[H.A.S.C. No. 113–54]

ENSURING NAVY SURFACE FORCE EFFECTIVENESS WITH LIMITED MAINTENANCE RESOURCES

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON READINESS

MEETING JOINTLY WITH THE

SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

HEARING HELD
AUGUST 1, 2013

U.S. GOVERNMENT PRINTING OFFICE
82–469 WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office,
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ENSURING NAVY SURFACE FORCE EFFECTIVENESS WITH LIMITED MAINTENANCE RESOURCES

HOUSE OF REPRESENTATIVES, COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON READINESS, MEETING JOINTLY WITH SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES, *Washington, DC, Thursday, August 1, 2013.*

The subcommittees met, pursuant to call, at 4:22 p.m., in room 2118, Rayburn House Office Building, Hon. J. Randy Forbes (chairman of the Subcommittee on Seapower and Projection Forces) presiding.

OPENING STATEMENT OF HON. J. RANDY FORBES, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES

Mr. FORBES. Gentlemen, first of all, thank you so much for your patience in being here with us today. We don't get to pick these votes, as you know, and we are sometimes captive to our own voting schedules, but we are delighted to have both of you here today with us. And in the interests of time, we are going to forego our opening statements and go right to you so we can hear from you, if that is all right with you.

And I want to just say this, though: Chairman Wittman and Ranking Member Bordallo and McIntyre are three of the finest people that I know in Congress. We have a wonderful two subcommittees, in that we are probably two of the most bipartisan subcommittees, I think, in Congress and have just a great respect for each other in this these two committees. So we are delighted to have you here, and you will share a lot in, hopefully protecting, the national defense of this country.

We are delighted today to have with us Rear Admiral Thomas S. Rowden, who is the director of surface warfare, and also Rear Admiral Timothy S. Matthews.

Gentlemen, thank you for your service to our country and for being here today.

And with that, Admiral Rowden, I don't know if you are going to start, or Admiral Matthews. We would like to turn the floor over to you.

Admiral ROWDEN. I thank you, sir. Chairman Forbes, Chairman Wittman, Congressman McIntyre, Congressman——

Mr. FORBES. Admiral, would you mind, if your microphone is not on, just bring it up close to your mike—your mouth. Sometimes it is hard to pick up.

STATEMENT OF RADM THOMAS S. ROWDEN, USN, DIRECTOR, SURFACE WARFARE (N96), CHIEF OF NAVAL OPERATIONS, U.S. DEPARTMENT OF DEFENSE

Admiral ROWDEN. All right, sir. Congressman Forbes—or Chairman Forbes, Chairman Wittman, Congressman McIntyre, Congresswoman Bordallo, distinguished members of the subcommittees and other distinguished members, I want to thank you for the opportunity to discuss the readiness of our surface forces.

In my career, I have had the privilege to command two carrier strike groups, a destroyer squadron and a destroyer. In all these commands and indeed other commands I have served on throughout my career, no matter what my role was, when it came time to deploy, I wanted to be sure our ships and sailors were not only ready for their assigned missions and any contingencies, but also that our sailors were confident in their own abilities and in the capabilities of our ships and its weapons systems.

Our readiness to deploy is something we work on every day; in the middle of a training cycle; in the middle of a maintenance period or on the day after we return from deployment, it doesn't matter. There are always qualifications to attain, maintenance to accomplish, and tactics to learn. There are always sailors transferring from our command and new ones coming in that need assistance, guidance, training, and leadership. The cycle for every surface ship is always in motion, and it never ends until the day the ship is decommissioned and all hands depart the ship for the final time.

We build our ships, not for peacetime, not for being in port, but rather for executing prompt and sustained combat operations at sea. From the shipboard perspective, to achieve readiness for battle, we must ensure our ships and weapons systems are 100-percent operational and our sailors are fully trained to fight the ship. We train our commanding officers that when they deploy, they must be ready for battle, and if that battle should occur, it is all hands on deck and all gear online and operational, maximum redundancy, maximum readiness to fight the ship.

Thankfully, we have not had to steam our ships directly into harm's way in the recent past. However, the mandate we have from the American people dictates that we must always be ready to go into harm's way and protect American interests. Whether "harm's way" means chasing pirates off the coast of Somalia or combating a missile threat, our ships are designed and our sailors are trained to make use of the redundancy within our vital equipment systems to ensure we can sustain battle damage and still fight and win.

To do that, all of the equipment must be maintained and all our sailors must be trained to operate it. Keeping our equipment properly operating and training sailors takes money and time. When required funding is limited through sequestration or for other reasons, we are forced to make hard decisions about what gets fixed and what training is completed. Make no mistake, we will deploy ready ships, but our ability to respond to contingencies and surge additional ships to a crisis could be reduced.

In the long term, if we do not maintain our ships, the Navy will be forced to decommission ships before their expected service life

or before they reach their expected service life. We estimate that if sequestration continues over the long term, by 2020, we will be reduced from 295 ships down to 257 ships. Over the same period, we do not anticipate the combatant commanders' demand for ready forces will decrease.

Without the continued support of Congress and without the passage of an appropriations bill and reprogramming authority, the Navy may be forced to cancel or defer important maintenance and training, reducing the combat readiness and the long-term viability of our ships. 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.

Thank you, sir.

[The joint prepared statement of Admiral Rowden and Admiral Matthews can be found in the Appendix on page 30.]

Mr. FORBES. Admiral Matthews.

STATEMENT OF RDML TIMOTHY S. MATTHEWS, USN, DIRECTOR, FLEET READINESS (N43), CHIEF OF NAVAL OPERATIONS, U.S. DEPARTMENT OF DEFENSE

Admiral MATTHEWS. Good afternoon.

Chairman Forbes, Chairman Wittman, Congressman McIntyre, Congresswoman Bordallo, and distinguished members of both subcommittees, thank you for inviting me here today and for your continued support of our Navy. I look forward to speaking with you about the readiness of our surface forces.

I do not have the operational experience of my esteemed colleague, Admiral Rowden. However, as a career maintenance officer, I have spent the last 30 years providing combat-ready ships and aircraft to warfighters like Admiral Rowden. And as I look at the readiness indicators of our surface ships today and the likely scenarios that we are forecasting under our sequestered budget in fiscal year 2014, I am very concerned.

We have made great progress over the past few years addressing a backlog of surface ship maintenance that has accumulated over 10 years of high operational tempo. We have developed rigorous engineering standards and maintenance assessment processes that will help improve material condition of our surface ships. And with Congress' help, we have provided the fleet and the shipyards with the funding necessary to execute these processes and the associated maintenance. However, all of this good work is at risk under the deep funding cuts necessary with the Budget Control Act caps.

In fiscal year 2013, with the budget that Congress enacted and the reprogramming authority that was recently granted, we will execute all the scheduled maintenance availabilities. However, furloughs and overtime restrictions at our regional maintenance centers are disrupting waterfront services and technical assistance to our ships, as well as Government oversight of private-sector work. This will result in maintenance delays and compressed training cycles that will make it difficult to meet deployment schedules and which impact the proficiency of the crews and places more stress on our sailors and their families.

