, the conversation was this is not an
11 invasion into your area for a painful financial exam. This
12 is a process that will give you a tool -- you, a manager, a
13 tool -- to see how you are deploying resources and the
14 effect of the employment of those resources.

15 So we did change the conversation. And I will tell you
16 what. We have gone through our first cycle, as you know,
17 and I think as we advertised day one when I was up here for
18 my confirmation hearings, I do not think we will probably
19 get a clean opinion for another 5 to 6 years. But that is
20 not the issue. It is the learning process along the way
21 that is critical. This cycle alone, we have vignettes that
22 I can provide for you on the record later of events, and I
23 will just quote a few.

24 We found out that in the Navy alone, we had in excess
25 of 700 distribution points for parts. You know, Amazon does

1 this globally with 25 centers. Do we have something to
2 learn there? We certainly do.

3 The ability to turn around and find out where inventory
4 is. A fine example. We were missing some assets that were
5 held by a contractor. In my heart of hearts, I said we will
6 probably find these. This is a paper issue. It was.

7 But when you work in the commercial sector, there was a
8 thing that I grew up with called SAS 70, which were the
9 standards that you would provide your services and goods to
10 a client. That exists amongst all our contractors, but it
11 appears that we forgot to ask for that or we were not aware
12 that. From this evolution, we are going to turn around and
13 say when you hold assets for us, when you do anything for
14 us, will you do them at the same generally accepted
15 accounting standards as SAS 70? It is there, we are taking
16 advantage of it.

17 Senator Kaine: Well, expect to get asked questions
18 like this a lot at future hearings. We really want to see
19 how those are being used. To all of you.

20 General Neller, I was struck by your costs on the
21 repair of Lejeune. I think you put it at around 2.2. Is
22 that right? \$2.2 billion?

23 General Neller: Actually at the high end, if we costed
24 out, because we do not believe it is cost effective,
25 Senator, to repair buildings that are 35 to 50 years old.

1 Senator Kaine: Right.

2 General Neller: So if you replace these 31 buildings
3 -- there are actually more, but these are the ones we put
4 into priority -- the bill is around \$3.6 billion, \$3.7
5 billion.

6 Senator Kaine: It would also be the case that it would
7 be foolish to repair a building that would then be
8 vulnerable to the same kind of damage with the next
9 hurricane that comes along.

10 General Neller: I would agree with that.

11 Senator Kaine: Right. So we really ought to probably
12 be looking at the higher cost. The Tindall price tag is
13 about \$5 billion, as I understand it. That is not the
14 purpose of this hearing.

15 But talk to me about this top 10 list. In the
16 Navy/Marine side, there is a report due, pursuant to the
17 NDAA, this month about sort of the top 10 installations that
18 you feel have vulnerabilities because of climate. When are
19 we likely to see that report?

20 Mr. Spencer: Senator, that should be forthcoming soon.
21 I will get back to you on the exact date. I have seen the
22 list, and I do not know where the process is in actually
23 finalizing it and signing it out to you.

24 But not surprisingly, it is going to be what you might
25 expect. In the Navy, it is going to be oceanfront areas,

1 water rising issues. It is going to be areas exposed to
2 what we have seen now as 100-year storms that come every 2
3 or 3 years. We are going to have to start addressing this
4 so we do this correctly and spend the money correctly.

5 Senator Kaine: We had a very well attended hearing in
6 Hampton Roads now nearly 2 years ago, a very bipartisan
7 congressional delegation talking about sea level rise and
8 the effect on Norfolk and other basis, Langley and others in
9 the area. And it was pretty sobering. And we started
10 thinking about if there is a future BRAC round or any kind
11 of physical base rationalization, that has got to be a
12 vulnerability that people would be concerned about. But one
13 of the DOD witnesses said you should worry about sea level
14 rise, but try running a base in an area where there is a
15 persistent drought. It is not just sea level rise. There
16 are all kinds of weather emergencies and challenges that all
17 of the services are dealing with on the climate side. And
18 we look forward to that report because it will help us do
19 our job better when we get to NDAA and appropriations.

20 Thank you, Mr. Chair.

21 Senator Wicker: Thank you, Senator Kaine. And we
22 certainly ought to be able to deal with issues like that
23 apart from any BRAC round we might have.

24 Senator Rounds?

25 Senator Rounds: Thank you, Mr. Chairman.

1 Gentlemen, thank you all for your service to our
2 country.

3 Mr. Pendleton, some of the numbers right now with
4 regard to aircraft and their mission-capable, not fully
5 mission-capable, numbers are still pretty disturbing. The
6 numbers, as I am reading them -- and I am looking at
7 comparisons between the different types of aircraft and the
8 different branches of government. Clearly there is a
9 difference between the requirements for each one of these
10 aircraft in terms of the missions that they are supposed to
11 be capable of. But I would like your thoughts on a couple
12 of things.

13 Number one, the Navy's F/A-18 E&F, the Super Hornets,
14 which are the newest of the Hornets. They have a mission
15 capable rate of 49.1 percent right now, according to the
16 most recent stats that we have got. Compare that with the
17 Marine Corps who have a mission capable on their older ones,
18 their legacy Hornets, of 60 percent, clearly a higher
19 percentage rate. I would like your thoughts as to why
20 Marines have a higher mission capability, the same depot or
21 different depot. And then if you compare that with the Air
22 Force, their F-16C aircraft, not their newest F-16's, they
23 have a 70 percent mission capable rate.

24 Why is it? What is the difference in discrepancy? Is
25 it a matter that the intensity of the operations for the

1 Navy is that much greater? Is it a matter of best
2 practices? What in your opinion is causing the differences
3 between the mission-capable differences?

4 Mr. Pendleton: You know, I am going to have to get
5 back to you with a better answer. But I mean, it has to do
6 with the experience level at the depots, the throughput at
7 the depots. And we just have not done the comparison you
8 are talking about, and I do not feel comfortable opining
9 about it. But we will look at it because we visited all
10 those places in recent years. Some of the folks to my right
11 might be able to talk to you about that, but I do not feel
12 comfortable making those comparisons.

13 Senator Rounds: Admiral Moran, would you care to
14 comment on it?

15 Admiral Moran: Senator, thank you for the question.

16 I think we got to make sure that we are comparing
17 apples and apples. Numerators and denominators matter here.

18 So our current statistics on the Super Hornet are the
19 mission capability rate for Super Hornets in operational
20 squadrons that would have to go to the fight, if called to,
21 is at 66 percent and rising.

