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ON NAVY READINESS

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SUBCOMMITTEE ON

READINESS

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Chairman Wittman, Congresswoman Bordallo, and distinguished members of the House Armed Services Subcommittee on Readiness, it is our honor to appear before you to testify on the readiness of our Navy.

Before discussing our readiness plan for FY2014, we have to describe our current readiness state in FY2013. In CNO's testimony in February, he discussed the combined effects of growth, the Continuing Resolution, and sequestration that resulted in Navy facing a shortfall of about $8.6 billion in our FY2013 operations and maintenance (O&M) account. Since then, thanks to the Congress' efforts, we received an FY2013 appropriation in March as part of the Consolidated and Further Continuing Appropriations Act of 2013. This appropriation restored about $4.5 billion toward our total need in operations and maintenance. As a result, we have a FY2013 shortfall in operations and maintenance of about $4.1 billion, approximately 10 percent of the planned amount for this fiscal year.

To address FY2013 shortfalls, we are applying our remaining O&M funds to the following priorities:

- Fund personnel and "must pay bills": Ensure we have funding for bills such as utilities and civilian pay.
- Reconcile FY13 readiness: Sustain operations and maintenance for the priority forces in accordance with the defense strategy that will deploy to meet the current approved FY2013 Global Force Management Allocation Plan (GFMAP), which describes the forces required to be provided by the services to the Combatant Commanders as directed by the Secretary of Defense. Our remaining spending plan for FY2013 will reduce furloughs of Civilians and sustain non-deployed ship and aircraft operations in order to prepare forces that will deploy in 2014 and ensure others operate sufficiently to safely respond if needed in support of homeland defense.
- Prepare to meet FY2014 GFMAP: Conduct training and maintenance for forces that will deploy as part of the FY2014 GFMAP, including guided missile destroyers (DDG) transferring to Rota, Spain as part of the Forward Deployed Naval Force (FDNF).
- Restore critical base operations and renovation: Sustain base infrastructure and port/airfield operations to support training and deployments needed for the FY2013 and FY2014 GFMAP. We will also conduct health and safety-related facility repairs and continue high-return energy efficiency projects.

Impacts of Sequestration

While we have made informed choices in prioritizing our reduced FY2013 O&M funds and gained financial efficiencies where possible, the reality is that sequestration will continue to impact Navy readiness in terms of ships, aircraft, bases and people in FY2013 and through FY2014. For example, at sea we were compelled to recommend the FY2013 GFMAP be changed to cancel one ship deployment to the Pacific, two ship deployments to Europe, and all but one FY2013 ship deployment to U.S. Southern Command. We continue to evaluate opportunities to add deployments to these regions as our fiscal position becomes clearer. In addition to reducing overseas operations, we also reduced the amount of operations our ships and aircraft will conduct when not deployed.

We also reduced maintenance, deferring depot maintenance on 84 aircraft and 184 engines and eight of 33 planned depot-level surface ship maintenance availabilities. Restoration of all planned surface ship maintenance availabilities in FY2013 remains a top priority.

The impact of reduced fleet operations and maintenance will be less surge capacity but we are prioritizing resources to retain the ability to support the FY2014 GFMAP. All our forces deploying in FY2013 and FY2014, including two Carrier Strike Groups (CSGs) and two Amphibious Ready Groups (ARGs), will be fully mission-capable and certified for Major Combat

Operations. We will also retain one additional CSG and ARG in the United States that are fully mission capable and certified for Major Combat Operations, available to surge within 1-2 weeks. Due to reduced training and maintenance, however, almost all of our other non-deployed ships and aviation squadrons will be less than fully mission capable and not certified for Major Combat Operations – about 2/3 of the Fleet. Historically, about half of our Fleet is in this status since ships and squadrons are in training or maintenance preparing for their next deployment. While these forces will not be ready or certified to deploy overseas, they will remain able to respond, if needed, to support homeland defense missions.

Ashore, we deferred about 16% of our planned FY2013 shore facility sustainment and upgrades, about $1 billion worth of work. Recovering these projects could take five years or more and, in the meantime, our shore facility condition will degrade. We were able to sustain our Sailor and Family Readiness programs through FY2013, including Child Development Centers, Fleet and Family Support Centers, and Sexual Assault and Prevention programs.

