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STATEMENT OF

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AND

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BEFORE THE

SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

DEPOTS, SHIPYARDS, ARSENALS AND AMMO PLANTS

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Mr. Chairman, Ranking Member Kaine, and distinguished members of the Sub-Committee, we appreciate the opportunity to testify on the current state of Navy readiness and the challenges we face today and in the future.

Before we discuss Navy's readiness challenges and our plans to address them, it is important to understand our present situation. Globally present and modern, our Navy provides timely, agile, and effective options to national leaders as they seek to advance American security and prosperity. Today, however, the ongoing demand for naval forces continues to grow, which will require the Navy to continue to make tough choices. In the classic trade space for any service (readiness, modernization and force structure), readiness has become the bill payer in an increasingly complex and fast-paced security environment. To address these realities, the Navy has identified investments to restore the readiness of the fleet today to shore up what we have. At the same time, we cannot restore the fleet to full health without also updating our platforms and weapons to better address current and future threats, and evaluating the right size of the Navy so that it can sustain the tempo of operations that has become the norm. The Navy is actively working on plans for the future fleet with Secretary Mattis and his team, and we look forward to discussing those plans with you when they are approved.

To characterize where we are today, we would say it's a tale of two navies. As we travel to see our sailors in the United States and overseas, it is clear to me that our deployed units are operationally ready to respond to any challenge. They understand their role in our nation's security and the security of our allies, and they have the training and resources they need to win any fight that might arise. Unfortunately, our visits to units and installations back home in the United States paint a different picture. As our Sailors and Navy civilians, who are just as committed as their colleagues afloat, prepare to ensure our next ships and aircraft squadrons deploy with all that they need, the strain is significant and growing. For a variety of reasons, our shipyards and aviation depots are struggling to get our ships and airplanes through maintenance periods on time. In turn, these delays directly impact the time Sailors have to train and hone their skills prior to deployment. These challenges are further exacerbated by low stocks of critical parts and fleet-wide shortfalls in ordnance, and an aging shore infrastructure. So while our first team on deployment is ready, our bench – the depth of our forces at home – is thin. It has become clear to us that the Navy's overall readiness has reached its lowest level in many years.

There are three main drivers of our readiness problems: 1) persistent, high operational demand for naval forces; 2) funding reductions; and 3) consistent uncertainty about when those reduced budgets will be approved.

The operational demand for our Navy continues to be high, while the fleet has gotten smaller. Between 2001 and 2015, the Navy was able to keep an average of 100 ships at sea each day, despite a 14 percent decrease in the size of the battle force. The Navy is smaller today than it has been in the last 99 years. Maintaining these deployment levels as ships have been retired has taken a significant toll on our Sailors and their families, as well as on our equipment.

The second factor degrading Navy readiness is the result of several years of constrained funding levels for our major readiness accounts, largely due to fiscal pressures imposed by the Budget Control Act of 2011. Although the Bipartisan Budget Act of 2015 provided temporary relief, in FY 2017 the Navy budget was $5 billion lower than in FY 2016. This major reduction drove very hard choices, including the difficult decision to reduce readiness accounts by over $2 billion this year.

The third primary driver of reduced readiness is the inefficiency imposed by the uncertainty around when budgets will actually be approved. The inability to adjust funding levels as planned, or to commit to longer-term contracts, creates additional work and drives up costs. This results in even less capability for any given dollar we invest, and represents yet another tax on our readiness. We are paying more money and spending more time to maintain a less capable Navy.

We have testified before about the maintenance and training backlogs that result from high operational tempo, and how addressing those backlogs has been further set back by budget cuts and fiscal uncertainty. Our attempts to restore stability and predictability to our deployment cycles have been challenged both by constrained funding levels and by operational demands that remain unabated.

Although we remain committed to return to a seven month deployment cycle as the norm, the need to support the fight against ISIS in 2016 led us to extend the deployments of the *Harry S Truman* and *Theodore Roosevelt* Carrier Strike Groups to eight and eight and a half months, respectively. Similar extensions apply to the Amphibious Ready Groups which support Marine Expeditionary Units. This collective pace of operations has increased wear and tear on ships, aircraft and crews and, adding to the downward readiness spiral, has decreased the time available for maintenance and modernization. Deferred maintenance

has led to equipment failures, and to larger-than-projected work packages for our shipyards and aviation depots. This has forced us to remove ships and aircraft from service for extended periods, which in turn increases the tempo for the rest of the fleet, which causes the fleets to utilize their ships and airframes at higher-than-projected rates, which increases the maintenance work, which adds to the backlogs, and so on.

Reversing this vicious cycle and restoring the short-term readiness of the fleet will require sufficient and predictable funding. This funding would allow our pilots to fly the hours they need to remain proficient, and ensure that we can conduct the required maintenance on our ships. It would also enable the Navy to restore stocks of necessary parts, getting more ships to sea and better preparing them to stay deployed as required.