The ship operations accounts, which fund the replenishment of spare parts, were also reduced to stay under the mandated caps.

As a result, we have seen an increase in material deficiencies and the cross-decking of spare parts, which are early indicators of readiness degradation.

A sequestered budget in fiscal year 2014 will require significant reductions in maintenance in our surface ship fleet. Those ships scheduled to deploy in fiscal year 2014 and fiscal year 2015 will receive the priority for both training and maintenance dollars. The balance of our surface ships will not receive their required maintenance. In fact, we project that over 50 percent of the scheduled surface ship maintenance availabilities will need to be deferred. If not corrected in future years, these ships will not stay in service till their projected service life and our Navy ship count will decline accordingly.

We are also deeply concerned about the impacts on the health of our industrial base under sequestration. A skilled and proficient labor force in our public and private shipyards is a critical component to Navy readiness, and many of these jobs will be put at risk with the cancellation or deferral of maintenance availability scheduled in fiscal year 2014. These are perishable skills that, once lost, will take a long time to reconstitute. The readiness of our fleet will certainly suffer as this lost industrial capacity results in maintenance delays in the shipyards, a trend we are already witnessing now.

The Navy is committed to improving material condition of our surface fleet, but we cannot do so without the support of Congress. We urge you to enact a more balanced approach to deficit reduction and reverse the detrimental effects that sequestration will have on Navy readiness.

Thank you for your continued support and the opportunity to address you this afternoon.

Mr. FORBES. Thank you, Admiral.

We have been joined by my ranking member, Congressman Mike McIntyre, from North Carolina, and Mike's statement will also be made part of the record.

Gentlemen, I just have two quick questions and then I want to get to our other distinguished members here, but earlier today in a full committee, we had the opportunity to discuss our military's future with Secretary Carter and Admiral Winnefeld. Our conversation was quite startling, I guess, to say the least, and I am shocked at the dismantling and devastation that is being proposed by the Administration, the negative consequences associated with sequestration, as both of you just pointed out.

For instance, a fleet of only eight aircraft carriers will significantly and irreparably harm our global strategic posture.

Now, at this hearing, we will likely have revealed that our existing fleet's being worn out by this period of sustained surge as well.

And, Admiral Rowden, it is my understanding that a severe underfunding has occurred in the ship maintenance accounts over the last 10 years. Fleet representatives indicated to us on a recent trip to San Diego that this underfunding has caused an almost $3 billion shortfall in this account.

When you couple this underfunding with the high operational tempo of the fleet, we now have a force that is highly motivated but are driving ships and equipment that is not properly modern-

ized or maintained to meet their missions. My fear is that with the continued impact on sequestration, the continued reliance on OCO [Overseas Contingency Operations] funding, our ability to adequately support the fleet in terms of size and capacity might be in jeopardy.

Now, considering the long-term underfunding of the ship maintenance accounts and the debilitating impact associated with sequestration, can you give us your opinion as to how this will impact the size and capacity of our surface forces? And what would be the long-term impact of these decisions on the 30-year shipbuilding plan?

Admiral ROWDEN. Yes, sir, Mr. Chairman.

Thank you very much for the question. One of the things that we have worked very hard on over the past 3 years is to understand exactly where the current maintenance conditions of the surface fleet is. And I am very proud of the fact that we have worked very hard to understand exactly where we are. And as you pointed out, it is about $3 billion of what we call reset in order to be able to bring the material——

Mr. FORBES. $3 million or $3 billion?

Admiral ROWDEN. Billion, sir. In order to bring our—that is—I am sorry. About $2 billion. We estimate approximately $346 million in fiscal year 2014 and about $2 billion in the future in order to reset our force. And that is from—that occurs from—because we have had to defer maintenance because of high operational tempo, because we have had a high operational tempo, and because we have had to work—we have had a poor definition of the engineered requirements of what was required to maintain our ships. We now have a good engineered requirement, and I am confident that the money that we say we need to reset the force is—is what it is we need.

The trick will be to continue to keep that on track. One of the problems that I foresee is if for whatever reason we delay the fund—the execution of that maintenance, as time goes on, the price to accomplish that maintenance increases in a greater than linear fashion, and so we really have to get after that reset maintenance on our ships so that we can preserve those ships to their expected service life and maintain the fleet. If we don't get after that, then we may have to look at, because of the increasing costs, having to decommission ships early, and that will—that will reduce our fleet as we move ahead.

Mr. FORBES. And just two more quick questions, and I am asking you to kind of reach back with all of your professional judgment and instincts and kind of give us a little forecast with a crystal ball. And I know it is tough, but it is what we are trying to sell to other members of Congress, but as you look at all of these figures and you see where sequestration is if we don't change it and we are locked in to where it is, where do you think it is going to take us in our overall number of ships that we are going to end up with? If you could, either one of you, address that.

But the second thing is this: In 2007, the Navy was able to meet about 90 percent of our combatant commanders' requirements. The last 2 years, we are meeting about 51 percent of those. If we stay on course with sequestration the way it is and the cuts that have

been made, what is your best guess of where we will be in terms of percentages of meeting those requirements, especially if we look at reducing our carrier groups the way we heard today in our testimony?

Admiral ROWDEN. Yes, sir. Thank you for the question. I—there is no doubt, I think, that given where we are proposing to go with sequestration, that it will reduce the number of ships that we have in the Navy. And I think probably by 2020, we are looking at about 257 ships.

Certainly we have to be able to maintain those ships. Certainly the price tag to maintain those ships goes up as we defer that maintenance. And so I think that in order to be able to deploy the ready ships—and we are deploying ready ships—but I think the surge capacity that we have to be able to respond to any contingency is definitely not where it needs to be now, and it could go down further as we move forward.

Mr. FORBES. And I know it is tough, but give me your best guess of percentage of COCOM [Combatant Command] requirements we can meet. If we only met 50, 51, I think to be exact, the last 2 years, what is your best guess if we stay on this curve line dropping the way it is?

Admiral MATTHEWS. Yes, sir. That is a difficult question to answer, and I would have to answer it in—with two views, one is the short term and one is the long term. So looking ahead to fiscal year 2014, we are going to prioritize the COCOM requirements. The high-priority deployments are the ones that we will keep in the highest priority, but we expect to have to cancel some lower-priority deployments. And if I had to give you a figure, it would be somewhere around the 90-percent range that we would satisfy what we call the global force management plan. So we are pretty confident we will get the highest priority deployments, and by that, I mean the couple of carriers that we will have out there, they won't meet what we have traditionally done when you compare to historical norms, but we will be able to provide what we have out there today.

Now, what Admiral Rowden said is very pertinent, in that sequestration is going to affect the surge capacity that we have in our nondeployed forces. So, as the CNO [Chief of Naval Operations] has said recently, that will be brought down to about one carrier strike group and one amphibious ready group that is available for surge, and that is about it.

