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ARMED SERVICES COMMITTEE

STATEMENT OF

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AND

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**ON ENSURING NAVY SURFACE FORCE EFFECTIVENESS
WITH LIMITED MAINTENANCE RESOURCES**

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES

AND

SUBCOMMITTEE ON READINESS

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Chairman Forbes, Chairman Wittman, Congressman McIntyre, Congresswoman Bordallo, and distinguished members of the House Armed Services Subcommittees on Seapower and Projection Forces and Readiness, it is our honor to appear before you to testify on the readiness of our Naval Surface Forces.

Today our Surface Forces are deployed around the world, providing relevant combat capability to our Combatant Commanders. The uniformed and civilian men and women that support, maintain, modernize, and operate our ships continue to perform in an exemplary manner. Their efforts have helped reduce the operational impacts of the budget challenges that face our country and our Navy. They are committed to ensuring our Surface Forces remain ready to fight through cost effective maintenance, training, and operations. On behalf of those men and women, we thank you for continued Congressional support of the readiness of our force. There are many challenges ahead, but the Navy remains committed to being able to respond when we are called upon, now and in the future.

Current Readiness

The combination of the continuing resolution and sequestration put twenty three FY13 surface ship availabilities at risk, and represented the most immediate threat to surface ship readiness. We were able to restore all but eight availabilities when the FY13 appropriations bill was passed, and we appreciate the support of Congress on a reprogramming which will fund the last eight availabilities.

The FY13 appropriations bill with sequestration left the Navy with a \$4.1 billion shortfall in our Operations and Maintenance (O&MN) accounts compared with the President's 2013 budget submission. This has had an impact on Fleet operations and readiness in FY13, and will carry over into FY14. Specifically, it has degraded our ability to provide the level of global presence and surge capacity that we have executed over the last several years.

The decreased presence is apparent in our reduction of deployed carrier strike groups, as well as a reduction in Southern Command and European Command deployments. For example, of the ten vessels scheduled to conduct deployments to Southern Command this fiscal year, only three will complete their deployments as planned. We will continue to provide ready forces to execute the highest priority deployments, providing the Combatant Commanders with the presence and capabilities they need most to execute the Defense Strategic Guidance. However,

reduction of presence or elimination of deployments to any region is noticed by both our allies and potential adversaries, degrading not only our ability to build and foster cooperative relationships with our maritime partners, but also reducing our capability to ensure operational access and freedom of action. You cannot surge trust; rather you have to be there, building it every day.

The decrease in our surge capacity is less apparent than reduced presence, but it still causes great concern due to the impact on war plans and contingency operations. The net effect is that surging our remaining surge capacity will likely lead to gaps in future regularly scheduled presence operations. Due to fiscal constraints, the Navy has been forced to prioritize maintenance and training for those forces deploying in FY14. Thus, those forces deploying after FY14 will receive reduced maintenance and training, decreasing our ability to surge these forces in case of emergency. This shortfall in surge capacity will be problematic if our forces are required to respond to contingencies. Currently, our surge forces are restricted to the forces trained and equipped for the next deployment, while the rest of the Fleet is in a training and material readiness status below “ready to deploy in all warfare areas.”

Future Readiness

The biggest challenge to future surface ship readiness during these fiscally constrained times is finding the correct balance between funding the necessary maintenance, to provide ready forces now, and executing life cycle maintenance that ensures the long term viability of our ships. As the Navy learned in the report of the 2010 Fleet Review Panel, the impact of delaying maintenance is significant, since the cost and duration of deferred repairs rise exponentially. The end result will be ships being decommissioned before their expected service life (ESL) due to degraded material condition.

Today, we are prioritizing current readiness over future readiness; however, this is not sustainable over the long-term. If we choose to neglect life cycle maintenance, the material condition of our ships will continue to degrade to the point that they may be unable to deploy or conduct routine operations, culminating in decommissioning ships before their ESL. Even when the trend is reversed and more funding is made available for future readiness (operations, training, and maintenance); it will take a significant amount of time to restore our readiness to levels that support both typical presence as well as surge requirements.