Current Readiness Challenges

Even prior to the impacts of sequestration, there were readiness challenges to meet. We continue to operate the Fleet at levels beyond the baseline GFMAP which suppress the readiness of deployed forces for full spectrum operations and reduce the remaining surge capacity of the non-deployed force. This requires us to compress the time available for maintenance and training in home port for some units and impacts the lives of our Sailors and their families. As you will note in the following sections, we continue to leverage Overseas Contingency Operations (OCO) funding to fully meet our current readiness requirements. We have made significant progress in understanding the backlog of maintenance in our surface force through an aggressive schedule of inspections, some in partnership with the American Bureau of Shipping. We will seek to fund the maintenance required to reset our surface fleet from over a decade of war with OCO in FY2014, but can only effectively execute this work during dry docking availabilities that are conducted in an 8 year cycle, which will require a long-term investment commitment.

Current Readiness Accomplishments

Over the last year our Navy continued to provide crucial global presence and employed innovative ways to enhance our readiness in many critical areas. We deployed additional mine countermeasures capability and capacity to CENTCOM and increased the readiness of an international force, including 34 partner nations, to conduct mine hunting and clearance operations. The International Mine Countermeasures Exercise (IMCMEX 2012) also demonstrated strong international resolve to sustain freedom of navigation throughout the global maritime commons. In the Pacific, the Rim of the Pacific (RIMPAC) and VALIANT SHIELD exercises demonstrated high end warfighting capabilities with participation from across the Joint Force and, in the case of RIMPAC, 22 partner nations. Together with the U.S. Marine Corps, we conducted Exercise BOLD ALLIGATOR to reinvigorate our readiness for large scale amphibious operations. With the supplemental funding provided by the Congress over these years of extended combat operations, we have been able to continue to provide ready forces to the Combatant Commanders and adequately fund our maintenance accounts to support future readiness.

We continue to balance Navy readiness requirements, current and future, through the three tenets of our Navy's "Sailing Directions" -- "Warfighting First, Operate Forward, and Be Ready." We have continued to move forward in ongoing readiness initiatives to improve the material condition of our surface force ships, improving manning at sea and providing increased staffing ashore at the Regional Maintenance Centers. These efforts have the dual benefit of improving current maintenance support and building technical experience in our enlisted community. Our initial review and update of maintenance plans for each surface force ship class is complete, and

engineering discipline has been restored to the surface ship maintenance process. We have executed targeted readiness improvement initiatives for our forward deployed Mine Counter-measures ships (MCMs), Patrol Coastal craft (PCs) and our Ballistic Missile Defense ships, achieving improvements in operational availability. One forward Navy Component Commander described these as the equivalent of an extra AEGIS ship on station.

Navy Readiness FY2014

Our Fiscal Year 2014 budget request continues the CNO's readiness priorities -- to meet projected operational requirements and build future capabilities, while sustaining the readiness of our ships and aircraft over the course of their expected service lives. It continues to implement the Defense Strategic Guidance, expands forward presence through both traditional and new approaches, and ensures the Fleet is where it matters, when it matters, to achieve the security interests of the Nation, and sustain the global economy.

Operating a Ready Navy

We remain ready today to respond globally with the highest quality force in our history. As previously mentioned, we continue to experience high operational tempo. Sustaining that level of operations remains dependent upon the receipt of OCO or similar supplemental appropriations. We are taking some risk in the readiness of our non-deployed forces to maintain very high levels of readiness in our deployed forces. In FY2014, the Navy budget request, with anticipated supplemental funding, supports the adjudicated requirements of the Combatant Commanders, as represented by the baseline GFMAP, with capacity to provide surge forces in support of their major operational plans and other emergent needs. The readiness of surge forces, particularly in the first half of FY2014, will be influenced by steps we may need to take to curtail training for non-deployed forces to remain within budget in FY2013.