Long-term, however, as the force structure would start to come down, I would expect that we are not going to be able to meet as many of these requirements with fewer carriers and fewer surface ships, but a percentage will be difficult for me to figure at this point.

Mr. FORBES. Well, thank you both.

I would like to now recognize the distinguished chairman of the readiness subcommittee, Mr. Wittman, from Virginia.

Mr. WITTMAN. Thank you, Chairman Forbes.

Admiral Rowden and Admiral Matthews, thank you so much for joining us today. I want to pick up on what you stated as far as the efforts going into the service maintenance availabilities. There is a report out by GAO [Government Accountability Office] in Sep-

tember 2012 that reiterates that as these maintenance times are pushed forward, it increases the cost when the ships eventually do get to port. If you postpone too many of them, ultimately, it may become too expensive to even keep the ship in service. So, as you talked about, that ultimately results in ships retiring early. And then if you look at our two—our shipbuilding plan, that ultimately, at the end of the day, reduces the number of ships that we have available in the future, because we can't build them fast enough to replace the ones that we are retiring out of the fleet early. And we already see some of that impact with what we have gone through this past period of time with the nine ships potentially being retired early, the cruisers and the amphibs.

That being said, I wanted to get your perspective on the status of the eight deferred maintenance availabilities that remain in fiscal year 2013 and what that cascade effect has into fiscal year 2014. If you can't get those done, those eight deferred maintenance availabilities in 2013, and the CNO said the other day that there are 30 maintenance availabilities awaiting in fiscal year 2014, you can see the cascading effect that that has. What—what do you see as the cumulative effect if those dollars there, and you spoke of the $1.9 billion needed in that reset effort to get those ships maintained to make sure that they are going to be available for our sailors to make sure they are deployed; tell me what happens if those eight deferred availabilities in 2013 and what happens with the 30 that are on hold and potentially could be deferred in 2014, what does that mean for the number of ships that we have available and for readiness for our fleet?

Admiral ROWDEN. Thank you for that question, sir.

Obviously, if those eight availabilities are deferred or pushed into the next fiscal year, we start to then have a domino effect. There is industrial capacity to execute these availabilities as long as funding is available, but if the funding is not available, you start to pile them up. And eventually, you get to the point where you—if the money does become available—there is no way to get them pushed through, and so you start to "bow-wave" these into the future, and that then results in a delay in the execution of the maintenance. And what we have seen is as we delay that maintenance, there is a rise in the cost of that, and that cost, that rising cost is bow-waved as well into the future.

So you end up ultimately with having a much tougher time putting together a ready force. We will always deploy ready forces, but you have a tougher time putting it together, and you have to put more money together in order to get those ready forces there. So I see a bow wave as we move into the future associated with that.

Mr. WITTMAN. So those maintenance availabilities are deferred. Ultimately, you could end up with ships sitting in port because they are not able to go to sea because they don't have systems that may be up to speed or that are capable of doing the job that they are supposed to be doing?

Admiral ROWDEN. That is correct, sir. That is how I would characterize it.

Mr. WITTMAN. And that to me also then leads right into, you talked about the readiness of our forces and you talked about those different levels. You talked about deployed units, those that are

currently at sea, the next to deploy, and the nondeployed units. Tell me, what effect does it have in also that rotation of what you have in ships and units and sailors? How do those deferred maintenance availabilities affect that readiness as you rotate sailors through their duties at sea?

Admiral MATTHEWS. Well, let me take that one on. As we experience delays in our shipyards and the ships get out late, that will typically mean that whoever is on deployment gets extended and depending on what class of ship it is. But if we were counting on that ship that is in the yard to get out and go on deployment, then that could actually mean a delay in the subsequent deployment of that ship.

And if that occurs, then we will have sailors that are left out there on the pointy end, experiencing a longer deployment, and eventually, that could have an impact on retention, and that would be one fear. That is one impact.

The reliability of these ships as they get their maintenance deferred is going to go down accordingly, and so we will have ships that may be out there on deployment that don't have all of the systems in operating condition. We would, of course, prioritize parts for those ships, but as you reduce the amount of maintenance, there is life-cycle maintenance, repair maintenance. We would be doing only the repair maintenance and not that life-cycle maintenance. And that life-cycle maintenance is what gets you to expected service life. So you would have decreased reliability and a decrease in the expected service life.

Admiral ROWDEN. And I would say, just to piggyback onto that, sir, the other issue that if—with reduced maintenance dollars and reduced ability to keep our equipment operating, you can't train sailors on equipment that is not properly repaired and maintained, and so that reduces our ability to train at home and prepare ready forces to deploy, and so that, again, has an effect.

Mr. WITTMAN. Let me close with one question. I just need a yes or no answer on this. In this scenario, with these deferred maintenance elements and with sailors being at sea longer and potentially on ships that don't have all of their systems operating the way they need to be, does that result in increased risk for our sailors? And if they are in a wartime situation, does that also mean that potentially in that situation, more sailors may die on the high seas?

Admiral ROWDEN. Yes, sir. I would say that is a correct characterization.

Mr. WITTMAN. Okay.

Thank you, Mr. Chairman. I yield back.

Mr. FORBES. Thank you, Chairman Wittman.

The Chair now recognizes the distinguished gentleman from North Carolina for any questions he may have.

Mr. MCINTYRE. Thank you.

You have referred to going down to 257 ships by the year 2030, and I would like you to explain to us other than that general statement, when we ask what is the impact of the 30-year shipbuilding plan and the overarching force structure of the Navy if it doesn't receive the necessary funds to reset the force, can you tell us what you are looking at in terms of timetable about how this would affect the Navy's force structure?

Admiral ROWDEN. Yes, sir. Again, it goes back to the deferral of maintenance and the bow-waving of maintenance into successive years. If we have to defer X number this year and that pushes into the following fiscal year and we have to defer Y, eventually, we get to the point where the cost to maintain those ships grows to the point where it is just not cost-effective to maintain those ships, and therefore, you start to remove them out of service early.

Based on what we have seen, there is a potential that we could go down to as many as 257. I haven't estimated it beyond that. I don't know whether Admiral Matthews has anything beyond the 2020 timeframe, but looking at where we think we may have to go in the next 7 years, we think we are looking at about 257 ships by the time we get to 2020.

Mr. MCINTYRE. When you talk about the cost of maintaining the Navy's force structure, can you explain to—what you are doing with that along with what the cost is in terms of what it takes to deploy the ships, because I know you are talking about maintenance costs versus if we have to do a deployment and how those costs are interacting in the decisions you are making?

Admiral MATTHEWS. Well, generally, we find that the costs to own, as we call it, which is to maintain the ships and get them trained to the point where they are proficient in basic mobility, is between 75 and 80 percent of the total cost of operating and maintaining and deploying a ship. So to deploy the ship is a lesser percentage of the overall costs to own that unit, but it has got to be in balance. So we can't simply elect not to do the maintenance, we can't simply elect not to do the training. So both the steaming days required to get trained and to get out on deployment and the maintenance required to make sure that it is going to meet its expected service life but also be a reliable asset once it gets on deployment are two critical things that we—if we were going to take down, we would have a difficult time balancing that.

