

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE SENATE ARMED SERVICES COMMITTEE

STATEMENT OF

THE HONORABLE RICHARD V. SPENCER
SECRETARY OF THE NAVY

ON FISCAL YEAR 2020 DEPARTMENT OF THE NAVY BUDGET

BEFORE THE
SENATE ARMED SERVICES COMMITTEE

APRIL 9, 2019

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE SENATE ARMED SERVICES COMMITTEE

Chairman Inhofe, Ranking Member Reed, distinguished committee members. On behalf of our Sailors, Marines and civilian teammates, 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. While we have much to do, we are well underway, and I will highlight some of our progress.

Where We Were

At my confirmation hearing in July 2017, I stated my intent to expeditiously assess the current situation, develop the tools needed to enhance its ability to fight, and to deliver on the Title 10 responsibilities of the Office of the Secretary the Navy. My priorities for accomplishing these goals centered on three key areas: people, capabilities, and processes.

I expressed my determination to recruit, train and retain the best of our nation for our military and civilian ranks, and to create a flat, lean and agile organization where those who manage critical situations have the ability to make decisions to solve the problems in front of them.

I committed to rebuild the readiness and lethality of our capabilities, citing cumulative effects of 16 years of wartime operational tempo, unpredictable funding, and challenges to our warfighting advantage as we return to a geostrategic environment dominated by great power competition.

And as a businessman, I expressed my determination to improve our processes across the portfolio, analyzing all systems and platforms to extract additional efficiencies, incorporating private sector best practices, and migrating to a true continual learning enterprise.

Where We Are

Over the past year and a half, Admiral Richardson, General Neller and I have attacked these goals with a sense of urgency by investing in our people, capabilities and processes.

To build the strength of our people, we've invested in a ready, relevant and responsive force: A Marine Corps force with 186,200 active personnel and 38,500 reservists; the Targeted Reentry Program to enable key former personnel a streamlined return into active-duty; quality of life and retention efforts like the MyNavy Career Center, which provides Sailors with human resource services around the clock; and the military parental leave program. We've used the increased Defense Officer Personnel Management Act (DOPMA) flexibility from the FY19 NDAA to support dynamic changes and requirements in technical expertise, agility and innovation in our officers. We've invested in our civilian workforce, including enhanced hiring and training at our public shipyards to reach our FY20 goal of 36,100 personnel one year earlier than originally planned.

We've enhanced our capabilities, through targeted investments in the lethality and readiness of our weapons platforms and munitions. We have accomplished this through strengthening our partnerships with the private sector. We've gleaned commercial best practices to increase efficiency and flow in our ship, ground and aviation maintenance facilities. The Navy has added 22 Battle Force Ships over FY17 and FY18, while decommissioning nine, for a net addition of 13 ships. The Marine Corps has reset 99% of ground equipment and returned 72% of our equipment to the operating forces. We have also enabled personnel to "fix it forward" through

technologies such as additive manufacturing, including the procurement of 160 3D printers capable of producing over 125 ground and 83 NAVAIR-approved parts on demand.

We've also significantly improved our operational processes, through the Comprehensive Review (CR) and Strategic Readiness Review (SRR). Over the past year, the Readiness Reform and Oversight Council has examined 111 recommendations from the review process. 91 have been adjudicated and 83 have now been implemented. Business processes were also reviewed and remediated after our first ever top-to-bottom audit of the Department of the Navy, and we're using this information to streamline our operations and reimagine how support functions can be modernized in real time to drive greater readiness, lethality and efficiency. Through the development and implementation of the Navy Business Operations Plan and our Performance to Plan tool, we are beginning to accurately track the output impacts of our efforts.

It must also be noted that the Marine Corps is contending with the unprecedented double impact of Hurricanes Florence and Matthew, which together damaged or destroyed more than \$3.7B in infrastructure across many of our east coast installations. Camp Lejeune is a primary force generator for the Naval Services, directly contributing to the capacity and readiness of our force. The Marine Corps continues to feel the immediate impacts of these storms through lost and delayed training time; delayed deployments and redeployments; and daily quality of life challenges including the displacement of thousands of personnel and their families. Recovering from these disasters will require sustained investment and the ongoing support of this committee.

