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UNTIL RELEASED BY THE
SENATE COMMITTEE ON ARMED
SERVICES

STATEMENT OF

THE HONORABLE RICHARD V. SPENCER,
SECRETARY OF THE NAVY

GENERAL ROBERT B. NELLER,
COMMANDANT OF THE U.S. MARINE CORPS

ADMIRAL WILLIAM F. MORAN,
VICE CHIEF OF NAVAL OPERATIONS

BEFORE THE
SENATE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON SEA POWER

AND

SUBCOMMITTEE ON READINESS AND MANAGEMENT
SUPPORT

DECEMBER 12, 2018

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ARMED SERVICES

Chairman Wicker, Chairman Sullivan, Ranking Member Hirono, Ranking Member Kaine, distinguished committee members. On behalf of our Sailors, Marines and civilians serving around the world, thank you for your bipartisan efforts to restore funding stability to the Department of the Navy. The foundation for restoring readiness and increasing lethality has been set. Now we must build on that foundation with a sense of urgency, with a focus on our people, capabilities, and processes. While we have much to do, we are well underway, and I will highlight some of our progress.

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

Building a More Lethal and Ready Force

We're increasing lethality and readiness through targeted investments in weapons platforms and munitions, while enhancing our partnerships with the private sector. We are gleaning commercial best practices to increase efficiency and flow in our maintenance facilities to turn the platforms back to the fleet as quickly as possible.

Overall investment in naval readiness has increased through funding for ship operations, ship depot maintenance, aviation depot maintenance, aviation spares, and flying hours. The Navy has accelerated acquisition for several key systems, including the Next Generation Frigate, MQ-25 unmanned aerial refueling system, Surface Navy Laser Weapons Systems and Standard Missile 6 Block 1B, while investing further in advanced tactical munitions including tactical tomahawks,

long-range anti-ship missiles, rolling airframe missiles, and heavy weight torpedoes. The Navy has also significantly accelerated ship acquisition, procuring 22 Battle Force Ships over FY17 and FY18, while decommissioning nine ships.

The Marine Corps has increased modernization investments over the last three fiscal years, including 82 F-35 aircraft and 16 CH-53K and significant investments in the protected mobility of Marines at sea and ashore through acquisition of 56 new Amphibious Combat Vehicles. Enhanced investments also include close combat lethality equipment for Marine infantry, High Mobility Artillery Rocket Systems, advanced air defense systems, initial investments in a long range, ground-based, anti-ship missile system, and improved command and control systems aboard amphibious warships. All of the above enhance the Marine Corps' ability to provide enabling lethality to the Naval Force in a naval campaign at sea and from the sea.

We're also increasing the readiness of our existing fleet with \$1.1 billion in additional funding executed for ship maintenance; an increase from \$8.7 billion in FY17 to \$9.8 billion in FY19. This additional funding enables ships to begin deployment training on time with improved materiel condition and modernized combat, communications, and engineering systems. We've partnered with our shipyards, public and private, to improve efficiency, reducing the maintenance backlog and increasing productivity vital for future naval growth. In the past 3 years we've reduced lost days to maintenance in the public shipyards by 11% (40% if excluding USS Albany and USS Dwight D. Eisenhower). In the past two years we have reduced workload carryover by 46%, which reflects our efforts to balance workload to capacity in order to improve productivity.

We've aggressively gone after readiness challenges in our operational submarine fleet, and identified three key drivers: public shipyard capacity, shipyard productivity, and parts availability. Working with our industry partners, we've been able to allocate multiple submarines to private shipyards in order to alleviate the disparity between demand and capacity within our public shipyards. Our first-ever Shipyard Infrastructure Optimization Plan, delivered to Congress earlier this year, establishes our roadmap to upgrade our drydocks, facilities, and equipment to improve overall productivity.

Today's naval shipyard training and development is a combination of class room, learning center development (hands-on in safe to learn environments), and on-the-job experience. In previous years, training could take up to 4 years, as the majority of the training and development was shadowing an experienced mechanic while 'on-the-job'. Naval shipyards have now reduced the time it takes to train and develop a worker by a least 50%. For example, it used to take over two years to train the top two trade skills (Marine Machinist and Pipefitter) at the four naval shipyards, but now, training and development for these skills has been reduced to 6-12 months.

The Marine Corps made significant improvements and investments in aviation readiness. Flight hours and aircrew proficiency are on-track to meet service goals. On average, Marine squadrons last year achieved readiness rates above service combat readiness standards for the first time since sequestration. Average flight hours per aircrew increased from 13.5 per month in FY16 to 17.9 in FY18, an increase of 32.6 percent; and the Marines invested heavily in aviation sustainment with the FY17, FY18 and FY19 budgets. Over \$1.6 billion in parts will be delivered

in total over that time to Marine aviation flight lines to improve the material condition of the aircraft to the service standard ahead of forecast. Marines continue to work aggressively to ensure the highest possible ground equipment readiness. Over the last three years, average readiness for mission essential ground equipment has increased to 92% in the active component operating forces and 95% in the maritime prepositioned force.