Navy manages force generation using the Fleet Response Plan (FRP). This plan establishes a sustainable cycle of maintenance, training, and operations for both individual units and task groups. With this process, Navy generates the ready forces required to meet global presence requirements and develop the capacity for surge response for homeland defense and overseas contingencies. The plan operates as a cycle, so that forces undergo maintenance, training, and then deployment/ sustained surge readiness in defined periods. The flexibility of this approach enables Navy to develop greater surge capacity in response to contingencies than did earlier approaches to force generation. However, for over ten years, Navy forces have been operating at a war-time pace, which has resulted in forces enduring more underway days, deferred maintenance, compressed training, and increasing deployment lengths or double deployments within a single FRP cycle. The limited reductions to surge operations in the second half of this year, while necessary to ensure Navy could meet baseline GFMAP commitments in FY2014, will not significantly relieve the impacts of over ten years of surge. Continuing to operate at this pace indefinitely will prematurely expend the service life of our platforms and maintain a high level of stress on our Sailors and their families. Our plan for FY2014 implements deployment schedules at an executable level of maintenance and training and begins to develop more efficient ways to generate presence.

Ship Operations

The Ship Operations program provides for the operation of our ships and submarines and the training of their crews. The baseline budget request for FY2014 supports the highest priority presence requirements of the Combatant Commanders, generating a level of theater presence for CSGs and ARGs that meets the demands of the GFMAP as it exists today. Forty-five days of underway operations per quarter for deployed units are provided within this baseline submission. Navy will employ anticipated supplemental funding to generate forces to meet surge requirements,

and fully fund deployed steaming days (58/quarter) necessary to execute the FY2014 GFMAP. The readiness of non-deployed forces, particularly in the first half of FY2014, will be impacted by training and support reductions we must implement in FY2013 to remain within the constraints of our current budget. We will maximize use of simulators, concurrent training, and certification events while underway to meet our readiness demands. In addition, we will pursue the judicious use of fuel and consumables to mitigate readiness risk where possible.

Air Operations (Flying Hour Program)

The Flying Hour Program (FHP) funds operations, maintenance, and training for ten Navy carrier air wings, three Marine Corps air wings, Fleet Air Support aircraft, training squadrons, Reserve forces and various enabling activities. Our individual Navy and Marine Corps aviation units are funded to achieve a defined training-rating level for deployment or surge operations. The FY14 baseline budget submission achieves these required deployed and surge readiness levels. We continue to employ simulation to use non-deployed flying hours most effectively and continue to invest in new simulators. To preserve aircraft service life and reduce fuel costs, we are also upgrading existing simulators to reduce the requirement for aircraft flying hours. Out year projections for FHP reflect the addition of Unmanned Aerial Systems to the program. For the Joint Strike Fighter, fuel costs are included in FHP, but other costs are funded in the Aviation Logistics program.

Fleet Training, Targets, Training Ranges and Encroachment

To support a ready Navy, we are sustaining investments in key training capabilities, including Fleet Synthetic Training, Threat Simulation Systems, the Tactical Combat Training System, and constructing the Shallow Water Training Range to improve undersea warfare readiness. The FY2014 budget submission also includes increased funding for the Diesel Electric Submarine Initiative, providing realistic live undersea warfare training with partner nation diesel submarines, at-sea training capability for Ballistic Missile Defense ships, and waterfront instructors to improve readiness and the professional expertise of our enlisted and officer communities.

We continue development of the Multi-Stage Supersonic Target to meet critical test and evaluation requirements, as well as a replacement subsonic aerial target to sustain Fleet training. We also continue procurement of high speed, maneuverable surface targets and provide increased opportunities for live fire training to support operator confidence and proficiency in response to Combatant Commander and Fleet priorities. These live training capabilities are executed on our ranges which are critical to both training for warfighting missions and test and evaluation of new platforms and capabilities.