22 Senator Rounds: So the numbers that I have got right
23 now with regard to 49 percent are older numbers?

24 Admiral Moran: They are much older numbers. And that
25 49 percent is much more reflective of the total active

1 inventory, to included airplanes that are in the depot
2 today, which are not in reporting. So there is a lot of
3 math here and I do not want to confuse it. But we are on
4 this path, this stretch goal to the Secretary's point, of 80
5 percent. Last year, when I testified, we were in the mid-
6 40's.

7 Senator Rounds: Then let me ask this. I really do not
8 mean to cut you off, but I think you have answered my first
9 question.

10 What about the F-35's? Right now, the C model which
11 you are implementing at this point -- the 35C indicates,
12 according to the data that we have got, about a 17 percent
13 mission-capable rate. Is that an accurate number today?

14 Admiral Moran: Well, sir, what I would share with you
15 there is it is the law of very small numbers. We only have
16 one operational F-35 -- well, we do not even have an
17 operational F-35C squadron yet. We have the FRS, which is
18 our training squadron, and so the law of small numbers means
19 that a couple go down on a given day. Depending on when you
20 report it, it could drive the percentages really low or
21 really high.

22 So I think we need more run time on the F-35C, whereas
23 the Air Force and the Marine Corps have had more run time on
24 the F-35's and have a better indication I think of what you
25 can expect.

1 Senator Rounds: Okay.

2 I want to move over to submarines for just a minute.

3 Mr. Pendleton, the attack submarines. A year ago, we used

4 it as an example of the reason why we need to improve the

5 capabilities of our dry docks. The USS Boise became an

6 example. It had been at dock not mission-capable, not even

7 able to dive for a period of up to 3 years. I presume that

8 that attack submarine is now in dry dock?

9 Mr. Pendleton: I believe so. I better check to be

10 sure if it still is. It is out?

11 Senator Rounds: Secretary Spencer?

12 Mr. Spencer: It is not there yet, no.

13 Senator Rounds: It is not there yet?

14 Mr. Spencer: It is January, sir.

15 Mr. Pendleton: I knew it was around that. Contracted.

16 Senator Rounds: So it has been 4 years then out of

17 service for an attack submarine.

18 Mr. Spencer: That is correct.

19 Senator Rounds: Do we have any other attack submarines

20 that are currently at dock, not able to dive, that are

21 awaiting drydock services?

22 Admiral Moran: Yes, sir, we do. We have two more that

23 are not certified to dive today. Both of those go into dry

24 docks after the new year, one in February and I think the

25 next one in May or June. And this is all part of spreading

1 this across the public and private sector and addressing the
2 submarine shortages.

3 Senator Rounds: My time is up.

4 Senator Wicker: Well, no. Why did that happen,
5 Admiral?

6 Admiral Moran: Why did what happen, sir?

7 Senator Wicker: The 4-year period, the lengthy time.

8 Admiral Moran: It is the age-old problem of what we
9 talked about the last 2 years in this hearing where we had
10 aging SSBNs which take priority in the public yards to fix
11 because of the national priority on strategic deterrence.

12 The next in the order of priority are our carriers,
13 which as we have all testified here the last couple years,
14 have been ridden very hard, high OPTEMPO, extended periods
15 because of discovery work and additional maintenance that we
16 were not anticipating.

17 And the last and standing in line to get into those
18 availabilities in the public yards were our SSNs.

19 And so we have begun to put them in private yards to
20 help unload or level load and get submarines that need to be
21 in dry dock in dry dock sooner. Boise was -- you know, we
22 talked about this last year, Senator. We want no more
23 Boises. And the numbers are coming down significantly. The
24 standing in line has come down significantly. We still have
25 a ways to go. We are not out of the woods yet, but I think

1 as capacity opens up in the private yards and we do a better
2 job in the public yards of getting our carriers out on time,
3 we will be there.

4 Senator Rounds: Mr. Chairman, if I may, just one
5 thought.

6 Senator Wicker: Please.

7 Senator Rounds: A year ago, did we have three
8 submarines that were waiting to get into drydock or did we
9 have less than that?

10 Admiral Moran: I will have to get back to you on --

11 Senator Rounds: Okay. Look, it appears to me that
12 even with the resources that we have allocated so far, we
13 are going the wrong direction, it would appear, with regard
14 to the fleet that we have got. My only point is that if it
15 is a matter of resources and if you are not here in public
16 testimony to tell us what the impacts of not having the
17 additional resources necessary to keep these critical pieces
18 in the defense of our country operational, how in the world
19 can we ever go to what we know we need in a 355-ship Navy
20 and support them if we are not going to be able to share
21 with the American public how critical it is to maintain the
22 defense posture that we have currently got. And so what I
23 would expect, as a member of the committee, is to at least
24 be able to allow you the opportunity to share what happens
25 if we ever do get back into a reduced defense budget or to,

1 heaven forbid, another sequestration and what the impact is
2 to these young men and women that are expecting that they
3 are at least going to get the tools to do their job. And
4 then to find out that we have got three attack submarines
5 that have not even been able to get into dry dock seems to
6 me to be something that ought to be shared with the American
7 public, and they ought to understand how serious this
8 problem really is.

9 Mr. Spencer: I could not agree with you more, Senator.
10 But as a fine example, so everyone truly does understand the
11 ups and downs of this, the monies that you gave us to
12 optimize the shipyards -- that is a 2-year project at the
13 least to get that up and running to the new flow rate.

14 There was a study that was done up at Portsmouth. And
15 you all know maintenance is all about hands touching and
16 turning and fixing things. It is hands-on time. They
17 tracked one of the maintenance people for his hands-on time.
18 He drove a gulf cart around the area for 4 miles one day
19 just in an average search of parts. We have to bring the
20 parts down to the ship. This is what I am talking about,
21 the science of industrial flow, that needs to be put into
22 these old shipyards. We are doing it. The monies that you
23 have given us will get after that. It is 2 years to effect
24 that. But to kill it now with any sort of sequestration
25 would be a crime.

1 Admiral Moran: Senator, if I could. If I could go
2 back to the earlier comment about what the element of time
3 does to this problem, we just got back the shipyard workers
4 in the public yards to the level we wanted after
5 sequestration 5 years ago. This is a unique, highly skilled
6 workforce in our nuclear yards. And if they do not feel
7 like they are supported, if we are not giving them adequate
8 resources to do their job and have the manning levels where
9 they need to be, they walk. They can go other places
10 because they are highly skilled. And then it takes a long
11 time to recover that.

12 So to your point, if we go backwards on this, it is
13 going to take us 3, 4, 5 years to recover just the workforce
14 and skill sets we need to do nuclear maintenance.

15 Senator Rounds: Thank you.

16 Thank you, Mr. Chairman.

17 Senator Wicker: I do not think we are going to go back
18 to sequestration, but we are going to have to take
19 affirmative votes not to.