But under a constrained budget, what we are projecting to do in 2014, for example, is to bring down the nondeployed training to the minimum levels that we think is safe to get out there and do the mission. And they will deploy in a combat-ready stature once they go on deployment, but while they are back here in CONUS [Continental United States] and in what we call the sustainment phase, they would—their readiness would decline accordingly, so we would take the training dollars down in that regard.

On the maintenance side, which I said is the bulk of the operation and maintenance accounts related to surface ships, we have little flexibility, other than to defer the life-cycle-type maintenance to a future time, future availability, but that puts the service life of the ships at risk, so we don't like to do that.

Mr. MCINTYRE. Okay. Thank you. Thank you, Mr. Chairman.

Mr. FORBES. The Chair recognizes the gentlelady from Guam for any questions she may have.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

As I have stated in the past, I am disappointed that we haven't had a more robust discussion on how we can solve sequestration. Sequestration, in my opinion, is extremely detrimental for a full economic recovery in our country. And the challenges are clear: It

is the action by Congress that is necessary to restore readiness and end sequestration.

And with that said, Admiral Rowden, I have a question for you. Given the DOD's [Department of Defense] strategic rebalance to the Pacific and increased need for naval forces in a maritime environment, what is your level of comfort with the number of battle force ships currently employed and available for use? How is the Navy balancing the need for modernizing our fleet with sustaining the current fleet?

Admiral ROWDEN. Yes, ma'am. Thank you for the question. Currently the forces that we have forward-deployed in the Seventh Fleet are ready to accomplish a mission out there. And I am comfortable that Admiral Thomas, who just relieved Admiral Swift, has the forces that he needs to accomplish the mission today.

I think the trick is understanding how to balance the modernization that we must execute with the fleet with the maintenance that we must execute with the fleet with the dollars that we have available. We obviously have to maintain a modernized fleet. We have to maintain a—or we have to put to sea on a ship that is—on a fleet that is properly maintained. And the trick that we have on the resources side and N96 in surface warfare, working with Admiral Matthews and working with the fleets, is to try to maintain that balance of modernized ships and maintained ships so that when we deliver those capabilities to the combatant commanders, we give them all the capacity that we have and we give them the maximum capability that they must have in order to accomplish the mission.

Ms. BORDALLO. I have a question for you, Admiral Matthews. Can you comment on how reductions in the operation and maintenance accounts will impact our rebalance of forces to the Pacific area? And what impact will these reductions have on our ability to have equipment that is available for training with our partners in the region?

Admiral MATTHEWS. Yes, ma'am. The Navy is still committed to the strategy of rebalancing the Pacific, and the things that we have in motion today will continue, even under sequestration. However, the pace of those developments I would expect to slow as a result of that.

So, as you know, we are planning to forward-deploy more of our ships, and our rotational forces will be more frequently deployed to the Pacific theater under that strategy. And I don't see that changing, other than the pace of some of those developments.

We are committed to participating in all the exercises, like RIMPAC [Rim of the Pacific Exercise] and other exercises that we engage in overseas, in particular in the Pacific theater. However, the number of units that are engaged in those exercises may have to be reduced somewhat under sequestration. But as these deferrals occur in our availabilities, that is going to have an impact Navy-wide on our ability to get ships to sea and the reliability of those forces.

Ms. BORDALLO. And a followup question, Admiral. What is the impact of the planned drawdown in military force levels on the required capability and capacity of the sustainment industrial base, and what is the general impact of these actions on the workforce?

Admiral MATTHEWS. Well, as I stated in my opening statement, we are very concerned about the impact on the industrial base. And there will be an impact on the industrial base. Both in the public yards and in the private shipyards, we will see an impact as we defer or cancel maintenance availabilities.

We have had an impact with the furloughs, for example. Even though the shipyards were exempted from the furloughs, the supporting activities that order the parts and that do the engineering were not exempted from the furloughs, so we are having some delays in the public shipyards. And even on the private side, at our regional maintenance centers, they are not exempted from the furloughs, so there have been some delays in our private sector availabilities as a result of that as well. That sort of thing will continue.

And it is difficult for a private contractor to maintain that workforce and meet payroll if they don't have a contract in hand. And so as we are cancelling and deferring some of these, I would expect some job losses in the areas of the country where we have our shipyards. And you heard the Secretary at least on one occasion mention RIFs [Reduction in Force]——

Ms. BORDALLO. Yes.

Admiral MATTHEWS [continuing]. Which could also be a possibility. So we are concerned about the health of our industrial base.

Ms. BORDALLO. Admiral, do you have any comments?

Admiral ROWDEN. No, ma'am. Not at this time.

Ms. BORDALLO. All right. I thank you gentlemen very much for answering the questions.

And, Mr. Chairman, I yield back.

Mr. FORBES. Thank you.

And the Chair now recognizes Mr. Courtney for 5 minutes.

Mr. COURTNEY. Thank you, Mr. Chairman, and thank you for holding this hearing, which, again, is just another powerful argument for why we need to turn off sequester. What is amazing to me is that when we passed the fiscal cliff on New Year's Day, the projections that CBO [Congressional Budget Office] scored in terms of revenue have actually been surpassed by almost exactly the same amount as the Budget Control Act target for the sequester cuts to achieve.

So, you know, aside from this being a self-inflicted wound to our military readiness, it is also completely unnecessary. And hopefully people are going to start focusing on what the actual intent of the Budget Control Act was in terms of deficit reduction and the fact that we actually are making great strides without having to have this chainsaw go through essential and important accounts.

Admiral Rowden, you mentioned—but, I mean, we are still not there yet, so we still have to sort of ask a few other questions.

Admiral Rowden, in your opening comments, again, you pleaded with us to make sure that we pass a full defense appropriations bill minus—without the sequester reduction, and also asked for reprogramming authority as well. And I was wondering if you could elaborate a little bit on the second part of that statement, I think I heard you right when you said that and in terms of whether or not that can provide you with some relief in terms of trying to meet, again, essential tasks that you are responsible for.

Admiral ROWDEN. Yes, sir. That is exactly correct. The reprogramming authority gives us the flexibility in order to be able to move the money appropriately to address the issues as they occur. We like to think that we have a good understanding of exactly where we need to go with respect to the execution of the maintenance of our ships.

Unfortunately, when we get ships into dock, when we get them in to start taking a look at them and there is growth work associated with them because we haven't had the opportunity to look at them in the past, we have the situation where we might have to put additional funds toward that, and those additional funds would be much—or the work that needed to be done would be much easier to fund with the reprogramming authority in order to be able to go address those.

Mr. COURTNEY. So Secretary Hale was here last week, and this issue, you know, came up as well in terms of his challenges with furloughs and the fact that it appears that the Pentagon has sort of reached their maximum sort of allowable reprogramming discretion. And, I mean, is it—are—is your point the same, that if the Department was given a higher number to be able to reprogram, that, again, we might be able to manage these challenges better?