Our training ranges, operating areas, and installations are essential enablers for Fleet readiness. They are 'crown jewels' that facilitate realistic training and simulation against potential adversary threats including live fire evolutions and high end warfighting needed to ensure our people and systems are confident and ready to employ our systems and capabilities. We must preserve our ranges from physical and electronic encroachment, and ensure our tactics, techniques, and procedures are not exploited by potential adversaries. The Navy is susceptible to encroachment and therefore at risk in our ability to conduct training and readiness missions, test, and evaluation within our ranges, operating areas, and special use air space. Our installations, including air and port operations functions, encounter many of the same encroachment risks. Recent concerns at ranges and installations have arisen primarily from proximity of renewable energy projects, new transmission lines, increased commercial and recreational use of confined spaces and limited resources at sea, urban expansion near key facilities, electromagnetic spectrum and frequency loss, ocean observing systems proliferation, and exploitation threats from both domestic and foreign investment in the United States.

Additionally, interagency involvement in initiatives related to encroachment such as the National Ocean Council, OSD Siting Clearinghouse, Bureau of Ocean Energy Management, and the National Broadband Initiative increase the standards and scrutiny by which Navy must justify and defend its testing and training requirements. To protect key capabilities, address encroachment, refine internal programs and processes, and resolve encroachment issues, Navy established Task Force Compatibility and Readiness Sustainment (TFCRS) in 2011. Through TFCRS coordination, Navy is taking action to sustain operational capabilities and installation functions at designated ranges, special use airspace, military training routes, and operating areas. Current examples of encroachment issues include the following:

- Wind Energy Development. Electromagnetic interference and Dopplar shift from wind turbines can interfere with air traffic control, navigational aid systems, and over the horizon radar capabilities that support national counter narcotics efforts. Turbines can also impact test and evaluation capabilities as well as creating physical obstructions to low level flight training over land and training and testing activities at sea.
- Ocean Observing Systems. Increasing proliferation of these systems results in an unintentional operational security risk to Navy undersea operations. Navy training and readiness is impacted by longer training cycles and increased cost to mitigate the effects of OOS capabilities.
- Economic Development. Economic development in the vicinity of Navy training and areas (land and sea), and the potential for exploitation of capabilities and techniques, complicates encroachment challenges. Current or future observation and reporting on Navy training and operational procedures poses security risks.

Maintaining a Ready Navy

Navy maintenance programs are critical elements of near-term readiness as well as key contributors to sustaining our force structure over the long term. Achieving the expected service life of the ships and aircraft we have today enables the successful execution of the 30-year Shipbuilding Plan and the Master Aviation Plan. As a result, our FY2014 budget submission seeks a balance between maintenance requirements and our shipbuilding and aviation construction investments. This budget request is built upon our proven sustainment models for nuclear aircraft carriers and submarines, our ongoing investment in the readiness of our surface combatants, and plans for transition and integration of new capabilities into Naval Aviation.

Ship Maintenance (Aircraft Carriers, Surface Ships and Submarines)

Ship maintenance is executed in both public and private sector shipyards, and requirements are based upon proven processes used for many years for aircraft carriers and submarines. Reaching expected service life requires an integrated engineering approach to plan, fund, and execute the right maintenance. We have now restored similar processes for our surface ships, with all depot availabilities in the FY2014 requirement based upon updated class maintenance plans, an aggressive schedule of inspections and detailed planning for each ship. Under this new process, availability planning, execution, and certification are codified; all required maintenance actions are tracked to completion; and all proposed maintenance deferrals are formally reviewed to ensure adjudication by the appropriate technical authority and rescheduling in a follow-on availability or other appropriate window of opportunity.

We also continue to focus on improving 'condition-based' planning through documentation and analysis. For example, ship tank condition has been identified as a key factor to reducing growth work and maintenance availability extensions, so it is now aggressively monitored. Tank

corrosion prevention and repairs have been incorporated into individual ship life cycle maintenance plans. The goal is to document the condition of over 90 percent of all tanks by the end of FY2014.

In baseline, the FY2014 budget submission ($5.2B) funds most aircraft carrier and submarine maintenance and emergent maintenance on surface ships. We must continue to leverage supplemental funding to achieve the full requirement. Without OCO or other supplemental funding, FY2014 deferred maintenance would total $1.3B. Additional reset funding is required to accomplish deferred life-cycle maintenance in surface ships executing docking availabilities in FY2014.

