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ARMED SERVICES COMMITTEE**

**STATEMENT OF
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(MANPOWER, PERSONNEL, TRAINING and EDUCATION)
BEFORE THE
SUBCOMMITTEE ON MILITARY PERSONNEL
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
PILOT SHORTAGES
MARCH 29, 2017**

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INTRODUCTION

Chairman Coffman, Ranking Member Speier, distinguished Members of the Subcommittee, thank you for this opportunity to discuss the status of Navy Aviation retention.

I am here to outline the current risks and projected manning challenges facing Navy aviation and what we must do to ensure we sustain combat readiness. The thriving civilian market offers strong employment alternatives to aviation officers, and we are keeping a close eye on retention. High-tempo operational environments combined with decreased readiness have added additional pressures on these highly skilled aviators and lead to decreasing retention rates. We must address current and future shortfalls through continued judicious application of targeted incentives and non-monetary retention tools, aimed at retaining required personnel and sustaining required readiness levels. Aviators are keenly watching the many quality of life and service initiatives Navy leadership is undertaking, while monitoring increasing opportunities and associated incentives available in the recovering civilian aviation market.

AVIATOR RETENTION VERSUS REQUIREMENTS

Our ability to attract and retain the very best young men and women our nation has to offer is central to maintaining aviation personnel readiness. A number of factors have made this challenge increasingly difficult and complex, including an improving economy with low unemployment. Navy aviator retention through department head assignment, nominally the 10-12 year career point, has fallen below the three, five, and ten year average continuation rates, a trend that is expected to continue for the foreseeable future. While mid-level officer retention represents our greatest challenge, resignations have also increased among junior and senior aviators due, in part, to intense competition from private industry. Post-command commander (O-5) losses have steadily increased since 2009, further diminishing essential talent and experience. Navy is also experiencing a smaller pool of officers entering the window for department head assignment, which drives retention rate requirements above historic averages to meet operational requirements. Retention among some communities must increase significantly over the next several years to maintain operational squadron department head requirements.

It is absolutely vital that we retain mid-level and senior aviators, capitalizing on their experience, leadership, and the multi-million dollar investment they represent to ensure maximum combat readiness and ability to execute the National Military Strategy.

WHY ARE AVIATORS LEAVING?

Aviators are leaving the Navy for two primary reasons: The first reason is increasing opportunity and pay in the Airlines. The second reason is dissatisfaction with the Navy due to readiness challenges that have limited aircraft availability and resulted in reduced flying hours and associated tactical qualifications, and in some cases, have impacted career progression. According to feedback from the latest Aviation Department Head Decliner Survey, aviators are dissatisfied with other quality of service issues to include operational tempo, excessive administrative burdens, and low incentive pay when compared to opportunities outside the Navy,

as well as quality of life issues for their families, including late PCS orders, reduced health care/child care availability, and limited housing options, especially in non-fleet concentration areas.

The airline industry is emerging from a decade of consolidation and restructuring and is positioned for greater stability in the foreseeable future, which, when coupled with mandatory retirement age, working hours, and global hiring can be expected to exert a significant pull on military pilots as reorganized airlines enhance their compensation offerings. Independent industry analysts have confirmed the forecasted hiring of 50,000 airline pilots over the next 10 years, representing an approximate 400 percent increase, or 2,000-3,000 pilot increase per year, and the hiring has begun. Additionally, the total airline career income and benefit packages are lucrative in light of their first-year pay scales. As the economy continues to improve and airlines offer increased pay, we must have the ability to retain needed aviator inventory to maintain mission readiness.

In 2007, the law governing the age at which commercial pilots must retire changed from 60 to 65. December 2012 marked the fifth anniversary of the increased retirement age and the airlines are beginning to see the results of the mandatory retirements. Approximately 30,000 pilots will retire from global and major airlines in the next ten years.

Naval aviators are a prime target of the industry. In July 2013, the Federal Aviation Administration (FAA) increased the minimum number of flight hours required to be eligible for employment to fly a commercial aircraft from 250 to 1,500. Navy pilots typically reach 1,500 hours as lieutenants while under their initial minimum service obligations. Industry analysts expect that global and major airlines will need to aggressively recruit pilots with military backgrounds to make up commercial pilot shortfall projections. Discussions about the opportunity for quicker upgrades to airline captain (more rapid pay increases) as the hiring pace surges among commercial airlines are cause for concern within the Naval Aviation Enterprise as well as for the aviation communities of other services.

Navy's largest internal retention factors include readiness. Retention impacts readiness and readiness impacts retention. We must view these issues in tandem and understand that struggles to maintain the proper numbers and skillsets of aviators, manifests in readiness risk. In turn, readiness issues affect quality of service and quality of life, influencing retention behavior. As Sailors prepare to ensure our next aircraft squadrons deploy with all that they need, the strain is significant. Aviation depots struggle to get our 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 an aging shore infrastructure. While our first team on deployment is ready, our bench – the depth of our forces at home – is thin.