Admiral ROWDEN. Yes, sir. I would say that is a correct characterization.

Mr. COURTNEY. All right. Okay.

And, again, in your testimony, I think one of you, I apologize, I read it pretty fast, there was, again, mention of the fact that you are still somewhat reliant on OCO accounts to, again, get the work done. Again, if you could sort of elaborate a little bit on that issue and just sort of where are we headed, because obviously, that is something that falls outside of sequestration in terms of the tapering down of OCO funding.

Admiral MATTHEWS. Yes, sir.

In our operations and maintenance accounts, we are heavily reliant on OCO funding, as you point out, and that will continue into fiscal year 2014, but the area that we are the most leveraged is in our ships' maintenance accounts, and that is what gives me great concern. Twenty percent of the funding that we get for the ships' maintenance account is OCO funding. And the way that we fund the public and private shipyards, it means that the surface ship Navy takes the brunt of the effect of the OCO decreases. We fund almost all of the availabilities in our budget for the surface ship Navy with OCO funding, to the tune of about $1.3 billion in 2014, for example.

So it is a big concern, particularly as we face sequestration. The demise of OCO is another area where we are very concerned. And the backlog of surface ship maintenance that we have been attacking lately through reset funds is also obviously OCO money, and our ability to catch up on all this backlog of surface ship maintenance would be negatively impacted if we lost the OCO money.

Mr. COURTNEY. Well, thank you, Mr. Chairman.

Yield back.

Mr. FORBES. Mr. Runyan is recognized for 5 minutes.

Mr. RUNYAN. Thank you, Mr. Chairman.

And Admiral Matthews, you kind of answered my question a little bit earlier, but I just want to really talk about the defense industrial base. I think a lot of people miss what, say, workers in the private sector, to lay them off, to actually retrain them, what the long-term cost of that is. Do you have any guidance on that?

Admiral MATTHEWS. Well, it would be difficult to estimate the long-term costs, but these are skilled artisans that we are talking about here. These are pipefitters and welders and electricians that take years to develop those skills. If they are laid off, I would expect them to go find employment elsewhere. So if we are talking about reconstituting that capacity, we are talking about taking in apprentices, and years in the making for those kind of skill sets that are required to work independently in a shipyard. So while it would be difficult for me to project a cost, we can certainly project a reduction in capacity as a result of that.

Mr. RUNYAN. And I raise that question, because I don't think anybody can put a cost estimate on it. I raise it to say that something has to be done, because once you lose that skill set, it is almost invaluable. You can't put a price tag on it. And I warn people of that all the time as we move through this process. And when that process starts, as you just said, your capacity to actually retool slows down, and that wave hits the next tier and the next tier and everybody's supplying everything down. I just wanted to make that point. I know many people make it, but I just wanted to reiterate it. And I thank you both to your service.

And I will yield back, Chairman.

Mr. FORBES. Thank the gentleman. Mr. Langevin is recognized for 5 minutes.

Mr. LANGEVIN. And thank you, Mr. Chairman.

Gentlemen, I want to thank you for your service to our country and your testimony here today. I especially appreciate having your insight as we attempt to navigate these very, very obviously challenging fiscal times right now.

Since the DOD has released the conclusions of the Strategic Choices and Management Review, I find it troubling that, as many of my colleagues do, the DOD is having to make, in my opinion, very unacceptable cuts in areas, such as modernization and force structure, that will no doubt affect this Nation's security for years to come. As you may be aware, I am particularly concerned about the impacts on our shipbuilding multiyear procurements that Congress has authorized. And as you alluded to, there is a complex interplay between maintenance, which ensures the long-term viability of our ships, and 30-year shipbuilding plan.

A lot of the questions I had prepared have already been addressed, so let me get to a couple that we haven't touched on yet. Can we talk about the—what unfunded costs are we looking at for the total surface ship reset over—and over what timeframe, and how does shipyard capacity play into that calculus?

Admiral ROWDEN. So I think I can address the costs, and I will turn it over to Tim for the shipyard piece. But by our estimations, the reset requested is a little over $346 million in the fiscal year 2014 timeframe, and we estimate that it is going to be about $2 billion into you the future in order to be able to complete the reset of our surface ships.

Tim.

Admiral MATTHEWS. And that reset obviously requires industrial capacity. And the reset is really getting done in docking availabilities and drydock, because it is very heavy, labor-intensive maintenance that we do. So that requires us to have the drydocking capacity, so the facilities as well as the skilled labor in order to execute the maintenance.

So our concern would be that as funding erodes and the OCO funding goes away, availabilities are cancelled, the industrial base capacity is reduced accordingly, and then it is more difficult to get that reset maintenance done in the future.

Mr. LANGEVIN. That—I would share your concern, and the point you raise, then, is well taken.

To help improve the material condition of the fleet, the Navy has reorganized OPNAV [Office of the Chief of Naval Operations] offices, stood up new maintenance organizations, and partnered with the American Bureau of Shipping. What, if any, measurable results or cost savings has resulted from these efforts?

Admiral ROWDEN. Sir, I have—I was on the CNO's transition team when this was initially discussed a little under 2 years ago. I then reported to the OPNAV staff and was there for the realignment of the staff and the standing-up of the maintenance organization without my organization, OPNAV N96, in order to be able to get at the maintenance piece. And so I had the ability to then build an organization within OPNAV and 96, drawing from various expertise from various areas in order to be able to pull that in. And I am happy to say that—and, again, working very closely with Naval Sea Systems Command and understanding what we have done really over the last 3 years to understand, I think, very, very well the material condition of the ships that we have and what we have left to do in order to be able to reset the force.

We have—and in addition to my time on surface ships, I have also spent a significant amount of time in nuclear power, so what we did is we pulled the processes that the nuclear power portion of our Navy does in order to determine their real requirement, and we instituted that in the surface Navy. And when we instituted that in the surface Navy, that allowed us to very succinctly get at exactly what the costs were.

And so I am confident, given the fact that we have now been executing this process for about 3 years, that we do know the condition of our ships and we have a good understanding of how to then go determine what funding must be applied, and that is wholly with OPNAV N96. And I am able to advise my boss as we build the budgets for the Navy in order to be able to understand and defend exactly what it is we need.

Mr. LANGEVIN. But in terms of any hard dollar savings, can you point to any numbers, or is that still a work in progress?

Admiral ROWDEN. That is, I think, a work in progress. I do not have hard numbers for you, sir, but I can tell you that I think that the processes that we have will allow us to drive much more efficiency into the execution of the maintenance of our surface ships.

Mr. LANGEVIN. Thank you. I thank you both for your service.

And I yield back the balance of my time.

Mr. FORBES. The gentlelady from Missouri, Ms. Hartzler, is recognized for 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman.

And thank you, gentlemen, for all that you do for our country.

I was—I am very concerned, obviously, about all of this as well, and I was wondering with the decreasing fleet size and expanding requirements, particularly with a pivot to the Pacific, what share of COCOM requirements is the Navy unable to fulfill?