All of these investments are increasing our readiness and lethality capabilities. But our most important investments are in our greatest resource – our people. The Department of the Navy has increased the active duty force to 329,867 as of September 2018. We’re also making key hires in developing areas, such as the force the Marine Corps has established for offensive and defensive cyber operations. We’ve also accelerated efforts to hire and train new public shipyard workers, bringing the total workforce at public shipyards from 34,918 in FY17 to 36,696 in FY18, meeting our FY20 goal of 36,100 full-time equivalent workers one year earlier than originally planned.

To better assist and retain our personnel, while delivering on a promise to provide Sailor-focused customer service and around-the-clock assistance, we opened the MyNavy Career Center (MNCC) in September to provide Sailors with 24/7 human resource services. In the first month, MNCC resolved over 30,000 service requests, approximately 1,100 per day. The Tier 1 contact center agents resolved 88% during the initial contact and 96% were resolved in three days or less without the need to transfer issues to our Tier 2 subject matter experts. We also announced the military parental leave program to consolidate the legacy adoption, paternity and maternity leave policies, and to define primary and secondary caregiver leave guidelines. Finally, we

implemented the Targeted Reentry Program to enable key former personnel a streamlined return into active-duty, should they choose to return. The program also empowers our commanding officers to identify their high performers who do not intend to affiliate with the Ready Reserve and offer them a path to return to the Navy.

As we migrate to a continual learning organization, the Department of the Navy continues to invest in key development opportunities for our force, including developing the Naval Postgraduate School as a premier, relevant research and education institution. And we've increased readiness by adopting advanced technologies such as additive manufacturing that will flatten the supply chain, and more importantly promote a culture of problem solving to enable our Sailors and Marines to "fix it forward".

In the wake of the tragic USS Fitzgerald and USS John S. McCain collisions, the Department of the Navy conducted a Comprehensive Review (CR) and Strategic Readiness Review (SRR), which identified readiness reforms as a critical priority. In January of 2018, the Navy established the Readiness Reform Oversight Council (RROC) to oversee implementation of CR/SRR recommendations as well as related recommendations from other sources including the Government Accountability Office and the Navy Inspector General.

As of today, the RROC has considered 111 recommendations and fully implemented 78, with the remaining recommendations on track for adoption in accordance with programming schedules. We are now beginning to witness the benefits provided by those recommendations, from increased sea experience for our Surface Warfare Officers, to priority manning for the

department's Forward Deployed Naval Forces, to restoring deliberate scheduling and implementing a new force generation model throughout U.S. Seventh Fleet, to Naval Surface Group Western Pacific which ensures readiness concerns are voiced in the natural tension between force supply and demand.

Strengthening Alliances and Attracting New Partners

The Navy Marine Corps Team is strengthening our alliances and attracting new partners through joint exercises such as RIMPAC, Trident Juncture, Malabar and Bold Alligator, and increasing opportunities for our personnel and their allied counterparts to study together, serve together and operate as a single unit. Teaching, learning and exercising together seals a long term bond with those that will be part of the fight. Aligned and trained allies and friends are our force multiplier.

The foundation of our credibility as a reliable partner and effective deterrent is our forward presence. From the vast expanses of the Pacific, to the restricted waters of the Arabian Gulf, to the Caribbean, the Mediterranean, the North Atlantic and the Arctic, we are on watch alongside our allies and partners around the clock.

Business Process Reform

The Department of the Navy has made business process reform a top priority for our civilian and military leadership, promoting a continual learning enterprise that can identify, pursue, and rapidly achieve effectiveness and efficiency at the speed of relevance. For example, we've embraced lessons from commercial airline heavy-maintenance practices and their data-driven approach to improve Naval Aviation's maintenance processes. This will be the foundation of the

Navy Sustainment System. Fleet Readiness Centers are a good example of this kind of partnership, focused on reducing a significant backlog in aviation component repair parts. This effort is just one example of how the Naval Aviation Enterprise is working to improve readiness and achieve Secretary Mattis' goal of 80% mission capable aircraft in our Fleet Strike Fighter squadrons by the end of FY19.

As part of ongoing business reform initiatives, the Department of the Navy has reviewed duplicative programs and programs that are no longer mission essential. This has resulted in the divestiture of the Navy's legacy F/A-18 Hornets (which the Marines continue to fly), the transition of the HH-60H reserve squadron from legacy aircraft to newer MH-60S aircraft, and a review of Marine Corps training munitions. Representative investments resulting from the reform initiative include an additional DDG-51, one additional F/A-18 E/F, increased procurement of Rolling Air Frame missiles and MK48 torpedoes, and funding afloat readiness to maximum executable levels.

Moreover, the Department is focused on improving business processes heightened through the audit of our financial statements. For example, the audit work has revealed that the complexity of our distribution network is too great for effective management, and this in turn leads to challenges with knowing the location and condition of all the parts and equipment we own. The audit has also revealed that we move money internally too many times before it arrives in the hands of the people who actually perform the work. The Department of the Navy is using this information to streamline our operations and reimagine how our support functions can be modernized in real time to increase readiness, lethality and efficiency.

The American taxpayers provide us with their treasure, and trust us to protect them from a dangerous world. And we owe it to them to ensure that every single dollar is invested in the most effective manner possible to fulfill our sacred oath. We appreciate the support and oversight of the Senate Armed Services Committee on behalf of the world's finest Marines and Sailors, and look forward to your questions.