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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

ORGANIC INDUSTRIAL BASE ISSUES

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Mr. Chairman, Ranking Member Kaine, and distinguished members of the Subcommittee, we appreciate the opportunity to testify on organic industrial base issues, the current state of Navy readiness, the progress we have made over the past year and the challenges we face today and in the future. Before we begin, we would like to thank Congress for your support of the Bipartisan Budget Act of 2018 and the Fiscal Year (FY) 2018 Consolidated Appropriations Act. This legislation provides the predictability and stability in funding that allows us to continue the work we started in FY 2017 to restore the Navy's organic industrial base.

Our Navy provides the Nation with timely, agile, and lethal options to win wars, deter aggression and maintain freedom of the seas. Today's dynamic maritime environment, coupled with proliferating threats from nation-state actors and terrorist organizations, requires a global presence of Naval forces not seen in the past 25 years. However, as a result of Budget Control Act (BCA) funding caps, years of Continuing Resolutions, and associated budget uncertainty, the Navy has been challenged in its ability to adequately address the full range of investments required to fully support near term commitments. The resultant confluence of high demand for Naval forces, constrained funding levels, and budget uncertainty, impeded our ability to build, maintain and modernize the workforce and infrastructure to support current and future readiness at the levels the Navy and DoD require.

In our testimony to this committee last year, we described the challenges of restoring readiness, and how the funds requested in PB-18 would support that recovery. Today, with your help, we have stemmed the tide of readiness degradation. The FY 2017 Request for Additional Appropriations (RAA) helped us arrest some of our most critical readiness problems. We executed 13 more ship depot maintenance availabilities, increased aviation depot throughput with 35 additional air frames, increased our investments in ship and aircraft spares, and funded much needed shore infrastructure projects. The FY18 budget and President's FY19 budget submission will reverse previous trends, improving readiness.

The FY 2018 Consolidated Appropriations Act continues to strongly support our readiness recovery efforts, which include increased investments in infrastructure, equipment recapitalization and modernization. The Operation and Maintenance account flexibilities provided are key to ensure the most efficient and effective use of taxpayers' dollars and further support our efforts to restore readiness.

The Navy's 2019 President's Budget continues to build upon the foundations enacted in the FY 2017 and FY 2018 defense appropriations. It funds afloat readiness to historically high levels, and continues the course for full readiness recovery, while simultaneously investing in modernization, increased capacity, lethality and improvements in infrastructure that are necessary to maximize naval power. The majority of our Readiness accounts are funded to 100 percent of the requirement or

maximum executable levels. It includes funds that would support 57 ship maintenance availabilities across the public and private shipyards and funding to support 100 percent of the required ship operations necessary to ensure ships and crews get the dedicated time at sea to train and hone skills. In addition, the budget request would fund aircraft depot maintenance and aviation spares, at significantly increased levels to allow Navy to induct 652 airframes and 1,887 engines, reduce part shortages, and improve flight line availability of operational aircraft. We look forward to working with this committee and with the entire Congress to ensure continued support in future budgets for adequate and predictable funding for readiness.

### Naval Shipyards

Having combat-capable ships forward-deployed around the world is predicated on having ready ships. Readiness includes ships that are properly maintained and modernized over their service life. At any given time, the Naval Sea Systems Command (NAVSEA) has under its care approximately one-third of the battle force as they undergo maintenance and modernization availabilities. For that reason, NAVSEA's number one priority remains the on-time delivery of ships and submarines to the Fleet, from both new construction and maintenance availabilities. Whether a ship is in a public Naval Shipyard or a private shipyard, NAVSEA is focused on executing the planned work on time and on cost so our warfighters have the most capable platforms and systems they need to defend our nation.