20 I think Senator Rounds' question, though, is even with
21 the adequate budgets that we have provided the last 2 years,
22 and going forward, if we are able to do the same thing --
23 now it seems that the administration is all in favor of
24 generous funding for the military. Even with that, I think
25 the question is what else is necessary. I do not think you

1 are being critical, Senator Rounds. I think we are asking a
2 question of how we can improve the situation.

3 Senator Rounds: Mr. Chairman, thank you. And if I
4 came across as being critical, I do not intend to be. What
5 I am trying to get at is that we have got to be able to
6 share with an American public that sees an increasing
7 defense budget, and they have got to understand how far
8 behind we were and about what our adversaries are doing with
9 their own and where we are falling behind. And it is not
10 just a matter of readiness. It is a matter of modernization
11 because, as you say, directed weapons is not something in
12 the future. Others are working on it now. And we start
13 talking about what is going on in space and our ability to
14 control the information coming through, and in hypersonic
15 weapons which are there now and how far we will be if we do
16 not maintain this. And it puts our security at risk. And
17 we have a difficult time trying to get that information out
18 to the public because most of the information we receive is
19 in a classified section. So this opportunity for you to
20 share how serious this is has got to be shared with the
21 American public. That, I guess, is where my frustration
22 comes from.

23 Senator Wicker: Thank you, Senator Rounds.

24 Senator King, it appears that we have taken all of your
25 time and I just regret that.

1 [Laughter.]

2 Senator Wicker: Why do we not go ahead and recognize
3 Senator King?

4 Senator King: I would be glad to yield my time to
5 Senator Rounds anytime.

6 Secretary Spencer, I think you have touched upon this,
7 but it strikes me that both in aircraft and ship
8 maintenance, we do have a lot to learn from the private
9 sector, and I hope that that is a really active effort. I
10 know you mentioned when I was absent -- I apologize. I had
11 another hearing -- Southwest Airlines. Obviously, there are
12 differences. It is not apples to apples. But I think there
13 is a lot to learn in terms of work flow, systems, just in
14 time, parts availability. And I hope that is a major part
15 of your effort to upgrade because we cannot afford to buy
16 ships that we are not using.

17 Mr. Spencer: Senator, I could not underscore your
18 statement stronger. And one thing that I do want you all to
19 know is that as we reach out, whether it is Southwest,
20 whether it is Delta, whether it is Carnival Lines, to
21 similar models that we are facing, corporate America is
22 bending over backwards to help us. The hours that they
23 spend with us, the resources that they provide us with
24 people, it really is stunning. And we are. We are learning
25 a tremendous amount. I could give you vignettes down the

1 line on simple parts that used to take 55 days for us to
2 process where someone looked and said, hey, here is how we
3 are doing it in the civilian world, and cut it down to 2
4 days. And that one part would be a downing part for an
5 aircraft. So that is the kind of impact that we are seeing
6 with what we are learning.

7 Senator King: Well, there is an interesting chart in
8 the GAO analysis of the naval data that talks about parts
9 obsolescence or diminishing manufacturing source of parts.
10 There is a checkmark next to every Navy aircraft in those
11 areas, as well as delays in depot maintenance. So I think
12 this is a really big deal, and it is very important in terms
13 of budgetary priorities. Again, it makes it so much more
14 efficient if the planes and ships that we have are fully
15 ready to be utilized.

16 One of the concerns I have -- and you mentioned
17 Portsmouth -- is personnel and workforce. At Portsmouth
18 now, a tremendous yard doing great work, 30 percent of their
19 workforce has been there less than 5 years. That is a
20 change in recent years. I hope the Navy is thinking about
21 workforce development because that is not going to happen on
22 its own.

23 Mr. Spencer: It is a definite upfront of mine,
24 Senator. And you and I have talked about this. But when I
25 talk about collaboration and partnership with our commercial

1 counterparts, also with our States to help whatever they can
2 do to promote any sort of educational assistance or early
3 education venues to feed the yards, which are amazing
4 careers -- you know, a lot of people do not realize the
5 contribution that one makes to a great product, but also the
6 compensation received.

7 Senator King: I can attest to that at Portsmouth
8 because they let me use a virtual welding machine where I
9 could actually think I was wielding, but I was not screwing
10 up a ship hull. So it was a very positive experience.

11 Mr. Spencer: Next time, we will use you.

12 Senator King: That is right.

13 Talking about industrial base and acquisition, the
14 frigate, which we are talking about -- there are five yards
15 competing. There are going to be 20 ships. As I understand
16 it, the intention now is to award all 20 ships to the
17 winner. It is a winner take all among five. In terms of
18 industrial base and also just spreading the work, getting
19 the work done faster, talk to me about the possibility of
20 splitting that award between at least two yards, if not
21 three.

22 Mr. Spencer: You bring up an interesting concept.
23 There are two things going on here that need to be weighed
24 out. One, yes, we do have to be attentive to our industrial
25 base and the ability to keep hands busy and trained. Two,

1 one thing we also have to look at, though, is the balancing
2 of the flow of new ships into the fleet because what we want
3 to avoid is a spike because that spike will come down and
4 bite us again when they all go through regular maintenance
5 cycles and everyone comes due within 2 or 3 years or 4
6 years. It gets very crowded.

7 It is not off the table because we have not awarded
8 anything yet. But we will look at how best we can balance
9 with how we get resourced, and if we have the resources to
10 bring expedition, granted, we will do that.

11 Senator King: I appreciate that.

12 Final question. The Navy and the Marine Corps recently
13 went through their first audit, and no one expected it to be
14 a clean audit first time through. Two questions. What have
15 you learned from this audit, and secondly, when can we
16 expect a clean audit?

17 Mr. Spencer: I will go first question first. We are
18 still learning. It was a tremendous cycle. As I told
19 Senator Kaine, we changed the conversation in the Department
20 of the Navy, the Navy and Marine Corps team, that this
21 iteration of a thing called an audit is not an invasion for
22 financial reasons. This is a tool that you will use as a
23 manager so you know how your organization is operating, so
24 you know how the resources you are applying are providing
25 you a return. That message has been received.

1 If you look at our list of deficiencies, there are
2 many, but this was the first time in the barrel for the
3 Navy. It was eye-opening, 700 distribution centers. Well,
4 you know what? We can probably get after that. Real estate
5 that was missing, quote/unquote. A lot of it was procedure.
6 I mean, the building was there, but was it in the right book
7 in the right business system? No. This is all the learning
8 that we are doing so we have tools to manage.