Where We Are Going

Now that the foundation for readiness and lethality has been set, we continue to move forward with a sense of urgency, continually thinking of how to deliver the people, capabilities and processes needed by the Navy - Marine Corps Team. The Naval Services have developed plans informed by the National Defense Strategy, which mandates increased lethality, strengthened alliances and partnerships, and improved business processes. Now we are aligning those plans with the right leaders, tools, budget and technology advancements.

This budget request invests in our people with the education and resources necessary to develop and retain the human capital we need to confront a changing world. We'll expand hiring for areas of critical need, such as cyber security specialists, aviation technicians, scientists and engineers, human resource specialists, and digital warfare officers. We'll add end strength to the Marine Corps Special Operations Command. We'll complete the rollout of Sailor 2025, updating policies, procedures and systems to improve retention and readiness.

Education is a key component to developing the warfighter the Navy and Marine Corps Team needs. We will be effecting the blueprint developed by the recently released Education for Seapower Review, aligning and enhancing our educational institutions and distributed learning venues. And earlier this month, along with Secretary Esper and Secretary Wilson, I hosted University and College Presidents and other education leaders from across the country for a summit at the US Naval Academy dedicated to eliminating the scourge of campus sexual assault and sexual harassment.

We are constantly mindful that we recruit the individual, but we retain the family. And without the family, we are not operating at full capacity. As I stated before this committee last month, upon reviewing the issues surrounding Public-Private Venture (PPV) military housing, it is clear that in some cases we have fallen woefully short of our obligations, and there is culpability around the table. We have identified the problems, and are focusing resources on the solutions. We will correct bad practices and return private military housing to a premium product. This budget supports these efforts, with a request of \$21.975 million for the oversight of the Department's PPV housing worldwide.

As we move from rebuilding readiness to owning the next fight, this budget prioritizes a balanced and strategy-driven approach, to provide for a bigger, better trained, and more ready force. It invests in our Force 2.0 capabilities in emerging areas such as applied artificial intelligence, machine learning, quantum computing, additive manufacturing, directed energy and more. We will continue to build the fleet in pursuit of the 355 ship Navy, manned and unmanned, to include the Columbia-class submarine, Next Generation Frigate, and remotely piloted platforms such as Sea Hunter and Orca, as well as one Ford class aircraft carrier, three Virginia Class submarines and three Arleigh Burke Class destroyers.

Driven by the Marine Corps Force 2025 capability investment strategy, we will continue to modernize the Marine Corps with a 21st Century Marine Air-Ground Task Force (MAGTF) by focusing on six key priorities:

- C2 in a degraded environment;
- Long range and precision fires;

- Operations in the Information Environment (OIE);
- Air defense;
- Protected mobility and enhanced maneuver; and
- Logistics.

This budget invests in Networking on the Move (NOTM) capabilities, close combat equipment, loitering munitions, unmanned logistic systems, ground-based anti-ship missiles, Ground/Air Task Oriented Radar (G/ATOR), the Joint Light Tactical Vehicle, and the Amphibious Combat Vehicle to ensure the Marine Corps continues to adapt to meet the demands of the future operating environment and maintain our competitive advantage.

We will operate with data-informed end to end processes and incorporate leading practices to inform how we fight. To achieve the goal of 80% mission capable aircraft in our Fleet Strike Fighter squadrons, this budget funds the Fleet Readiness Centers (FRCs) to the maximum executable levels, realigns investments to spares, aviation engineering and logistics support, while pursuing reforms such as the Navy Sustainment System, which incorporates best practices from commercial airline maintenance leaders. We will also incorporate the lessons of private industry as we invest in shipyard infrastructure and training to improve performance and throughput.

These are just a few examples of how General Neller, Admiral Richardson, the entire Navy Marine Corps Team and I are building on the foundation of restored readiness and increasing lethality. We will continue to promote a culture of problem solving at every level, transform

from a culture of risk removal to one of understanding and managing risk, and hold ourselves accountable for how and where we invest. Every day, we work with a sense of urgency driven by the knowledge that the American taxpayers provide us with their hard-earned treasure, and trust us to protect them from a dangerous world. We owe it to them to ensure that every dollar is invested in the most effective manner possible to fulfill our sacred oath. I'm proud to work with this committee to ensure that we keep that promise. Thank you.