

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF

**ADMIRAL MARK FERGUSON
VICE CHIEF OF NAVAL OPERATIONS**

ON NAVY READINESS

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

READINESS SUBCOMMITTEE

APRIL 10, 2014

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

Chairman Wittman, Ranking Member Bordallo, and distinguished members of the House Armed Services Readiness Subcommittee, I appreciate the opportunity to testify regarding our Fiscal Year 2015 Operations and Maintenance, Navy (O&M,N) budget request.

The operations and maintenance account enables our Navy to operate forward with a well-trained, well-equipped, and ready force. As we conclude over a decade of conflict and bring our ground forces home from extended stability operations, your naval forces remain on watch around the globe. In fact, Combatant Commanders continue to express a sustained high demand for naval forces in all theaters of operations.

With your support, the Fiscal Year 2014 appropriation has improved our forward operations and readiness over the previous year. Through the remainder of this fiscal year, we are restoring fleet training, maintenance, and operations, and will recover a substantial portion of our FY13 maintenance backlog.

Our FY15 Operations and Maintenance, Navy (O&MN) request of \$39.3 billion reflects an increase of approximately \$3.5 billion over our FY14 enacted baseline.

This budget request will enable us to continue to execute our missions, but with increasing risk in specific missions articulated in the *Defense Strategic Guidance*. In preparing this budget, we set the following priorities:

1. Sea-based strategic deterrence
2. Forward presence
3. Capability and the capacity to win decisively
4. Force readiness
5. Sustain our technological edge in key asymmetric capabilities
6. Sustain a relevant industrial base

Our budget request is a balanced portfolio of capabilities and readiness investments aligned to these priorities. We will continue to maximize our presence using forward-basing and innovative combinations of trained and ready rotational and forward-stationed forces, while making necessary investments to sustain the appropriate readiness of our non-deployed forces.

My testimony will focus on Navy's readiness posture as it relates to the operations and maintenance funding request for FY15.

Our Navy Today

With passage of Bipartisan Budget Act of 2013 (Public Law 113-67) and Consolidated Appropriations Act, 2014, our Navy has received sufficient funding to meet the requirements of the adjudicated FY14 Global Force Management Allocation Plan (GFMAP). We will train those forces required for operational deployments in FY15, while accepting risk in delayed modernization and reduced investments in shore infrastructure. The FY15 Navy budget request, with anticipated Overseas Contingency Operations (OCO) funding, will provide the operations and maintenance funding necessary to maintain, train and operate the proposed operational fleet structure and sustain required levels of readiness.

To remain a balanced and ready force across the Future Years Defense Plan (FYDP), this budget proposes slowing cost growth in compensation and benefits, maintaining the option to refuel or inactivate one nuclear aircraft carrier (CVN) and a carrier air wing (CVW), and inducting eleven guided missile cruisers (CG) and three dock landing ships (LSD) into a phased modernization period. Compared to last year's budget request, we propose canceling procurement of 79 aircraft, 3,500 weapons, and reducing funding for base facilities sustainment, restoration, and modernization.

While Navy has endeavored to "reset-in-stride" across a decade long period of high tempo operations, we require approximately five years beyond the end of combat operations in

Afghanistan to complete the process. This is driven primarily by the backlog of ship maintenance as some of the work on these capital assets requires a dry-dock maintenance availability with intervals that average eight years.

We also accepted additional risk in shore infrastructure investment and operations. Our budget request prioritizes nuclear weapons support, base security, child development programs, and air and port operations. Our budget request funds facilities' sustainment to 70% of the DOD Facilities Sustainment Model, and prioritizes repair of critical operational facilities like piers and runways, renovation of inadequate barracks, and improving the energy efficiency of facilities. Less critical repairs will necessarily be deferred.

We are mindful that this risk will compound over years and must eventually be addressed. Accordingly, we will continue to aggressively pursue opportunities such as reprogramming or realignment of funds in the year of execution to sustain our shore infrastructure.

Our Navy Tomorrow

With continued OCO funding, the budget request will meet the adjudicated requirements of the FY15 GFMAP, including at least two Carrier Strike Groups (CSGs) and two Amphibious Ready Groups (ARGs), operating forward, fully mission-capable and certified for deployment. Our budget request improves our ability to conduct the ten primary missions of the *Defense Strategic Guidance*, but with increased risk in at least two primary mission areas. We will deliver ready forces to conduct the DSG primary mission *Deter and Defeat Aggression*, but with less margin for error or ability to respond to unforeseen or emergent circumstances

Additionally, we will conduct, but with greater risk, the DSG primary mission *Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges* against a technologically advanced adversary. This is principally due to slower delivery of new critical capabilities such as Navy

Integrated Fire Control-Counter Air (NIFC-CA), E2-D *Advanced Hawkeye* aircraft, and Standard Missile-6, and reduced ordnance procurement.

Our budget request proposes a phased modernization for 11 *Ticonderoga*-class cruisers that will add 137 operational “ship years” over the long term with fully modernized and relevant ships. A similar plan is proposed for three *Whidbey Island*-class LSDs requiring modernization. We would prefer to maintain routine deployments with these ships and continue a normal modernization schedule, but without the associated readiness funding this will create an imbalance, negatively impacting readiness across the Fleet.

We continue to expand forward presence and relieve stress on the rest of the force through traditional and innovative approaches, including the use of new platforms like the Joint High Speed Vessel and Mobile Landing Platform.

Improving our operational efficiency also contributes to maximizing our global presence. Our FY15 request includes investments in energy efficiency that provide our forces with increased endurance, range and flexibility while on station, which enhances our Navy’s persistent, distributed presence.