9 Senator King: And do you feel that we are headed
10 toward a time when there can be a clean audit?

11 Mr. Spencer: Yes. I would love to say in the future.
12 I do not see a clean --

13 Senator King: In our lifetimes?

14 Mr. Spencer: I would say 5 to 6 years, to be very
15 frank with you.

16 Senator King: General Neller, I just want to greet
17 you.

18 Senator Wicker: What is your life expectancy?

19 [Laughter.]

20 Mr. Spencer: That might be my life expectancy,
21 Senator.

22 Senator King: General Neller, I just want to
23 compliment you on your service. You drew the long straw
24 this morning and the Secretary seems to be getting the brunt
25 of the questions. But thank you.

1 General Neller: We are very appreciative that you are
2 giving him all the questions.

3 [Laughter.]

4 General Neller: Senator, just one thing on the audit
5 just for the record. The Marine Corps has been under audit
6 for several years, and as the Secretary said, I have taken
7 the brief from the audit team myself the last 3 years. And
8 it has been enlightening. A lot of it is procedural. A lot
9 of it is accounting things and procedures. A lot of it is
10 that there are a number of systems across not just within
11 the Department of the Navy, other services. Like a big
12 issue is we have a lot of ammunition that we share with the
13 Army and the systems that we have that account for that --
14 they do not talk to each other.

15 So the auditor gives you a list of findings or
16 conclusions or things, and then your job is to go back and
17 try to close them out. And I assure you that the Secretary
18 of the Navy and the Secretary of Defense keep score on that
19 sheet. And so we have a team of people, and then the audit
20 for this next year has already started. Again, it is a
21 continuous process.

22 So we will get there in our lifetimes, I am confident,
23 but there are going to be some things that are going to have
24 to take place probably systemically and with data. But
25 there is no shortage of effort and understanding and

1 appreciation that we are going to get there eventually.

2 Senator King: Thank you.

3 Thank you, Mr. Chairman.

4 Senator Wicker: Senator Ernst is next, and Senator
5 Shaheen, regardless of who else walks into the room, you
6 will be recognized after Senator Ernst. Senator Ernst?

7 Senator Ernst: Thank you, Mr. Chair.

8 Secretary Spencer, we are going to continue on with
9 your questioning. So thank you for being available today.
10 And it was a great game on Saturday. So thank you.

11 [Laughter.]

12 Mr. Spencer: Kind of.

13 Senator Ernst: Yeah, sorry. No, I am not.

14 [Laughter.]

15 Senator Ernst: As the chairman of the Emerging Threats
16 and Capabilities Subcommittee, I do especially enjoy working
17 with our special operations community and really want to
18 make sure that our SOF have the support and capabilities
19 necessary to perform their many no-fail missions.

20 One issue that I have learned about is the importance
21 of assuring that SOF have necessary access to float-ahead
22 staging bases. Especially with our renewed focus on great
23 power competition, naval resources will be extremely
24 strained while we continue to build up the fleet. The
25 demands in the Pacific and in Europe especially will mean

1 that the Navy and SOCOM will be required to find intuitive
2 ways to supply capabilities to our SOF warriors.

3 How do you believe that we can ensure that SOF
4 warfighters have adequate, dedicated, persistent support in
5 order to fulfill their missions?

6 Mr. Spencer: Senator, leave it to the SOF world, and I
7 use them as a poster child. They have already done some, as
8 you know, innovative ways to find platforms to work on on a
9 maritime basis.

10 That being said, you address a topic, though, that is a
11 gap that we know we have and that we are working on. And we
12 will come to you with some requests here going forward, and
13 that is our pre-positioned forward ships and our reserve
14 ships. You know -- you have read the reports -- the shape
15 that they are in. This is a simple case, in many cases, of
16 portfolio management and resources available. If in a
17 perfect world, I had the ability to go out and buy used
18 ships on the market with very little constraint, we could
19 close this gap quite rapidly.

20 Senator Ernst: Well, and we talk about the policy
21 limitations that are out there. You had just addressed one
22 of those.

23 With those limitations on the use of leased vehicles,
24 how do you balance sea-basing support for SOF between our
25 counterterrorism and our VEO missions and potential state-

1 on-state conflict where we cannot use those leased vehicles?

2 Mr. Spencer: Yes. My easiest answer is if I could get
3 some more restraint lifted, I would have the ability to
4 manage that risk-gapping.

5 Senator Ernst: Is that an area that we can address
6 within this committee?

7 Mr. Spencer: I believe it is.

8 Senator Ernst: Okay. Thank you for that.

9 And are there platforms within the current industrial
10 base that you do believe would be optimal for our SOF
11 mission?

12 Mr. Spencer: Yes, there are.

13 Senator Ernst: And in an open format, can you discuss
14 any of those?

15 Mr. Spencer: We have the ability right now with some
16 of the things that we are looking at within the Navy that
17 would be applicable to missions. But more importantly, we
18 do have an industrial base out there that has the ability to
19 produce specifically what might be needed for that mission
20 set.

21 Senator Ernst: Okay. Thank you.

22 And recently -- just a slightly different topic. One
23 that is very important, though. Recently I did have the
24 honor of speaking at the commissioning of the USS Sioux City
25 over at Annapolis. I appreciated that. And among many

1 other aspects, I was impressed by the crew of the ship and
2 their ability to explain to me the importance of that naval
3 platform. And I believe -- and as I was a commander, of
4 course, in the Iowa Army National Guard -- that it is our
5 sailors, it is our people that make up the backbone of our
6 services. And as in the Navy, they will be manning those
7 stations and making critical life or death decisions in
8 times of conflict, and that absolutely is something that we
9 cannot have built in a shipyard.

10 So, General Neller, it is the same with you. What I
11 would like for you gentlemen to do, just in the very brief
12 remaining time that I have left, is to address the
13 challenges that we have in recruiting and retention in the
14 Navy -- and Admiral Moran, if you could address that -- in
15 the Navy and in the Marine Corps. How do we do better?

16 General Neller: Well, Senator, first on your previous
17 question, there are a lot of things going on with the use of
18 SOF or the SOF operating off of naval platforms throughout
19 the world. In fact, we train it. We do it as a matter of
20 course. It happens all the time. It just is something you
21 do not read or see in the newspapers or the media. And I
22 can talk to you off line and there are actually things we do
23 to accommodate each other. So I think the Navy, the naval
24 force, and SOF -- they do a lot of things.

25 On recruiting, we made our numbers. We made our

1 quality spread. We work really hard. We invest a lot in
2 our recruiters. We have a command screen board for our
3 officers that lead our recruiting stations. So if you are a
4 Marine major and you are at the top of the heap, your reward
5 is you get to command a recruiting station. And then if you
6 are successful, then you will probably be acknowledged later
7 on in the promotion process for command of another
8 organization from your MOS. So it takes work.