Naval Shipyards

One of the key components of Navy readiness for our public and private repair shipyards is our ability to effectively plan and execute maintenance on ships and submarines. This is reflected in the Navy's Optimized Fleet Response Plan (OFRP), which places maintenance at the beginning of the OFRP cycle in recognition of the fact that our deployed readiness is dependent on our ability to complete the required maintenance on time and on schedule before ships enter their training and deployment cycle. As the Vice Chief of Naval Operations testified last month, our shipyards are struggling to deliver ships out of availabilities on time and back to the Fleet. When we do not get it right it strains our ability to train and deploy our forces

Naval Sea Systems Command's number one priority is the on-time delivery of ships and submarines to the Fleet. At any given time, about one-third of the Navy's Fleet is undergoing either a major depot maintenance availability in one of our four Naval Shipyards and private sector surface ship repair shipyards or conducting pier side intermediate maintenance. Regardless of where the work is taking place, NAVSEA is working every day to improve maintenance throughput so that our warfighters have the platforms and weapon systems they need to defend our nation.

Our long term success in delivering ships and submarines out of maintenance on time depends on three important elements: determining the full maintenance requirement, aligning the maintenance budget to this requirement so we can match the capacity in our

shipyards to the workload, and improving the overall productivity of our maintenance workforce through improved training, processes, tools and infrastructure.

Long-term continuing resolutions, as we have seen over the past eight years, coupled with a constrained budget environment have exacerbated our ability to effectively plan and execute ship maintenance. Receiving the complete budget mid-way through the year leads to significant inefficiencies, such as delays in material and parts procurement for future availabilities, and results in significant missed opportunities in the year of execution. A stable, predictive funding environment is imperative to support the effective planning and preparations for both current and future maintenance requirements.

The high operational tempo in the post 9/11 era combined with reduced readiness funding and consistent uncertainty about when these reduced budgets will be approved have created a large maintenance mismatch between the capacity in our public shipyards and the required work. This has resulted in a large maintenance backlog which has grown from 4.7 million man-days to 5.3 million man-days between 2011 and 2017. Today, despite hiring 16,500 new workers since 2012, Naval Shipyards are more than 2,000 people short of the capacity required to execute the projected workload, stabilize the growth in the maintenance backlog and eventually eliminate that backlog. This shortfall, coupled with reduced workforce experience levels (about 50 percent of the workforce has less than five years of experience) and shipyard productivity issues have impacted Fleet readiness through the late delivery of ships and submarines. The capacity limitations and the overall priority of work toward our Ballistic Missile Submarines (SSBNs) and Aircraft Carriers (CVN) have resulted in our Attack Submarines (SSNs) absorbing much of the burden, causing several submarine availabilities that were originally scheduled to last between 22 and 25 months to require 45 months or more to complete. These delays not only remove the submarines from the Fleet for extended periods of time, but also have an impact on the crews' training and morale. This situation reached a boiling point this past summer when in order to balance the workload, the Navy decided to defer a scheduled maintenance availability on the USS BOISE (SSN 764) that will effectively take her off line until 2020 or later. Although the Navy has not made a final decision on BOISE, she will likely be contracted to the private sector at additional cost to the Navy in 2019.

The Naval Shipyards have seen a large influx of new hires over the past five years. As of today, half of my public shipyard workers have less than five years' experience. With further growth anticipated in the coming years, we are taking steps to accelerate the training

process. For example, all Naval Shipyards have implemented, and are expanding the use of, Learning Centers with realistic mockups in a “safe-to-learn” environment. New employees are now able to support shipyard-unique work within one to four months of being hired, rather than one to two years under traditional training methods.

In addition to hiring enough people to execute the workload, we must also invest in our Naval Shipyard infrastructure. Many of our Naval Shipyards have buildings and equipment that are degraded or obsolete. With today’s exceptionally complicated ships and systems, we are finding that our infrastructure does not meet the needs of a modern day repair facility. NAVSEA has identified future facility modernization and improvements required to support newer classes of ships, including the VIRGINIA- and COLUMBIA-Class submarines and GERALD R. FORD-Class aircraft carriers. The Naval Shipyards’ outdated Information Technology and Cybersecurity departments are also a critical component of this effort.

The challenges faced by the private sector yards that perform maintenance on our surface ships are very similar to our Naval Shipyards. They, even more than the Naval Shipyards, are impacted by the uncertainty around when budgets will actually be approved. Despite these challenges, we have seen improvements in private sector maintenance. We are driving stability into our processes by working with third-party planners to increase our ability to conduct advanced planning, and the shift to competitively awarded fixed-price contracts has reduced cost and added discipline to the process that has limited growth and improved on-time performance by 40 percent since 2014.