The cyclic nature of ship and submarine depot availabilities from year to year continues to result in variations in budget requests and annual obligation levels. Surface ship availabilities are conducted almost exclusively in the private sector, while submarine and aircraft carrier availabilities are primarily conducted in the public sector with selected availabilities completed by nuclear-capable private shipyards. When allowed by statute and policy, and when competition exists in the ship's homeport, surface ship availabilities less than six months in duration and other maintenance are performed in homeport to minimize the impact on our Sailors and their families. The Navy recognizes maintenance organizations need a stable and level workload to maximize efficient execution. Leveling the workload to the maximum extent practicable within operational constraints is therefore a key planning consideration.

Aviation Depot Maintenance

Aviation Depot Maintenance (ADM) funds the airframe, engine, and engine module repair requirements beyond the capability of intermediate maintenance funded under the Flying Hour Program. ADM requirements have been refined in this budget submission to enhance the linkage with the aircraft flight line entitlement and engine readiness goals necessary to produce the squadron operational availability required to execute the Fleet Response Plan and meet GFMAP requirements. ADM funding is used to conduct depot repairs of both Navy and Marine Corps, active and reserve component, aircraft and propulsion systems to meet these requirements.

Our baseline budget request for FY2014 depot airframe and engine workload ($1.0B) supports depot level repair of 557 airframes and 1,364 engines/engine modules. An additional 227 airframes and 549 engines/engine modules require repair to achieve the full requirement. Supplemental funding is required to reduce the induction backlog to an acceptable level at which we could recover the forecast the airframe and engine backlog within one year.

Providing Expeditionary Combat Support Capabilities

Navy expeditionary forces support global missions by deploying security, construction, explosive ordnance disposal, logistics and training units operating as complementary components of a small, rapidly deployable combat support force. With the significant engagement of these forces in Operation ENDURING FREEDOM, baseline funding in FY2014 represents 43% of the enduring requirement, while supplementary funding will be applied to meet the full requirement. This budget submission continues to execute restructuring of Navy expeditionary forces with a focus on supporting the full range of expeditionary capabilities at a reduced capacity. Navy is retaining the appropriate deployable force structure in the Active Component to support core Navy missions at reduced capacity, while providing surge capacity within the Reserve Component.

The Navy budget submission also supports Naval Special Warfare Command with service common capabilities that include tactical communications equipment, night vision equipment, small arms and ammunition, recompression chambers, tactical vehicles and additional common systems in use by other Navy components. Furthermore, we have supported Joint Special Operations Forces and Naval Special Warfare's urgent ISR needs with multiple deployments of organic and expeditionary 'interim' Small Tactical Unmanned Aircraft Systems that provide engaged operators with decisive advantages in critical tactical operational intelligence on the battlefield.

Supporting a Ready Navy

Shore Readiness

The Navy's shore infrastructure – both in the United States and overseas – provides essential support to our Fleet. In addition to supporting operational and combat readiness, it is also a critical element in the quality of life and quality of work for our Sailors, Navy civilians, and their families. The FY14 budget submission emphasizes ship and air operations, as well as Sailor and family readiness. It funds port and flight line operations, safety and security, and family support programs within Base Operating Support while accepting risk in other shore program areas. Meanwhile, we continue to target our Facilities Sustainment, Restoration, and Modernization funding toward facilities that directly support operations, such as airfields, hangars, piers, and barracks. Critical infrastructure ashore directly supports combatant commanders and deployed warfighters and must be able to withstand and fight through natural disasters, conventional threats, and cyber attacks. To that end, through energy efficiency improvements in our buildings and utilities infrastructure, we are working to increase the resiliency of mission-critical support facilities as well as reduce our dependence on the electric grid.

The Department of the Navy's planned FY14 investment of $425M in our depots -- Naval Shipyards, Fleet Readiness Centers and Marine Corps Depots -- is in compliance with the National Defense Authorization Act (NDAA) 6% investment requirement for infrastructure improvements. We recapitalize our shipyards within today's fiscally constrained environment, focusing on mission-critical facilities such as production shops, piers, wharves, and dry docks. We mitigate the level of deliberate risk we take in the sustainment of our infrastructure by prioritizing projects for repair.