9 We are recruiting the seniors for next year. We came
10 into the year with over 50 percent of the recruits that we
11 wanted to ship this year already contracted. The most
12 difficult time comes after the first of the year, kind of
13 January through May, because you have shipped all the
14 seniors. They graduate last May, June, and then they ship
15 this summer. So you are more in a direct shipping market.

16 So we are confident that we can make it. It is getting
17 harder. We used to make it before the third week of the
18 month was out. Now some places, you are making it the last
19 day of the month. So it just takes really, really hard
20 work.

21 I think this committee and the nation should be aware
22 or concerned about the fact, not just the propensity of the
23 young men and women to want to serve in the military, but
24 the percentage that are qualified to be able for us to even
25 talk to them. And that number is right around or slightly

1 below 30 percent. But we are making it. On the officer
2 side, we have got more people that want to be a Marine
3 officer than we have spots.

4 Senator Ernst: Admiral?

5 Admiral Moran: Senator, thank you.

6 I would just build off of what General Neller just
7 commented on. The Navy is in a very similar place. We were
8 able to make mission this year in a much more demanding
9 market. And our goals were at 40,000-plus, and a typical
10 year for us about 33,000. So we made goal by May. So our
11 recruiters are doing a great job. We have shifted our
12 approach in how we do recruiting, to go where the market is,
13 which is more in the social media lane than it is on the
14 more traditional advertising campaigns we have done in the
15 past. Our recruiting force is doing a fabulous job.

16 We are starting to see some stressors, though, similar
17 to what the Commandant just talked about in terms of when we
18 are meeting those goals, at the end of the month as opposed
19 to the second, third week in the month. So the stressors
20 are clear. Anytime you have an unemployment rate below 4.1
21 percent, historically trouble looms on the horizon for both
22 recruiting and retention. It is at about 3.8 percent I
23 think now. So we are all expecting this market to get more
24 difficult than easier.

25 That said, we had the best retention year in zone A, B,

1 and C this past year than we have had in a decade.

2 So there are some good things going on. Hard to put
3 our fingers on exactly what is generating those kinds of
4 results in an economy that is really challenging us and
5 competing us for that talent. But hopefully, we can
6 continue to do this because our recruiting goal for this
7 year is also high.

8 Thanks for the question.

9 Senator Ernst: Thank you, gentlemen.

10 Mr. Spencer: Senator, if I could add something on
11 there.

12 Senator Ernst: I suppose, Secretary.

13 [Laughter.]

14 Mr. Spencer: Not a huge item, but it is worth bringing
15 up for conversation.

16 There is in excess of 1,100 schools and school
17 districts that deny access to the uniformed members to
18 recruit on their campuses. They are all throughout the
19 country, the preponderance up in the northeast and
20 northwest. But whatever help anyone could do in helping us
21 get the message out would be greatly appreciated.

22 Senator Ernst: Thank you, Secretary. You are
23 absolutely welcome in Iowa.

24 Senator Wicker: Are you speaking of colleges and
25 universities?

1 Mr. Spencer: High schools.

2 Senator Ernst: High schools for recruiting. Thank you
3 for pointing that out.

4 Senator Wicker: Thank you, Senator Ernst, for that
5 line of questioning. Let me just thank the General and the
6 Admiral for good answers and for a really good work product
7 in challenging times. I am impressed, and I think the
8 country is impressed.

9 Senator Shaheen?

10 Senator Shaheen: Thank you, Mr. Chairman.

11 And thank you all for being here.

12 Senator Hirono, I believe that Secretary Spencer may
13 have misspoke when he said that Pearl Harbor was the number
14 one priority. Senator King and I understood that it was
15 Portsmouth that was the number one priority.

16 Mr. Spencer: One of our first priorities.

17 [Laughter.]

18 Senator Wicker: I think he was talking about his
19 priority for a field hearing.

20 Senator Shaheen: Thank you. I just wanted to make
21 sure everybody was awake this morning.

22 Mr. Pendleton, you talked about the delays in
23 maintenance. Secretary Spencer, you talked about the plan
24 to address depot maintenance. We all recognize the
25 challenges with getting the McCain back into operation.

1 Are there lessons that we have learned from what has
2 happened, aside from the challenges around depot maintenance
3 and a plan? Are there other lessons that we have learned
4 about how to better get the fleet back out when there are
5 damages? I mean, I think about the Portsmouth Shipyard
6 where during World War II, they produced 70 ships. They
7 launched four subs in one day. So there are other things
8 that are going on other than just the facilities that
9 address how quickly we are responding to the challenge. So
10 can you talk about some of those lessons that have been
11 learned?

12 Mr. Pendleton: Around the damage, we did not really
13 look at the McCain maintenance.

14 I think one of the things, going forward, that is going
15 to be very important is not to let deferred maintenance
16 mount up. What is happening is that as they bring the ships
17 and subs in and they begin to look at the tanks and other
18 things, they find damage or corrosion or other things that
19 require additional work. So I think getting caught up on
20 the deferred maintenance is one of the key lessons learned
21 and it will be one of the keys to success going forward.

22 Senator Shaheen: Anything else?

23 Mr. Spencer: Yes. Senator, one of the things -- you
24 asked -- it is a far-reaching question that deserves a
25 moment here because one of the things that we are trying to

1 do -- and I will back up to the F-18 scenario that we are
2 working on right now. We are calling that the Naval
3 Sustainment System that we are building because it does not
4 just apply to aviation. It applies to surface, underwater,
5 weapons platforms. Maintenance is all about flow, getting
6 parts, people all in line in time for procedures.

7 One of the things that we want to start doing is we
8 have the data to start doing predictive analytics. So
9 before a ship even comes in, we know where there is great
10 probability that there is going to be work done, have it
11 pre-staged, have the work orders ready. It is going to take
12 some time. But you asked for the lessons learned. This is
13 exactly it. Allowing those teams that are actually working
14 on the ships alone to start thinking how can I do this
15 better, how as a team can we actually make more movements
16 shorter, quicker, more effective.

17 So it is a collection of a bunch of activities that we
18 are doing. A lot of them we are picking up from the
19 commercial world outside the wire, but a lot are organic
20 ideas coming from within the organization.

21 Senator Shaheen: Great.

22 Back at the end of November, we had the National
23 Defense Strategy Commission come and appear before the
24 committee. And they identified six trends in national
25 security that we needed to be aware of. One of those was

1 conflict in the gray zone. One was cyber as well. But one
2 of the things that the commission recommended was that DOD
3 develop -- and I am quoting here -- analytic tools that
4 measure readiness across the range of challenges from low
5 intensity gray zone conflicts to protracted high intensity
6 fights with major power rivals.