Admiral MATTHEWS. Well, ma'am, looking off into the future, it depends on the time horizon that we are looking at, but in the short term, we are going to prioritize all of the deployments in the Pacific area and in the central command area, and we will be able to meet all the high-priority deployments in fiscal year 2014. There will be a handful of deployments that we will probably have to cancel, but those are lower-priority deployments, and they would be most likely in the Southern Command, SOUTHCOM [U.S. Southern Command] area, as we did this year. We cancelled a number of deployments this year, as you may know, in the SOUTHCOM area.

But looking forward, as the force structure comes down under sequestration, which has been proposed, and as the money for maintenance and operations declines, I would expect that we would be forced to decline more, a higher percentage of the COCOM requests.

Mrs. HARTZLER. And I apologize for not being able to get—be here earlier to hear your statements, you may have touched on this, but my husband and I sell farm equipment, and we know how service is very important to the life of a tractor and I know it is important to the life of all machines. And I was wondering, with the deferred maintenance that you are seeing among the ships, how does that correlate to the ship's ability to reach the expected service life? Are you expecting so—to shorten the amount of service life for the various fleet?

Admiral ROWDEN. Yes, ma'am, I think that certainly the delayed maintenance or the deferred maintenance causes, when you eventually are able to get to that maintenance, a significant cost increase in the execution of that maintenance, and so then the decision has to be made, can we afford to keep that ship, or do we have to take it out of service as a result of that?

Mrs. HARTZLER. Uh-huh.

Admiral ROWDEN. And so I think as we push—as we defer maintenance availabilities and we are looking at up to 30 maintenance availabilities having to be either deferred, delayed or canceled next year, that will just continue to bow-wave the readiness issues into the future. And as a consequence and as a result of the increasing costs of the execution of maintenance, we may have to look to remove those ships out of the inventory earlier just because they would become too expensive to maintain.

Mrs. HARTZLER. Yeah. That is very concerning. I was wondering overall, back to the Pacific, is demand increasing in that area and how are you being able to mitigate any shortfalls that you see? Like you say, in SOUTHCOM, you had to stop some deployments. So they have just done without, or do you try to change the mission?

Admiral MATTHEWS. Well, to a large degree, they have been doing without, and we have been doing what we can to supplement with other forces as possible.

A strategy that we have is to intentionally focus more on the Pacific theater, so we will be rotating more forces to the Pacific, and we will also be forward-stationing more forces in the Pacific, according to our strategy, to the point where we will have about 60 percent of our forces focused on the Pacific and the 40 percent on the Atlantic side. And that is going to proceed apace, even under sequestration, but at probably a reduced rate.

Mrs. HARTZLER. Could you expound just a little bit on the SOUTHCOM deployments that have been cancelled? Some of them have to do with drug interdiction. Is that right?

Admiral MATTHEWS. I need to be careful that I don't get into a classified area, but we did, for instance, cancel the *Comfort,* which was the hospital ship that was going down there, and we cancelled, I believe it is three frigate deployments that were going to occur, and they typically do that sort of work.

Mrs. HARTZLER. Okay.

Admiral MATTHEWS. Yes, ma'am.

Mrs. HARTZLER. Well, thank you for what you do.

I yield back, Mr. Chairman.

Mr. FORBES. Thank the gentlelady.

Mr. Peters is recognized for 5 minutes.

I ask unanimous consent that nonsubcommittee members, if any, be allowed to participate in today's hearing after all subcommittees have had an opportunity to ask questions.

Is there any objection?

Without objection, nonsubcommittee members will be recognized at the appropriate time for 5 minutes, and this is the appropriate time to recognize Ms. Davis, and she is recognized for 5 minutes.

Mrs. DAVIS. Thank you very much, Mr. Chairman.

And thank you both for being here.

I appreciate this opportunity both to be with you, Admiral Rowden and Admiral Matthews.

I want to talk for a second about San Diego—I bet you were expecting that—and the concerns about the future of our naval surface fleet. And I hope you could explain to me, in April, it was announced a plan to increase end strength by about 4,000 personnel by the end of this fiscal year, and yet today, the Navy—it was suggested in the paper that the Navy might have to sideline up to three carriers.

And while I suspect you understand my desire to protect all of our Navy personnel, I want to ensure that we are spending our money wisely and wonder if we are not going to have a much harder time suspending these three carriers from service when we are ready to put them back into service.

How much would it cost to bring them up to par when you decide to put them back into service? What maintenance will be needed to keep them in a condition that would not take away from their full service life? And how would these additional 4,000 personnel be utilized when you are planning to eliminate the jobs of up to 18,000 other sailors? Are you familiar enough with this situation and can you—how do we deal with this?

Admiral MATTHEWS. Well, ma'am, the proposal to bring down the number of aircraft carriers is really still being evaluated. Obviously, one of the cost savings would be in personnel, because there are, you know, roughly 5,000 folks that are assigned to the air wing and the aircraft carrier, so that is a large cost that we would be looking to reduce. But you can't just park an aircraft carrier, because it has got a nuclear reactor on it, so you would have to maintain some sort of a minimum crew or decommission the ship entirely, but those things are being evaluated at this point. And if you are interested in more information, I would have to take it for the record.

[The information referred to can be found in the Appendix on page 43.]

Mrs. DAVIS. Do you want to—you don't want to weigh in on this, Admiral. I can tell. That is okay.

When we face these kind of issues, though, and just the cost-benefit analysis of how we do this, what—are the savings that real? I mean, obviously, if you have 4–5,000 personnel, but don't you have to find a place for them anyway?

Admiral MATTHEWS. Well, I think the point would be that we would reduce the personnel commensurate with the force structure reductions. So we would reduce the number——

Mrs. DAVIS. You would reduce——

Admiral MATTHEWS [continuing]. Of personnel assigned, along with the maintenance requirement would go away, and all the things that support the aircraft carrier would be reduced as well.

Mrs. DAVIS. But the costs of bringing it back obviously is an issue as well.

So right now we have only two carriers, we have the *Ronald Reagan* and we have the U.S.S. *Carl Vincent.* With the understanding that a third, and I think most likely people talked about it being the *Gerald Ford,* would come to San Diego after its completion. And I certainly had hoped that we would see those three carriers call San Diego home in 2016, but the delay of the *Ford* in recent news articles on the results of the SCMR [Strategic Choices and Management Review] calling for the possible sidelining of these three carriers have brought some uncertainty, as you can imagine.

So how will these proposed drawdowns to the surface fleet affect the home port and our carriers in the future? How does that really change the whole configuration of the expectation that we have in San Diego? And I understand this is still under discussion, but even so, what should we know?

Admiral ROWDEN. Yes, ma'am. I believe I am going to have to take that question for the record, because I think that as Tim pointed out, I think we are still—this was talked about yesterday, and I think that the movement associated with—or how we would deal with that, there is a lot of work that still is required on that.

[The information referred to can be found in the Appendix on page 43.]

Mrs. DAVIS. Okay. All right.

Thank you, Mr. Chairman.

Mr. FORBES. I thank the gentlelady for her service and for her questions.