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

- The operational demand for our Navy continues to be high, while the fleet has gotten smaller. Between 2001 and 2015, 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 fleet is smaller today than it has been in the last 99 years. Maintaining current deployment levels has taken a significant toll on 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.
- The third primary driver of reduced readiness is the inefficiency imposed by the uncertainty around when, and if, budgets will actually be approved. The inability to adjust funding levels as planned, or to commit to longer-term contracts, creates additional work while driving up costs. This results in even less capability for any given dollar we invest, and represents yet another tax on our readiness. We are underfunded and spending more time to maintain a less ready Navy.

Attempts to address maintenance and training backlogs resulting from high operational tempo have been further exacerbated by budget caps included in the Budget Control Act and fiscal uncertainty. Our attempts to restore stability and predictability to deployment cycles have been challenged both by constrained funding levels and by high operational demands. Although we remain committed to return to a seven month deployment cycle as the norm, the need to support the fight against ISIS compelled our extending deployments in 2016 up to eight and a half months, in some cases. This collective pace of operations has increased wear-and-tear on aircraft and crews and has added to the downward decline in readiness, lower retention, and decreasing available time for maintenance and modernization. Deferred maintenance has led to equipment failures, and to larger-than-projected scope of work for aviation depots. This has forced us to remove aircraft from service for extended periods, thus increasing the utilization of the rest of the fleet and forcing them to use airframes at higher-than-projected rates, which further increases maintenance workload and reduces depot output.

Reversing this vicious cycle and restoring short-term readiness of the fleet will require sufficient and consistent funding. This funding would allow our pilots to fly the hours they need to remain proficient, recapitalize our expended aircraft and ensure that we can conduct required maintenance on those airframes we need to retain. It would also enable Navy to restore stocks of necessary parts, get more aircraft ready to fly and better prepare them to remain deployed as required.

Years of sustained deployments and constrained and uncertain funding have resulted in having to retain aircraft beyond their design life, and exacerbate the readiness debt, which will take years to alleviate. If the slow pace of readiness recovery and declining retention continue the result will be poorly trained operators at sea, and a force improperly trained and equipped to sustain itself. This also jeopardizes the lives of our Sailors. Absent sufficient funding for readiness, retention, modernization and recapitalization of force structure, Navy cannot return to full health, where we can continue to meet our mission on a sustainable basis. As we strive to improve efficiency in internal business practices, those efforts are being actively undermined by

the absence of regular and timely budgets. Although we face many readiness challenges, we remain committed to maintaining the finest naval aviation force in the world. That commitment will require constant vigilance and a dedication to retention and readiness recovery, in full partnership with the Congress.

WHAT ARE WE DOING ABOUT IT?

The commercial airline industry is expected to hire at an increased level for an extended duration, providing a lucrative alternative for highly sought after Navy aviators with requisite knowledge and experience. Navy cannot compete dollar for dollar with private industry, particularly America's airlines. Nonetheless, enhanced military compensation will be a fundamental factor in any long-range solution to ensure adequate retention in undermanned, highly skilled, warfare specialties.

The primary monetary tools supporting aviator retention are Aviation Career Incentive Pay (ACIP) and Aviation Continuation Pay (ACP), recently changed to Aviation Incentive Pay (AvIP) and Aviation Bonus (AvB) respectively. Congress' recent enactment of an increase in the statutory cap for AvB was well-received and appreciated by aviators. The National Defense Authorization Act (NDAA) for Fiscal Year 2017 increased the AvB maximum annual amount payable from \$25,000 to \$35,000 per year, and the AvIP from \$850 to \$1,000 per month. Navy is working options for a judicious approach to utilizing these increases in a responsible and cost-effective manner.

Navy offers two aviation retention bonuses targeting aviators at critical career decision points: Aviation Department Head Retention Bonus (ADHRB) offered to lieutenants (O3) and lieutenant commanders (O4), and Aviation Command Retention Bonus (ACRB) offered to commanders (O5s). Historically, these targeted bonuses have proven effective and cost-efficient in attacking retention problems in specific communities, jobs, and experience levels, in a cost-effective way so as to attract and retain high-quality personnel to meet fleet requirements.

Effective implementation of these programs is critical to our effort to influence retention behavior. As aviators accessed during fiscal years 2005-12 near completion of their active duty service obligation, the challenge to retain high-quality aviators is increasing. We will continue to review the adequacy of compensation and the effectiveness of our programs to initiate efficient solutions.