Future readiness will also be at risk if we fail to maintain the necessary capabilities and capacity in our ship repair industrial base. Variations in workload can cause peaks and valleys in the skilled labor demand of our industrial base. We cannot afford to lose the skilled labor force we need to maintain our highly complex ships.

Today, our maintenance and modernization process, to include government oversight of the private sector work, is extremely challenged by sequestration and furloughs. There have been disruptions to basic waterfront services. Inspection of critical check points is stressed. Testing is being delayed, as is the ability to place work on contract and modify it as circumstances warrant. Under the furloughs, our Regional Maintenance Centers are operating at approximately 64% manning for Contract Management and Oversight (CMO). Similar shortages are occurring in first responder technical assistance positions. As a result, it is estimated that availabilities will experience increases in duration of 20 or more days. Delays and impacts have been observed onboard USS ROSS, USS MILIUS, USS COMSTOCK, USS LABOON and USS MITSCHER.

We are concerned that the Navy's budget challenges will be greatly exacerbated in FY14 and beyond. FY14 sequestration will result in a \$14B budget shortfall in the Navy, which will have a significant impact on our operations and maintenance accounts and will derail the efforts the Navy has made to restore the material condition of our surface fleet. Our current estimate is that approximately 64% of the FY14 surface ship availabilities will be at risk in the event of an FY14 sequester (absent reprogramming). These availabilities are necessary to repair broken equipment and upgrade obsolete systems needed for deployment, and to ensure each ship reaches its ESL of thirty-five to forty years.

Surface Ship Maintenance Background

From the late 1990s to 2010, increased operational deployments of ships, coupled with efforts to derive maintenance and manpower efficiencies, had a negative impact to the overall material condition of our surface ships. In 1999, continuous maintenance was adopted as a way to reduce down-time for maintenance. As a result, resources for surface ship maintenance were reduced and there was an appreciable reduction in waterfront intermediate maintenance capability and capacity. Further, the increased demand from Combatant Commanders required ships to be ready sooner and remain at a high state of readiness following 9/11.

By 2010, the material condition of the surface fleet was determined to be well below acceptable levels to support reliable, sustained operations at sea and preserve ships to their full ESL. Engines started and the radars rotated, but the warfighting capability and proficiency of these ships had been reduced. We had consumed our redundancy and in many cases, only the most critical systems were in good working order. Warships are inherently redundant, allowing Sailors to isolate systems and use emergency or alternate configurations in order to fight and win a war at sea. Because we were not rigorous in the type of maintenance conducted aboard the ships, and deployments were prioritized over depot-level maintenance, the built in redundancy of our ships was reduced to minimal levels. There was no longer any margin for mistakes or casualties to equipment, whether caused through the normal course of operations or through conflict on the high seas. The situation developed as a result of many well-intentioned changes in material readiness related organizations, policies and processes. Today and into the future, the Navy is committed to reversing these downward trends and has taken significant steps to do so.

Numerous initiatives are currently underway to reverse the negative trends in Surface Force readiness, and to ensure our ships achieve their ESL. Most importantly, Navy has leveraged carrier and submarine maintenance practices in establishing rigorous and comprehensive maintenance program designed to ensure consistent maintenance practices across the surface fleet and to provide oversight throughout the ship's life cycle.

We have established the Commander, Navy Regional Maintenance Center (CNRMC) and the Naval Sea Systems Command (NAVSEA) Deputy Commander Surface Warfare (SEA 21) to centrally manage fleet maintenance and modernization. SEA 21 manages the complete lifecycle support for our surface ships and oversees their maintenance and modernization. CNRMC continues to lead the development and execution of standardized processes, policies, and training at the Regional Maintenance Centers, and is improving the management of private industry maintenance contracts. Under NAVSEA's guidance, the maintenance philosophy for surface ships now parallels the engineering and life cycle processes currently in place for carriers and submarines, which traditionally meet or exceed their design service life.

We have re-established the engineered requirements and Class Maintenance Plans (CMP) necessary for surface ships to reach their ESL. Additionally, we have created life cycle maintenance plans for each ship, based on the Class Maintenance Plans and actual ship

condition. As a result, the Navy now tracks deferred maintenance and integrates that required maintenance into future plans.