And I would like to ask unanimous consent for all of the chairmen and ranking member statements to be submitted for the record.

[The prepared statements of Mr. Wittman, Ms. Bordallo, Mr. Forbes, and Mr. McIntyre can be found in the Appendix on pages 25, 27, 28, and 29, respectively.]

Mr. FORBES. Without objection, it is so ordered.

And I want to also thank Admiral Rowden for—I know he is on leave today. Thank you for suiting up and coming in here and helping us. That is truly service beyond the call of duty, but we thank you both.

And we just have a couple more questions, but earlier, you described that your current surge capacity consists of only one carrier strike group and one amphibious ready group. We know from Admiral Greenert's recent press conference, that last year your surge capacity was three strike—carrier strike groups and three amphibious groups.

The fleet response plan provides the Nation the ability to surge assets in time of pending conflict, and we don't always know when that conflict is going to come. Kind of tough to get carriers out of mothballs, rehire 5–6,000 sailors and train them. Can you provide us some examples for the subcommittees on how the Navy has leveraged that surge capacity in recent years? And what is the impact and risk associated with fewer surge assets? It is kind of a follow up on Ms. Davis' question.

Admiral ROWDEN. Certainly, without straying too far into classified——

Mr. FORBES. I understand.

Admiral ROWDEN [continuing]. Conversation, we have been able to meet requests for forces from the COCOMs for specific items. I can tell you, sir, that, for example, when I was the commander of DESRON 60 [Destroyer Squadron Sixty], in the 2006 timeframe, I was in Gaeta, Italy, and it was the July timeframe, and that is when there was a significant action between Hezbollah and Israelis. And the decision was made to conduct a noncombatant evacuation of Beirut, about 15,000 folks.

And I essentially went at a moment's notice from working in Gaeta, turning the ship around that was headed to Augusta Bay to get gas, gassed them up in Souda Bay, pulled another ship out of the Black Sea. We turned around an amphibious readiness group that was in Aqaba, brought them through the Suez Canal, and we were able to execute that noncombatant evacuation because we had ready forces and we had ready forces there. Pulled those 15,000 folks out, and I remember General Jensen saying to me, the sum total of my assignment was to evacuate Beirut—evacuate the Americans from Beirut and don't get anybody killed. And I had the ready forces available to go do that.

Likewise, when *Reagan* Strike Group was on deployment in the 2011 timeframe and she was steaming over to execute an exercise in the Western Pacific and the disaster in Japan occurred, we had ready forces there both in the form of *Essex* and in the form of the *Reagan* Strike Group to go up there and lend a hand for that significant disaster that occurred.

Those weren't necessarily times when we surged forces. However, if they had become protracted, we may have had to move forces out in order to backfill them. But those forces were there. They were ready. And they were on station. And I think that those types of responses could possibly be in jeopardy. And those are just two examples, but I think that they certainly are examples of where we were able to roll in and do what needed to done and do it in a very effective and efficient manner because we had ready forces available to execute.

Mr. FORBES. So, just for clarification, surge really doesn't mean extra. It means needed forces as well. It is just our ability to put them where we need them when we need them. Is that a fair statement?

Admiral ROWDEN. Yes, sir. But I would say that certainly in any larger conflict that were executed, certainly we start to look to the forces that are stateside, and I mean, clearly, a transit across the Pacific Ocean is not something that occurs in days. It is really weeks.

Mr. FORBES. And as a follow up to Ms. Davis' question about cost-benefit analysis, it may be useful for both our committees to have a classified briefing on some of that, too, because that is kind of a cost we have to weigh in, too, when we are doing that.

The Chair recognizes Mr. Wittman for a followup question.

Mr. WITTMAN. Thank you, Mr. Chairman.

I would like to follow up from Chairman Forbes' question. When he talked about surge capacity, let me ask it in a little bit different way. As we talked about, you have deployed units, the next to deployed units, and nondeployed units, so you have different levels of readiness there. If readiness decays, the question is, is how are you able to reconstitute it? Do you have a capability to reconstitute it? And that is both on the sailor side with training but also on the maintenance of those ships to make sure that they are operationally available. If so, if you can reconstitute that, is there a time element in reconstituting it? Is that time element important in being able to reconstitute it? And then what is the cost of being able to reconstitute?

Admiral ROWDEN. Sir, I think you hit the nail on the head. As we bring forces back from deployment, when I brought *Milius* back in the 2001 timeframe, my feeling was we were never more ready than the day we got back because we had just executed a 6-month deployment, and we had done everything. We had steamed the Arabian Gulf and North Arabian Sea, and I had a great crew, and we were ready to go. Shortly thereafter, end of the availability, people transfer. New people come in, training has to occur. You dip down in your readiness, and you start to bring that up. If that maintenance availability—if we hadn't been able to execute that maintenance availability or, for whatever reason, we hadn't been able to execute the training, struggling to get that ship back up, it takes time and it takes money, and if people transfer without relief, you have got to get the proper people in there. You have got to form your team well enough ahead of time to get them trained up and ready to go. You can't bring the team together at the 11th hour and say, Go. You have got to bring them together. You have got to understand the issues associated with where they are, and

that lies on the commanding officer. It lies on the training commands. It lies on all that.

And so when we reduce the readiness of our forces, for whatever reason, because the maintenance dollars aren't available, because the training dollars aren't available, or because the people aren't available, it takes time, it takes money, it takes energy, and it takes a concerted effort on the part of all the leadership from the type commander on down in order to get those forces where they need to be in order to deploy those ready forces, and that is really what we owe to our sailors. We want in their hearts to know that as they deploy, they are confident for whatever mission gets tossed at them.

Mr. WITTMAN. Admiral, just one closing question. And if we can't do that, does that result in increased risk for our sailors?

Admiral ROWDEN. Yes, sir, it think it does.

Mr. WITTMAN. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. FORBES. With that, gentlemen, we want to thank you so much again.

As you heard, both ranking members and the chairmen stated, we appreciate your service to our country. Thank you so much for all you do, the men and women under you, and thanks for taking time to be here with us.

And with that, we should hear bells any time for a vote, and we have two admirals departing, so thank you all for being here with us.

Adjourned.

[Whereupon, at 5:25 p.m., the subcommittees were adjourned.]

A P P E N D I X

AUGUST 1, 2013

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

AUGUST 1, 2013

Statement of Hon. Robert J. Wittman

Chairman, House Subcommittee on Readiness

Hearing on

Ensuring Navy Surface Force Effectiveness with Limited Maintenance Resources

August 1, 2013

I would like to extend a warm welcome to our witnesses this morning and look forward to a robust conversation regarding the reality in the surface fleet today, and the forecast for the future. Rear Admiral Rowden, Rear Admiral Matthews, thank you both for being here today; this is an important conversation not only for us, but also for the Nation to clearly understand the depth of the crisis that is on the horizon.

Earlier this year, we reviewed the Navy's O&M base budget request, but, since that time, we received the OCO request in addition to the reality and impacts of sequestration. I fear this will put you gentlemen in a damage control situation to maintain the fleet, leading to grave concerns for the readiness of the surface force.