Family Readiness Programs and Child and Youth Programs

Navy's Family Readiness programs enhance mission readiness by assisting Commanding Officers, Sailors, and their families in managing the demands of the military lifestyle. This budget request provides steady funding for warfighter and family readiness programs to include child development centers, Fleet and Family Support Centers, services for exceptional family members, sexual assault prevention, and Wounded, Ill and Injured Warriors. Our Navy Child and Youth Programs provide high-quality educational and recreational programs for Navy children ages six weeks through eighteen years in multiple venues. All programs are operated in accordance with the Military Child Care Act and are DoD-certified and nationally accredited. We continue to provide respite childcare, directly supporting Exceptional Family Members and families of deployed Sailors. We recently expanded our childcare facilities to accommodate an additional 7,000 children and have met the Secretary of Defense's goal of providing for at least 80 percent of the "potential need".

Housing

Our budget request also sustains funding for quality housing which significantly impacts Sailor retention, productivity, and individual and mission readiness. Our Bachelor Housing program is focused on providing Homeport Ashore housing for our junior sea-duty Sailors by 2016 and attaining the OSD goal of 90 percent of our bachelor housing as being 'adequate' on a quality scale rating. We have requested $195M in FY14 to improve the condition of our existing barracks to continue progress toward this goal.

We maintained funding for the operations and maintenance of Navy Family Housing in this budget. Navy expects to achieve OSD's goal of attaining a 90 percent 'adequate' family housing inventory by 2019. This two-year delay from last year's projected completion date of 2017 is due to Navy's full incorporation of 1,200 older units in Guam acquired by Navy under Joint Basing. Our FY14 budget submission funds the operation and maintenance of our Navy-owned and leased homes

as well as the renovation of more than 120 'inadequate' homes in Japan and Guam. We have privatized 97 percent of our CONUS and Hawaii family housing inventory and continue to perform oversight of our privatized housing to ensure Navy Sailors and their families benefit from quality housing and services.

Energy

Energy, fuel, and how we power our ships have always been vital issues for the United States Navy. As we have seen during previous maritime conflicts and our current ground war, potential adversaries see energy as a vulnerability and have demonstrated a resolve and ability in attempting to exploit it. Our Navy energy program tackles this head on by working to foreclose these efforts by reducing the magnitude of our energy reliance and usage. Our goal is to be more Spartan and judicious in what we use, thereby gaining greater agility, endurance/combat range, and flexibility in conducting and supporting our missions at sea, in the air, and on land. This is facilitated by new technology but it is equally reliant upon a change in mindset and culture. Ultimately, however, it is the combination of culture change, efficiency efforts, and hardware investment that will permit us to stay on station longer, decrease the frequency of replenishment, and reduce our vulnerability to an adversary's asymmetric attempt to use energy as a weapon. It is through this lens that our smarter use of energy can make us better warfighters, keeping our nation's assets where they matter most, when they matter most.

In alignment with these initiatives, Navy's energy program ($697M/FY14) focuses on two critical areas: operational efficiency, and installation energy efficiency and resilience. The major components of the program include a $357M investment in Operational Energy efficiencies/ technology and a $340M investment in Shore/Installation Energy initiatives. Together, these investments and our efforts to utilize affordable alternative sources will improve our combat capability, enhance our mission effectiveness, save resources, and reduce vulnerability in energy markets. However, the almost $600 millionFY 2014 reduction in SRM/O&M and Base Operating Support, in addition to the sequester reductions in FY 2013, will make the statutory energy intensity goals more difficult to achieve. Moreover, reduced investments in energy projects *now* will result in lost opportunity for savings in the future, higher utility costs and, ultimately, reduced readiness as funds are diverted to pay these bills.

Conclusion

Our FY2014 budget supports the Defense Strategic Guidance and the CNO's three tenets with the resources required to train, maintain and operate Naval forces worldwide. Our Sailors are the highest quality, most diverse force in our history and continue to make us the finest Navy in the world. On behalf of all these men and women of the United States Navy - active, reserve, and civilian - thank you for your continued support.