Last year, we testified before this Committee about how shortfalls in the size of the needed workforce, coupled with reduced workforce experience levels (about 50 percent of the workforce has less than five years of experience) and shipyard productivity issues were impacting 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 (CVNs) 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. This situation reached a boiling point last summer when, in order to balance the workload, the Navy decided to defer scheduled maintenance availability on the USS BOISE (SSN 764) that will effectively take it off-line until 2020. Ultimately the BOISE's availability was contracted to the private sector and will begin this year. The Navy will continue to consider the private sector for future maintenance work during peak workload periods in our Naval Shipyards and to ensure we maintain the health of the private sector nuclear industrial base.

As we testify this year, we are on an improving trend. We have hired 19,200 people across our four Naval Shipyards from FY 2013 through FY 2017 and are on the path to reaching our goal of having

36,100 full time shipyard employees by the end of FY 2019. The growing and better trained workforce is beginning to have a positive impact. In 2017, all four CVN availabilities were completed on time and we significantly reduced the delays in delivery of our submarine force. More work remains as we continue to train this workforce, improve our planning, material availability, and execution performance, but we are on the right track.

People alone will not provide the throughput and productivity needed to meet the maintenance and readiness requirements today into the future. As outlined in our recent report to Congress on the Naval Shipyard Development Plan, we must also make substantial investments in our four nuclear capable shipyards to ensure we have 21<sup>st</sup> century Naval Shipyards ready for the challenges of maintaining a growing fleet. This plan has three key investment priorities over the next 20 years. This includes repairing and upgrading our public shipyard dry-docks to accommodate future VIRGINIA Class Payload Module submarines and the new FORD Class carriers, recapitalizing the equipment to replace aging equipment with up-to-date technology, and optimizing the layout of the shipyards by moving and upgrading facilities closer to the actual work to improve productivity and throughput. We look forward to working with the Congress in the execution of this plan.

The challenges facing our private sector non-nuclear surface ship repair base are similar to those seen in our Naval Shipyards with the private sector also facing capacity versus workload challenges and the need to make investments to upgrade facilities, equipment, and dry docks. The lack of stable and predictable budgets in an era of Continuing Resolutions over the past ten plus years has had an even more detrimental impact on the stability and predictability of work and how the private sector approaches hiring and investments in their facilities. The Navy is committed to working collaboratively with industry to provide them a stable and predictable workload in a competitive environment moving forward so they can hire the workforce and make the investments necessary to maintain and modernize a growing non-nuclear fleet. As the Navy executes readiness recovery, and begins to grow capacity to provide the Navy the Nation Needs, our industry partners must grow capacity in stride. We are as dependent on their capabilities and capacity as we are on the public depots. We know from hard experience that workload to capacity mismatch creates delays in maintenance completion, increasing costs and reducing time for training and operations. As we look to the future, we see the potential for these conditions to exist. To that end, the Navy has begun working with industry to build a similar plan that is detailed in the public shipyard report to Congress.

As we build the Navy the Nation Needs, we must also ensure that we have the maintenance capacity and infrastructure needed to ensure our growing fleet is maintained and modernized on-time and on-budget to deliver forward deployable combat ready ships. Our ongoing efforts to hire more

people and invest in our Naval Shipyards, combined with the Navy's continuous dialogue with industry, lays the foundation required to maintain today's force while also looking to future requirements. We have challenges ahead of us, but we are on an improving trend that will ensure we have the capacity today and into the future to maintain and modernize the Navy the Nation needs.

### Naval Aviation Fleet Readiness Centers

Commander, Fleet Readiness Centers (COMFRC) oversees three depots, ten intermediate level and 25 tenant sites. Our workforce comprises 19,000 shore-based aviation maintenance workers working to deliver flight-line readiness by providing Maintenance, Repair and Overhaul (MRO) of Navy and Marine Corps aircraft, engines, components and support equipment, as well as logistics and engineering support to Navy and Marine Corps squadrons throughout the world. Our highly skilled workforce spans five countries and territories, 13 states, and is made up of approximately 10,000 civilians, 6,000 Sailors and Marines, and 3,000 contractors.

Continuous high operational tempo, chronic underfunding and financial uncertainty have real and lasting consequences. The capability and capacity of our Fleet Readiness Centers (FRCs) are still recovering from the impacts of the 2011 Budget Control Act, FY 2013 sequestration driven furloughs, and years of chronic reduced funding.