7 It seems to me that we have been able to better measure
8 some of the ways to address the high intensity fights with
9 major power rivals because we can look at how many ships we
10 have and how many people we have ready. But when we are
11 talking about gray zone conflicts and the potential for that
12 kind of conflict, how do we measure how ready we are and
13 what are we doing to address that?

14 You know, we had a briefing yesterday, which I will not
15 go into because it was classified. It presented the
16 problem, but it did not really how we are addressing the
17 problem. And it seems to me that it is not clear to me how
18 we are addressing that problem.

19 Mr. Spencer: The Commandant has some more granular
20 information, but to frame the context of this from my point
21 of view wearing the Title 10 hat is this is exactly one more
22 portfolio that we actually have to manage. Whenever one
23 talks about us competing with China and we continually hear
24 they are investing this amount of money and they are
25 building this amount of ships, one, they do not have the

1 installed base that we have. Two, they do not have the
2 mission requirements set for global security. These are
3 what we -- I will not say struggle with. This is what we
4 perform to. To get an appreciation, it is one more of the
5 portfolios.

6 But, Commandant?

7 General Neller: Senator, I will speak for the Marine
8 Corps, but I can say with some confidence that all the
9 services have developed capabilities that allow them to
10 function within this area, whether it be cyber, electronic
11 warfare, whether it be information operations, whether it be
12 military information, or things like that.

13 So, for our example, organizationally we have changed a
14 group which used to be a headquarters support group into
15 what we call the MEF Information Group. We have grown
16 hundreds and hundreds of people that now have MOSs in cyber
17 that support CYBERCOM as part of their competency. Each of
18 the services has a component there. So that readiness is
19 measured. In preparation for this hearing, I looked over
20 the readiness of those teams. So you have cyber protection
21 teams that do defense, and you have cyber teams that do
22 offensive things. Obviously, I am not going to talk about
23 what that is. And some of them work for other
24 organizations.

25 But to your point, I think it is a clear recognition

1 with all the services and with the joint world and with OSD
2 that we are growing and continue to develop this capability.
3 And it is not going to get smaller. So we are going to need
4 this capability because this is the fight that goes on every
5 day. This is the fight that is taking place as we sit here
6 in this hearing. This is the fight that is probably going
7 to be the precursor to a fight which could potentially --
8 God forbid -- lead us to a kinetic fight further on down the
9 road.

10 If you ask me what my biggest readiness concern is or
11 my operational concern is, it is the ability for us to have
12 resilient, reliable command and control to move our forces
13 around the world and protect the network that allows us to
14 do that, and at the same time, I want to be able to take
15 that away from whoever might be our adversary. So whoever
16 can protect theirs and keep it up or bring it back faster
17 and whoever can deny the adversary their ability to do
18 command and control or pass information or share information
19 or do analytics, you have a decided advantage. And that is
20 where I think we are all headed.

21 Senator Shaheen: I really appreciate that.

22 And, Mr. Chairman, it would certainly be helpful to me
23 -- I do not know how others feel -- to have a better
24 understanding of more about what is being done in that area.

25 Can I ask just one more question to follow up on

1 Senator King's question about audit?

2 Senator Wicker: Absolutely.

3 Senator Shaheen: There have been some reports about
4 fraud within the department around the audit. Has there
5 been any evidence of fraud that occurred or that was shown
6 to be the case as the result of the audit?

7 Mr. Spencer: As far as Department of the Navy goes,
8 Senator, I have not heard the word "fraud" used during the
9 audit. Unaware in that regard. That would have come front
10 and center.

11 Senator Shaheen: Good. Thank you.

12 Thank you, Mr. Chairman.

13 Senator Wicker: Thank you, Senator Shaheen.

14 Senator Blumenthal?

15 Senator Blumenthal: Thank you very much, Mr. Chairman.

16 Commandant, this hearing marks the last official
17 appearance here and work by my military fellow, Alex Monte,
18 who happens to be a Marine Corps officer. And he has done
19 extraordinary work over the last year. I was tempted to ask
20 you to issue an order that he continue in my office, but
21 that work has been such a hardship, I am sure, given his
22 boss, that I think he deserves relief from this duty, sir.
23 But I just wanted to say on the record how grateful and
24 pleased I have been with his performance. I would say he is
25 the best of our military fellows, except a few others have

1 been marines. So I do not want to single him out, but he
2 certainly is one of the best and we will miss him. And I am
3 grateful to you personally for permitting your marines to
4 serve us in that capacity. And I will not ask you for a
5 response to that.

6 I do have a question about submarine maintenance, and I
7 know you have been asked about submarines by Senators Hirono
8 and Kaine and a question on the maintenance issue by Senator
9 Rounds. And it is not the most glamorous of the topics that
10 we discuss today, but in my view, it is one of the most
11 essential because our submarine fleet, our undersea warfare
12 capability, is in my view one of the linchpins of our
13 national defense and part of building a more powerful Navy
14 and ensuring readiness is not just building more ships -- we
15 like to do that in Groton Electric boat -- but also making
16 the ones that we have now work properly and keeping them at
17 sea.

18 As you are aware, the GAO released a report last month,
19 actions needed to address costly maintenance delays facing
20 the attack submarine fleet. The Naval Sea Systems Command
21 agreed with the majority of the report's findings and has
22 already taken some specific actions. I am very much aware
23 to address the GAO findings. Specifically, the Navy
24 contracted four submarine availabilities to the private
25 yards, one to Electric Boat, three to Newport News, and

1 plans to contract an additional two attack submarines in the
2 spring of 2019. And I am also aware the Navy is working
3 with private shipyards to provide a longer-term plan for
4 modernization.

5 I want to stress Electric Boat has approximately 5
6 million hours of available labor to provide submarine
7 maintenance from fiscal year 2019 to fiscal year 2024. I
8 wrote the Navy a letter last week asking for a detailed
9 submarine workload allocation plan to consider awarding
10 submarine maintenance contracts to Electric Boat. Based on
11 maintenance requirements, the Navy should consider
12 transferring more than the two additional attack submarines
13 to address readiness, in my view, challenges that are simply
14 growing, and we need to address them to make sure that we
15 have that workforce available ahead of the Columbia class
16 production.

17 So, Mr. Pendleton, let me ask you based on the GAO
18 report and your assessment how is the current submarine
19 maintenance backlog affecting readiness. What is your plan
20 for providing more work to the private yards? And what is
21 the timeline?

22 Mr. Pendleton: So we did the study, and we updated
23 some of the numbers. Maintenance delays have been trending
24 upward since we even finished the study last month. So that
25 is headed in the wrong direction. We are hoping that that

1 is reaching as bad as it is going to get.