Although we face many challenges, they are not insurmountable. Years of sustained deployments and uncertain funding have created a readiness debt that we must begin to address today. In our Naval Shipyards and private sector, that begins with defining the full maintenance requirement, matching the budget to that requirement, ensuring the capacity to perform work matches the workload, and improving the productivity of our workforce. We can and we must tackle each of these issues today and sustain that focus into the future. Only then will we provide the readiness required of our Navy today and into the future.

Naval Aviation Fleet Readiness Centers

The Navy and Marine Corps are addressing Naval Aviation readiness through seven inter-related Lines of Effort (LOE) – (1) Fleet Readiness Center (FRC) Capability and Capacity, (2) Depot-level In Service Repair of aircraft, (3) FRC Supply and Component

Repair, (4) Aircraft Utilization, (5) Aircraft Material Condition, (6) Flight Line Supply, and (7) Flight Line Maintenance.

Sustained improvement in the readiness of our Naval Aviation forces requires successful execution of multiple ongoing activities across each of these LOEs.

Full and predictable resourcing of these readiness improvement LOEs is essential to re-building Naval Aviation readiness to the level required to support COCOM mission execution objectives.

Specifically, we must maintain a focus on (1) investment in the facilities and workforce at our FRCs, (2) achieving full funding of our "enabler" sustainment accounts (listed at end of this statement), and (3) maximizing funding for supply support.

Naval Aviation's FRCs execute Maintenance, Repair and Overhaul (MRO) activities for a broad range of Aircraft, Engines, Components and Support Equipment (SE) – providing these products directly to our Sailors and Marines in support of mission readiness. The capability and capacity of our FRCs are still recovering from prior years of limited sustainment account funding, and effects of FY13 sequestration driven furloughs and associated hiring freeze. While working to regain previous levels of output on all product lines, meeting production throughput requirements remains challenged by an increased workload demand driven by the degraded material condition of inducted aircraft and components resulting from 16 years of war-time activity combined with the effects of extending aircraft service lives.

To increase production output by reducing turn-around-time, our FRCs are implementing continuous process improvement initiatives, including best commercial practices such as Critical Chain Project Management, across all of our aircraft and component production lines.

In FY17 our FRCs are increasing their workforce size as a continuation of recovery from FY13 reductions and in direct response to increased aircraft and component workload. Approved exemptions to the current hiring freeze for depot artisan and production support personnel is enabling us to continue hiring; however, normal workforce attrition, regional competition with industry, and regional economic conditions combine to challenge our hiring plans in some locations.

Two issues that will continue to negatively impact our ability to meet current and future FRC workload demand are (1) aging facilities and support equipment, and (2) predictability of funding. Accurate planning of FRC workload requirements 12-24 months in advance is

critical to ensuring we have the right people, facilities, and tooling in place when an aircraft or component enters the MRO process. The long term continuing resolutions we have faced in recent years, particularly when already operating in a very constrained funding environment, directly impact our ability to effectively plan, and then efficiently execute, aircraft and component repair schedules.

Creating a path to full resourcing of those accounts which support FRC production and overall aircraft readiness on the flight line is critical. These accounts support activities ranging from procurement of new and repaired spare parts to maintaining the currency of technical and repair manuals used in the FRCs and on the flight line. As we have painfully experienced over the last 5-7 years, being underfunded and "unbalanced" in these accounts has resulted in significantly decreased flight line readiness.

The maintenance, engineering, and logistics professionals working at our FRCs and supporting sustainment efforts across Naval Aviation, including our Sailors and Marines on the flight line, continue to do an amazing job of optimizing readiness within the constraints of aging equipment, increasing demand, and constrained / uncertain resources. We look forward to working with Congress to remove barriers to their success.

Naval Aviation Sustainment Accounts

<u>Flying Hour Program (1A1A/1A2A)</u> – Aviation Depot Level Repairables, consumables, fuel

<u>Air Systems Support (1A4N)</u> – Engineering Investigations, tech pub updates, maintenance planning, Reliability Centered Maintenance, Bill of Material updates, etc

<u>Aircraft Depot Maintenance (1A5A)</u> – Scheduled aircraft, engine, component repairs; In-Service Repairs

<u>Aircraft Depot Operations (1A6A)</u> – Cost Reduction Initiatives, Preservation

<u>Aviation Logistics (1A9A)</u> – Performance Based Logistics / Contractor Logistics Services for F-35, V-22, E-6, KC-130

<u>Technical Data and Engineering Services (1A3A)</u> – Field tech reps, Maintenance Readiness Teams

<u>Equipment Maintenance (1C7C)</u> – Support equipment rework, calibration of test equipment

<u>Aviation Spares (APN-6)</u> – Procurement of interim and outfitting spares