Despite these challenges, the Navy and Marine Corps are working to stem the tide of Naval Aviation readiness degradation. Across the FRCs, we are focused on three primary Lines of Effort (LOE): (1) Aircraft production; (2) In-Service Repairs; and (3) Organic component production. The enablers for these three LOEs are a qualified proficient workforce; facilities and infrastructure; and supply.

Sustained improvement in the readiness of our Naval Aviation forces requires successful execution of multiple ongoing activities across each of these LOEs, as well as optimal and predictable resourcing.

In particular, we must maintain a focus on increasing throughput to put aircraft back in the hands of our warfighters faster, investing in our FRC workforce and infrastructure, and achieving optimal funding of our "enabler" sustainment accounts.

To increase throughput, we are focusing on readiness efforts such as In-Service Repairs (ISRs). These are emergent, unscheduled repairs that take place in the field, rather than planned maintenance completed at a depot. Annually, FRC artisans complete more than 3,000 ISRs around the world. Before 2015, these repairs were managed locally with use of existing staffs and equipment. Since then, we have incorporated better management tools to have corporate visibility into the work at the sites and quickly

assigned artisans, engineers, equipment and material to where the work is building up. As a result we have seen an average “Work-in-Progress” status reduction of 23.8 percent since FY 2016.

We are now meeting Fleet aircraft production goals. During FY 2016 and 2017, the FRCs have eliminated production aircraft backlog through the use of Critical Chain Program Management. Now we are focused on component production through the use of Drum Buffer Rope to systematically release work into the industrial shops.

In FY 2018, our FRCs continue to rebuild their workforce to recover from sequestration, and in direct response to increased aircraft and component workload. At the beginning of FY 2013, the end strength for engineers was 1,306 compared to the January 2018 end strength of 1,802. The end strength for logisticians at the beginning of FY 2013 was 536 compared to the January 2018 end strength of 667. The FY 2013 beginning end strength for artisans and industrial workforce was 6,305 compared to the January 2018 end strength of 6,815.

Our FY 2018 hiring goals are structured to hire artisans to meet fleet production demands, particularly in the area of organic component production, and also include targets for engineers and logisticians to support readiness recovery initiatives.

Direct Hiring Authority provided by Congress has been vital to our workforce rebuilding efforts, and we request your support in providing continuation of that support authority, which currently expires in September 2018. To attract the best talent, we are also using incentives such as the Special Wage Increase in the San Diego area. However, across the FRCs, normal workforce attrition, regional competition and economic conditions continue to challenge hiring plans. In addition, once hired, it takes up to 18 months to fully train and certify an artisan. We have established an apprenticeship program across the enterprise to build a workforce structure that produces skilled tradespersons capable of filling key artisan, managerial and supervisory positions.

Increasing the trained workforce size is only one piece of the puzzle. Our skilled and diverse artisans must have the proper equipment and modern facilities to execute their work. Furthermore, proper equipment and facilities are essential to ensuring we have the capacity to support next generation aircraft that provide the tactical edge over our adversaries.

Infrastructure – particularly Military Construction (MILCON) – is a significant challenge. For many years while working in a resource-constrained environment, we did not maximize the Navy Working Capital Fund investment in infrastructure and equipment readiness. We are now at a point where we must maximize our internal Navy Working Capital Fund investment.

Finally, creating a path to continued full funding of aviation sustainment accounts which support FRC production and overall flight-line readiness is imperative. These accounts support activities ranging

from procurement of new and repaired spare parts, maintaining the currency of technical and repair manuals, and updating the maintenance plans used in the FRCs and on the flight line. As we have painfully experienced over the last few years, being underfunded and “unbalanced” in these accounts has resulted in significantly decreased flight-line readiness.

We look forward to continuing to work with Congress to provide the Fleet Readiness Centers with the resources necessary to recover Naval Aviation readiness.