2 What we recommended was the Navy take a look to see if
3 there were opportunities in the private yards, and they are
4 doing that. So we will be following up with them to see how
5 that goes over time and following submarine readiness in
6 general, sir.

7 Senator Blumenthal: Would you recommend that
8 additional work be sent to the private yards?

9 Mr. Pendleton: That is really not my place. I mean,
10 what we wanted the Navy to do was to look to see if you
11 could make a business case for it because the public yards,
12 as Admiral Moran mentioned, it is a lower priority and there
13 were backups. And we understood that there was potentially
14 capability there available, and we wanted the Navy to take a
15 look at the cost and the benefits of doing that. And that
16 is what we understand that they are doing.

17 Senator Blumenthal: If I may ask another question, Mr.
18 Chairman. Thank you.

19 Admiral Moran and Secretary Spencer, I wonder if you
20 would respond as well please.

21 Mr. Spencer: Senator, we are, obviously, exercising
22 the public yard option. I have learned in my life that
23 managing expectations is probably the best way to go. I
24 will tell you -- and it will be self-admitted by the
25 shipyard builders -- that there is not a 100 percent

1 correlation between building skills and maintenance skills.
2 They do not overlap 100 percent. We are learning that right
3 now. They are farther up the curve than starting from zero,
4 for sure. But repair is a different exercise than build.
5 So we are on a learning curve, and all we are hoping for --
6 not that hope is a strategy -- is that as partners working
7 together we can get a price point that is agreeable.

8 Senator Blumenthal: Well, hope is not a strategy. You
9 are absolutely right. And repair is not the same as
10 building a new boat. But the skills are very, very
11 transferable and comparable. And I want to urge that, with
12 all due respect, perhaps you could respond to my letter. I
13 look forward to hearing in more detail either in person or
14 by letter about what the plans are because I think it is
15 very important that we address these maintenance needs. And
16 it goes beyond Electric Boat. It is the capability of our
17 private yards to do this work, to maintain the defense
18 industrial base to give our workers continued challenges and
19 work that they need and deserve.

20 Mr. Spencer: Totally agree. And when I talk about the
21 learning curve, we have Virginia payload and we have
22 Columbia, and I have to balance that also when we talk about
23 using those man-hours. We will do whatever we can. We need
24 everyone to lean towards the stone to make sure we can get
25 the right value and efficiency proposition.

1 But you will hear from us. We have a 5-year plan for
2 submarines that has been finished. I think we are going
3 sign it out to you on the 28th of December. But more than
4 happy. Your letter will be addressed. It is on my desk
5 right now to be addressed. But loud and clear, we hear you.
6 We need to fix the maintenance flow for these vessels.

7 Senator Blumenthal: Thank you, Mr. Secretary.

8 Senator Wicker: Senator Blumenthal, I think you are
9 going to get a response to your letter.

10 Now I will now take a second round. And, Secretary
11 Spencer, I am going to direct these questions to you. If
12 someone wants to jump in as a member of the team, please do
13 so.

14 But I spoke in my opening statement about requirements
15 that we placed in the NDAA on surface warfare and readiness.
16 So let us go down the list.

17 Section 911 directs the Secretary of the Navy to
18 conduct a comprehensive review of operational and
19 administrative chains of command and functions at the
20 Department of the Navy. This is due month after next,
21 February of 2019. Will this deadline be met?

22 Mr. Spencer: Yes, it will.

23 Senator Wicker: And are there any changes or insights
24 that you would like to share with the committee today?

25 Mr. Spencer: I think I would like to have the report

1 presented to you in full.

2 Senator Wicker: All right. You have answered the
3 question.

4 Section 915 expands the principal duties of the
5 Assistant Secretary of the Navy for Research, Development,
6 and Acquisition, to include sustainment, including
7 maintenance. The intent was to put a single Senate-
8 confirmed official in charge of sustainment, including
9 maintenance of weapons systems. This took effect in August.
10 How is this change being implemented?

11 Mr. Spencer: It has been implemented, Senator.

12 Senator Wicker: And how is it going?

13 Mr. Spencer: It is actually going very well. It is
14 something that we probably should have done a while ago, to
15 be very frank with you, because we spend an inordinate
16 amount of time focusing on how we buy things, and the
17 sustainment equation did not get the appropriate amount of
18 attention. Now it is.

19 Senator Wicker: Well, got advice from folks out there
20 around the globe that know what they are doing. So that is
21 good to hear.

22 Section 322 requires the Bureau of Inspection and
23 Survey Inspections beginning January 1st of 2020 to be
24 conducted with minimal notice and results reported in an
25 annual unclassified report. I assume that this deadline

1 will be met since it is a year away.

2 Mr. Spencer: This we will meet March of 2019.

3 Senator Wicker: There you go.

4 Section 323 limits the duration of vessels home-ported
5 in locations other than the United States or Guam to no more
6 than 10 consecutive years. With some few exceptions, this
7 provision took effect in August. What actions are being
8 taken to comply?

9 Mr. Spencer: This will be completely implemented by
10 fiscal year 2021 due to the cycle nature of it. We are
11 underway.

12 Senator Wicker: Thank you, sir.

13 Section 526 requires certain watchstanders on Navy
14 surface ships to maintain a career record of watchstanding
15 hours in specific operational evolutions for key watch
16 stations. This takes effect in February. Will that
17 deadline be met?

18 Mr. Spencer: January of 2019, Senator.

19 Senator Wicker: All right. It is hard to keep up with
20 you guys.

21 Section 524 requires a comprehensive assessment of the
22 Navy's standard workweek and update of Navy policies and
23 procedures to identify the manpower necessary to execute in-
24 port workload. This is due in February. Will the deadline
25 be met, and are there any early insights that can be shared

1 today?

2 Mr. Spencer: The deadline will be met. I have not
3 read the final report yet, so I would like to wait until it
4 is fully vetted.

5 Senator Wicker: We look forward to those insights.

6 Secretary Spencer -- and Admiral Moran may want to
7 chime in here -- section 527 requires a review of the
8 adequacy of individual training for certain watch stations.
9 This is due in February. Will that deadline be met, and are
10 there early insights?

11 Mr. Spencer: That deadline will be met, and we will
12 share with you what we learned. No insights right now, sir.

13 Senator Wicker: Okay.

14 Section 525 requires congressional notification if
15 manning levels drop below certain percentages for ships.
16 This took effect in August. We have not received any
17 notifications being submitted pursuant to this section. So
18 is the Navy compliant there?