The following sections address some of the readiness aspects of our budget request:

Generating the Force

Navy manages force generation using the Fleet Response Plan (FRP). This cyclic process provides time to plan and execute maintenance and modernization of our platforms, and then train the crew in all assigned missions. This enables Navy to deliver the forward presence required in the adjudicated GFMAP and generates contingency operations capacity. To meet the high operational demand over the last ten years, we found ourselves extending deployments to meet operational tasking, to the detriment of maintenance and training. In FY15, our budget proposal supports implementation of an Optimized Fleet Response Plan (O-FRP) to address

these challenges. O-FRP reinforces the tiered cycle of readiness for Navy units, providing time to complete required maintenance and graduated levels of training to sustain Fleet readiness for the long term. In addition, it provides a more predictable schedule for our Sailors and their families.

Ship Operations

Our budget request for FY15 provides for 45 underway OPTEMPO days per quarter deployed and 20 days non-deployed. Our baseline request supports a 2.0 global presence for CSGs and 2.0 for ARGs. Navy's OCO request will provide a level of funding that meets the full adjudicated FY15 GFMAP ship presence requirement, higher operational tempo for deployed forces and sufficient operating funding for unit level maintenance and training.

Air Operations (Flying Hour Program)

The Flying Hour Program (FHP) funds operations, intermediate and unit-level 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. The FY15 baseline program provides funding to maintain required levels of readiness for deployment or surge operations, enabling the Navy and Marine Corps aviation forces to perform their primary missions by funding the average T-2.5/T-2.0 USN/USMC training readiness requirement in the base budget. OCO funding will be requested for higher deployed operating tempo.

Fleet Training, Training Ranges and Targets

We are sustaining investments in key training capabilities, including Fleet Synthetic Training, Threat Simulation Systems, and the Tactical Combat Training System as well as improving training capabilities for our surface force Sailors. Our request continues procurement of high speed, maneuverable surface targets to emulate the anti-access fast assault craft threat, and continues development of the next generation of aerial targets.

Physical and electronic encroachment on our Navy ranges, operating areas, and special-use airspace continue to impact our ability to conduct training, testing, and evaluation activities. Our FY15 budget request continues to mitigate challenges presented by traditional and emergent encroachment, such as urban expansion, electromagnetic spectrum and frequency loss, ocean observing systems deployment, and foreign investment proximate to our installations and ranges.

Readiness Investments Required to Sustain the Force - Ship and Aircraft Maintenance

The Navy maintenance budget requests are built upon our proven sustainment models, continue our ongoing investment in improved material readiness of our surface combatants, and move forward the integration of new capabilities into naval aviation.

The FY15 budget request funds approximately 80% of the ship maintenance across the force, supporting both depot and intermediate level maintenance for carriers, submarines and surface ships. OCO funding will be necessary to execute the full requirement, including continued reduction of the backlog of maintenance in our surface ships. We have improved our understanding of the material condition of our ships and updated Class Maintenance Plans to add rigor to the ship maintenance planning and execution process. These actions, with the anticipated level of funding, will ensure that our ships achieve their expected service life. The request also funds 80% of our aviation depot maintenance requirement in baseline, and supports the transition to new electronic attack, helicopter, and maritime patrol aircraft.

Spare parts investments correlate directly to readiness and are indispensable to successful introduction of new capabilities and sustainment of existing programs. Budget requests for spares are based on models that maximize cost benefits while attaining specific maintenance requirements and operational availability goals. Rigorous processes are in place to ensure available funds are fully executable and applied according to Fleet readiness priorities.

Navy Expeditionary Combat Forces

Navy expeditionary combat forces support ongoing combat operations and enduring Combatant Commander requirements by deploying maritime security, construction, explosive ordnance disposal, logistics and intelligence units to execute missions across the full spectrum of naval, joint and combined operations. Our baseline funding request in FY15 represents 42% of the enduring requirement, necessitating OCO funding to meet the full requirement. As U.S. force levels in Afghanistan decrease, Navy expeditionary forces remain instrumental to the retrograde and reset of equipment and personnel, providing engineering and maneuver support to the joint ground combat elements. Continued OCO funding for the reset of deployed equipment will be critical to the long-term readiness of the force.

Readiness Investments Required to Sustain the Force – Shore Infrastructure

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. As we have done for several years, we continue to take risk in the long-term viability of our shore infrastructure to sustain Fleet readiness under the current top line. The FY15 budget request includes funding for a capital investment of approximately 3.5% across all shipyards and depots, and funds the most critical deficiencies related to productivity and safety at our depots.

Our Navy into the Future

A return to sequestration spending levels in FY16 and beyond will lead us to a Navy that would be insufficient in size and capability to conduct the missions of the 2012 *Defense Strategic Guidance*. Under that scenario, additional force structure adjustments, to include the inactivation of one nuclear aircraft carrier and one carrier air wing, would be required to fund

adequate readiness of the remaining force. This would result in a smaller and less capable Navy with insufficient capability and capacity to execute at least four of the ten primary DSG mission areas. Continuing to address this challenge on an annual basis without a realistic FYDP planning horizon sub-optimizes decision-making, impacts future readiness and safety, delays the introduction of new capabilities and upgrades, risks long-term gaps in the professional development of our personnel, and ultimately increases cost.

Despite these challenges, we are fortunate to continue to enjoy the highest quality force in our history. These outstanding men and women who serve our nation at sea make us the finest Navy in the world. On behalf of all of our active, reserve, and civilian Sailors, I wish to express my appreciation for your efforts and continued support of them and their families.