It is imperative that we maintain adequate numbers of quality career force aviators to fill operational billets, not only at the department head level, but also for second sea, command and post-command tours. The ACRB is designed to retain post-command commanders (O5) into the grade of captain (O6). For FY2010, the bonus amount was reduced from \$45,000 to \$36,000, and in FY2012 it was canceled. Perhaps not coincidentally, the number of post-command commanders leaving the Navy has steadily increased since 2009. In an effort to reverse this trend, a restructured version of the program was reinstated for FY2015 at \$36,000 but the structure of the program has not yet sufficiently influenced retention behavior, and we continue to lose aviators with vital experience and leadership.

Not surprisingly, the “take rate” of retention bonuses has proven to be an accurate indicator of aviator retention behavior. While some individual type/model/series and designators have achieved their individual department head bonus contract goals, the Navy has not achieved the overall department head bonus contract goal since 2013. To address the decline in aviator retention as these bonuses lose their effectiveness, Navy is examining a plan to leverage the recently increased cap to target specific communities with retention issues that are exposing operational manning requirements to increased levels of risk.

Signed bonus contracts are used as a proxy for indications of retention to ensure the department head requirements are met. While some communities are meeting their requirements, other communities have struggled. Fleet requirements have been met through distribution mitigation methods to offset shortfalls, such as transitioning pilots from one community to another. Navy is considering increased bonus amounts for Strike Fighters (VFA), Electronic Attack (VAQ), and Helicopter Mine Countermeasure (HM) aviators. Of immediate concern is VFA and VAQ pilot manning.

For example, we are currently experiencing a chronic shortfall among VAQ pilots, for which we have not retained sufficient numbers of O-4s to meet fleet department head requirements since May 2011. For active duty year groups 2004-2006, we have attained less than half of required VAQ pilot department heads (16 of 34). If all four of the remaining VAQ pilots in year groups 2005 and 2006 sign bonus contracts, the best possible outcome is 20 retained of 34 required. Consequently, we have been forced to transition some junior Strike Fighter (VFA) pilots into the VAQ community, upon selection to department head, to ensure that deploying VAQ squadrons were fully manned with O-4 pilots. This, however, is only a temporary solution since VFA has also begun to experience declining retention, falling short of its pilot manpower requirement.

Similar to VAQ, for the active duty year groups 2004 to 2006, we only have signed contracts for three-quarters of our required VFA pilot department heads (116 of 149). While 52 remain eligible to sign bonus contracts, trend data indicates only a quarter of these will contract, yielding a predicted best possible outcome of thirteen additional pilots or 129 of the 149 required. This situation will become dire if retention trends in these communities continue their downward trajectory.

Navy’s reserve support type/model/series needs are also reflective of these shortages, with smaller, but no less significant, retention issues for VAQ, HM, and Maritime Patrol (VP). Navy is also evaluating additional incentives for aviators with high demand subspecialties such as Weapons Tactics Instructors and Test Pilots.

In addition to bonuses, Navy continues to assess and pursue non-monetary incentives to improve retention across the force, as outlined in Sailor 2025, a dynamic set of approximately 45 initiatives designed to help us do just that. Built on a framework of three pillars - a modernized personnel system, ready relevant learning, and career readiness - Sailor 2025 is a roadmap designed to change our approach to personnel programs by providing our personnel with choice and flexibility. These initiatives target modernizing personnel management and training systems

to find, recruit, train, and manage the careers of our talented people more effectively, thus improving the Navy's warfighting readiness.

SUMMARY

Aviator retention remains a high priority. Navy is deliberate in managing the aviation officer communities and judicious in executing the respective aviation incentive pay programs. We are closely monitoring declining aviation retention trends. Manning mitigation techniques, such as tour extensions and junior officer re-tours, have minimized gaps, but low inventory coupled with declining retention have pressurized the distribution system. We remain firmly committed to improving our personnel readiness posture while addressing concerns of our outstanding aviation officers. Although aviation continues to be attractive to young people eager for a rewarding career in service of our country, continued and future low retention of experienced combat-proven aviators is not in the best interest of the nation or the combat readiness of the Navy.

Navy remains concerned regarding issues that impact the quality of service and life for aviators and their family to include: lack of spare parts and equipment, lack of flying hours, deployment frequency, and minimum-notice permanent change of station moves. Aviation officer retention is dramatically impacted by the relative strength of our compensation and bonus packages over time, as compared with the lure of a strong economy offering excellent opportunities for educated professionals, and a perception of increased quality of life in the civilian sector. Unfortunately, any declines in retention mean those remaining have to work that much harder to meet the demand for forward deployed naval forces and, in turn, further impacts retention. It is imperative that we continue to focus on improving aviation retention and incentives during this time of high competition for talent.

We will continue to aggressively pursue resolution of aviator retention challenges through effective use of all available resources. A comprehensive and competitive compensation package comprised of targeted special and incentive pays and bonuses, combined with quality of life and quality of service efforts, are essential to this effort. We look forward to working with you as we collectively work to address the challenges we face, and appreciate your continued support for initiatives designed to achieve optimum personnel readiness, improved quality of service, and retain the best and brightest young men and women this nation has to offer.