19 Mr. Spencer: The first report is in staffing now.

20 Senator Wicker: Okay. And what is it going to show?

21 Give us a sneak preview. Admiral?

22 Admiral Moran: It is going to show we have a
23 relatively small percent of those ships that are outside
24 their maintenance and basic phase of the OFRP that are below
25 those thresholds, very marginally below, but it is a small

1 percentage. I think you will be pleased with the report
2 that is on its way to the Secretary.

3 Senator Wicker: All right. Only two more.

4 Section 334 requires a review of options to increase
5 civilian watchstanding qualifications for surface warfare
6 personnel. This is due in March. Will that deadline be
7 met?

8 Mr. Spencer: That deadline will be met.

9 Senator Wicker: And section 335 requires a review of
10 Navy surface ship inspections and visits to identify
11 unnecessary requirements. This is due in August. Will that
12 deadline be met?

13 Mr. Spencer: That will be met in January of 2019. The
14 initial reviews are complete.

15 Senator Wicker: And actually, Mr. Pendleton, I hope
16 you are expecting two questions in this regard. Are you
17 prepared to talk about section 514?

18 Mr. Pendleton: Is that the one about surface warfare
19 audits, sir?

20 Senator Wicker: It requires a Government
21 Accountability Office study of surface warfare career paths.
22 This is due in March.

23 Mr. Pendleton: Yes. We have it underway. We will see
24 you in March.

25 Senator Wicker: Okay.

1 And can you give us observations or comments on the
2 updates provided by the Secretary, as well as your
3 understanding of the implement of GAO's related
4 recommendations?

5 Mr. Pendleton: I am not sure I quite understand what
6 you are looking for there. We have not done a lot of work
7 on the surface warfare officer mandate yet. We are getting
8 started. And in the back of my prepared statement, we
9 detail the 45 related recommendations we made over the last
10 3 years and the status of them. And so we keep track of
11 that very closely.

12 One thing I would like to mention, Mr. Chairman, is the
13 question came up earlier about gray zone conflict and domain
14 readiness, and I feel like I should remind everyone --

15 Senator Wicker: With regard to Senator Shaheen's --

16 Mr. Pendleton: Yes, Senator Shaheen's question.

17 We were required in last year's NDAA to look at
18 readiness through a domain lens, air, ground, sea, space and
19 cyber. We have also done that work. So in the spring, we
20 hope to have some assessment of how the department is doing
21 in assessing readiness across all those domains as well.

22 Senator Wicker: Thank you very much. And I tell you
23 what we are going to do, Mr. Pendleton. I am going to look
24 over your prepared statement and see if I need to follow up
25 on any questions for the record.

1 Does anyone else wish to ask questions? Senator
2 Hirono?

3 Senator Hirono: Very briefly.

4 Mr. Secretary, you have been impressively prepared to
5 respond to the chairman's questions. Thank you very much.

6 With regard to our shipyards, could you provide to this
7 committee a list of what specifically is being done at the
8 four public shipyards to implement the shipyard
9 infrastructure optimization plan?

10 Mr. Spencer: I will follow up with you on that, yes.

11 Senator Hirono: Thank you.

12 One more thing. I had mentioned in my opening remarks
13 that I was interested in preventing collisions at sea, the
14 sort of disasters that occurred. And one of the changes
15 that the Navy has discussed was ensuring that ship or
16 squadron commanders can highlight their concerns when higher
17 headquarters may try to deploy ships that are not trained
18 and ready.

19 And my question to either you, Mr. Secretary or Admiral
20 Moran, in particular, can you point to any example of a ship
21 not deploying after being assigned to deploy when training
22 or readiness were not up to standards per the ship or
23 squadron commander's concerns?

24 Admiral Moran: Senator, we have -- and I can send you
25 a written follow-up with the list of those examples. They

1 come both ways, both from senior officers in the chain of
2 command who observe a ship not being ready to either go to
3 an exercise, deploy, get underway and where ships themselves
4 have come forward through their chain of command saying they
5 need additional time to train and be certified for the --

6 Senator Hirono: I think that was an important change,
7 and I hope that Mr. Moran agrees with that, because we
8 cannot continue to have all these waivers for the readiness
9 of these ships before they deploy.

10 Mr. Pendleton: I went out to Japan, as I mentioned in
11 my opening statement, and what we saw was a much different
12 looking certification chart. For the ships that were
13 underway, less than 3 percent of the certifications were
14 expired, and they were managing those very, very closely.

15 The Navy has done this by pouring resources into what
16 is called the Afloat Training Group, and that means that
17 folks are going out and working with the ship crews to make
18 sure that they are trained and certified before they deploy.
19 So that has been a significant change, at least in Japan.

20 Senator Hirono: Thank you very much. I commend the
21 Navy for doing those kinds of changes.

22 Thank you, Mr. Chairman.

23 Senator Wicker: Senator Kaine?

24 Senator Kaine: Thank you.

25 Secretary Spencer, one of the things I think we are all

1 aware of is that the backlog of installation and
2 infrastructure maintenance is a sizeable one, and it is
3 probably going to be unrealistic to think that the Marines
4 and the Navy can MILCON their way out of this. So we will
5 have to tackle it.

6 But one particular I was interested in is this. Within
7 the Navy, there has been, for a number of years, a Resilient
8 Energy Program Office, REPO. And REPO's goal -- I guess
9 mission -- has been to leverage third party investment to
10 improve installation readiness. My understanding is third
11 parties will make investments on naval bases to either
12 improve the resiliency of the energy infrastructure or, on
13 occasions, investments to do conservation and efficiency
14 investments, and then the third party shares if there is a
15 reduction in energy cost. The third party shares in that.
16 These are common arrangements. I did some when I was Mayor
17 of Richmond 20 years ago.

18 My understanding is that REPO projects have slowed to
19 almost a halt. And I wonder, is that the case? Why is it
20 the case? And do you commit to finding paths forward to
21 make these kinds of investments that can save the Navy money
22 that could be used to address some of the other installation
23 issues?

24 Mr. Spencer: Most definitely, Senator. I will follow
25 up with you because the whole battle cry from my office is

1 if we can leverage private-public relationships in any way,
2 whether it be real estate development, whether it be energy
3 resiliency, we are to explore them.

4 Senator Kaine: Excellent. Well, I will submit that as
5 a written question for the record and look forward to your
6 response.

7 Thank you, Mr. Chair.

8 Senator Wicker: Any other questions?

9 [No response.]

10 Senator Wicker: I want to thank our witnesses for
11 their testimony today. It occurs to me that we are
12 extraordinarily well represented by the members of the panel
13 today, and I want to thank you.

14 The record will remain open for 1 week for other
15 questions members may have.

16 If there is nothing else, this hearing is adjourned.

17 [Whereupon, at 11:26 a.m., the hearing was adjourned.]

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