We are incorporating best practices into how we evaluate and improve material condition. On the waterfront, we have been making investments in manpower and material assessment programs at the Navy Regional Maintenance Centers to re-establish intermediate level maintenance capability. These investments provide an organic shore-based maintenance capability for repairs that exceed ship's force capability, but do not reach the level required for more costly shipyard repairs. Additionally, they provide journeyman-level maintenance training to Sailors that they can take with them back to sea. The material assessment programs, including the Total Ships Readiness Assessments and Corrosion Control Assistance Teams, ensure we know the material condition of our ships and are taking corrective action to place us on a more sustainable track for our ships to achieve their ESL.

There are five major components to our overarching maintenance program. These are an engineered requirement, execution feedback and metrics to measure performance, disciplined availability planning, funding stability, and schedule stability. We have made significant headway implementing the first two components, engineered requirement and execution feedback. This year, we completed technical foundation papers for all in-service ship classes. FY12 marked the beginning of actual execution of availabilities based on those engineered requirements for the DDG class. In FY13, CGs, LSDs, and LHDs also began executing availabilities based on technical foundation papers. The LPD and MCM classes will be folded into execution in FY14, with the PC and LCS classes rounding out the group in FY16.

In May 2013, we instituted the Surface Ship Engineering Operating Cycle (SSEOC), which instills discipline in the Surface Maintenance program by requiring the maintenance executors to track their performance against the requirements developed by the Surface Maintenance Engineering Planning Program (SURFMEPP). It enables us to identify, document, and track execution-year impacts to our ships' ESL. SSEOC also supports the Navy's fiscal decision-making as it feeds into our Planning, Programming, Budgeting and Execution (PPBE) cycle.

The lessons learned over the past few years have highlighted a need to improve our planning processes; specifically, availability duration estimation and work package finalization and costing. Planning for these events must start years in advance to ensure the appropriate

materials are on hand when required. We are committed to conducting the necessary availability planning to ensure successful completion of our ship maintenance availabilities. While there are upfront costs to executing planning, the costs associated with correcting missed maintenance are far greater.

Surface Ship Reset

Based on the work we have done to develop engineered requirements since 2009, we have a solid understanding of the scope of maintenance we must execute on our ships to “reset” their material condition and restore their ESL after years of high operational tempo and deferred maintenance from Operation Iraqi Freedom and Operation Enduring Freedom. When we started the reset process, there were eighty-nine ships that required significant dry-docking maintenance availabilities to reset. Today, there remain fifty-three ships that require reset during their next dry-docking availabilities. We have requested an additional \$346.6M in FY14 for this purpose, with an additional estimated \$2B required in future years.

Overseas Contingency Operations Funding

We continue to rely on Overseas Contingency Operations (OCO) funding for a significant portion of our enduring baseline ship maintenance requirement. We currently fund approximately 80% of the requirement with baseline funding and 20% with OCO. This does not include the reset requirement, which is also funded with OCO. As a result, surface ship maintenance funding will remain particularly vulnerable as the current contingency operations come to an end and OCO funding is phased out. Moving enduring ship maintenance and reset requirements into baseline funding requests will be complicated by an increasingly pressurized baseline budget, especially if sequestration continues.

Conclusion

We have made significant progress in the last few years understanding the material condition of our surface fleet and improving our maintenance processes to better maintain our ships. We have also quantified, and with your support, begun to fund the additional maintenance required to address the backlog of deferred maintenance to reset the material condition of our ships. We have executed essential dry-docking maintenance on many ships to restore their

material condition to an acceptable level. However, without the continued support of Congress and stability in the budget process, the Navy may be forced to cancel or defer important maintenance and training -- reducing future operational availability and the ability of ships to achieve their ESL. More importantly, this would deprive our Sailors of the proper tools to deter aggression around the world, and when necessary, to fight and win our Nation's wars.

The President's FY14 budget supports the maintenance, training, and operation of our surface fleet, allowing us to support the Defense Strategic Guidance and the Chief of Naval Operations' tenets of Warfighting First, Operate Forward, and Be Ready. We strongly encourage Congress to support the President's budget in place of the drastic cuts imposed by sequestration, which would result in further degradation to our surface fleet readiness. Thank you for your continued support.