The existing force structure took years of investments and maintenance in order to sustain the level of readiness we have today. To achieve that, the Navy has refined its processes, to include more robust maintenance plans providing greater insights into the requirements, fine-tuning the timing of maintenance availabilities, and optimizing force generation requirements through the Fleet Response Plan.

This delicate balance is fragile, and without the needed maintenance and reset of the force, the Navy will be severely challenged to meet its training and operational commitments, let alone retain the ships for their expected service life, which undermines the ability to achieve the 30-year shipbuilding plan.

In testimony before the Readiness Subcommittee in 2011, Navy officials indicated that approximately 70% of the *existing* fleet will be in service in 2020. Reaching expected service life requires an integrated engineering approach to plan, fund, and execute the right maintenance. During that same hearing, the Navy also articulated, and I quote: "the *cheapest* way to afford our Navy with the force structure that we need is to *maintain* the ships that we already have."

The Navy has continually affirmed that it has worn out its ships over the past decade, both through lack of visibility into the true requirements, and as a result of the sustained surge. These two factors result in increased maintenance and unanticipated requirements. That trend is most apparent in the results from the Board of Inspection and Survey which have since 2009 consistently documented that only about 80% of those assets inspected have been deemed "satisfactory." These scores reflect the broader reality of trends associated with increased casualty reports and cannibalization of parts required just to get the fleet "ready."

These maintenance requirements are not inconsequential. In FY14, routine Navy maintenance is a $6.9 billion bill, coupled with an additional "reset" cost of $1.9 billion through FY18.

In previous testimony, the Navy highlighted that it needed both time *and* money to accomplish the necessary maintenance. Due to current budget circumstances, we understand the Navy has currently deferred eight maintenance availabilities in FY13, and hopes to buy them back with a reprogramming request.

The projection for FY14 is equally as bleak. During Admiral Greenert's recent press conference on July 19th, he highlighted that due to sequestration, in FY14 approximately *half* of the 60 availabilities are expected to be deferred.

We are not strictly talking about maintenance . . . it is much bigger than that. It is the compounding effect of missed maintenance, less-than-capable assets for training, continued surge, and operation of ships, all of which results in abbreviated service life of the surface fleet. Add to this mix the tenuous progress the Navy has made

to reverse degraded surface fleet readiness trends, and I'm *deeply* concerned about losing the momentum we have achieved to preserve the readiness of the naval force.

I strongly believe that our long-term Naval strategies cannot be fully articulated until the budgetary pressures get resolved. I am deeply concerned that decisions are being made today that are mortgaging future force readiness, and it is imperative for us to work together to avert that outcome. Our sailors deserve nothing less than the best, most capable equipment with which to train and deploy with, and I am committed to making every effort to ensure that happens.

To conclude, I want to make very clear to this committee and to Congress why we have to get this right and why there is no room for error. There are members of Congress who believe that when we come home from Afghanistan our ships in CENTCOM will return to the United States, moor at their homeport, and wait to be called on again. This is not true and it is simply not how our Navy operates. The Navy does not have the luxury and flexibility to "reset" in the same manner that the Army, Marine Corps, and Air Force have. The Navy is always on watch, always deployed, regardless of whether we are at war or not. Maintaining and "re-setting" a ship takes time and money. There is no other piece of gear like it in our inventory.

On September 10, 2001, our Navy and Marine Corps team was forward-deployed around the world, operating in every major combatant command AOR. They have been forward-deployed since the late 1790s after Congress passed the Naval Act of 1794, authorizing and building our first six frigates so they could deploy to places like the Mediterranean Sea to protect American shipping and combat piracy.

Since then Congress has carried out its duty under Article 1 Section 8 of the Constitution "to provide and *maintain* a Navy," and our Navy has remained forward-deployed and at sea around the globe watching over our sea lines of communication, protecting commerce and our economy, and ensuring maritime security. We have to get this maintenance and readiness right, it is our constitutional duty.

Statement of Hon. Madeleine Z. Bordallo

Ranking Member, House Subcommittee on Readiness

Hearing on

Ensuring Navy Surface Force Effectiveness with Limited Maintenance Resources

August 1, 2013

I want to welcome our witnesses to the hearing today. We are discussing critical topics that will have lasting effects on our Navy and the ability of our military to support and defend U.S. interests. I find this a helpful discussion and greatly appreciate your time.

I will state again as I have in the past, that I am disappointed we are not having a more robust discussion in Congress about how to solve sequestration. We all agree and understand that sequestration is extremely detrimental for the prospects of a full economic recovery in the United States. Cuts to defense and other discretionary programs will have significant negative impacts on the long-term economic growth of the country.

I again want to call upon the leadership of both parties to place everything on the table to find ways to avoid sequestration. I hope that our discussion today about Limited Maintenance Resources in the Navy's nonnuclear Surface Force will encourage members of both parties to get leadership back to the table in a meaningful way and put an end to this punitive approach to governing.

Our Navy faces significant challenges over the coming years which the Navy has testified to in previous hearings. Clearly, if we do not align strategy with the need for sustainment we create a situation where we are negatively affecting the readiness of our military forces. I hope that our witnesses can highlight the increase in cost that will occur when strategy and sustainment are not coordinated. What is the additional cost that is borne by the Government in the long term with such a significant cut in the short term? Furthermore, I hope our witnesses will comment on how the Navy will continue to resource toward the strategic goal of rebalancing our focus on the Asia-Pacific region. What challenges will we encounter with sequestration?

I believe much of what is discussed here today is already known by both DOD and Congress. We are well aware of the maintenance challenges for the DOD in the near term and that the situation will only get worse in the outyears. We know that years of war have taken a toll on the equipment in use today and that these assets are needed in our inventory for longer than they were ever designed to be used. I hope our witnesses can comment on the balance between maintaining our current fleet with the need to modernize our fleet.

I will tell you that the challenges are clear; it's the action needed by Congress that is necessary to restore operational readiness and end sequestration. I fully support having a robust military to defend our Nation and our interests but we must do our part to ensure they have the resources to meet current and emerging challenges.

I will just close by encouraging open dialogue today . . . by recognizing these challenges have solutions . . . and I am committed to helping resolve this. I am thankful to each of you testifying before us today, and I know your leadership will help see us through the challenges on the horizon.

Statement of Hon. J. Randy Forbes

Chairman, House Subcommittee on Seapower and Projection Forces

Hearing on

Ensuring Navy Surface Force Effectiveness with Limited Maintenance Resources

August 1, 2013

I want to welcome all of our members and distinguished witnesses to today's joint Seapower and Projection Forces and Readiness hearing that will focus on "Ensuring Navy Surface Force Effectiveness with Limited Maintenance Resources." Earlier today, we had the opportunity to discuss our military's future with Secretary Carter and Admiral Winnefeld. Our conversation was quite startling. Frankly, I am shocked at the dismantling and devastation that is being proposed by this Administration and the negative consequences associated with sequestration. For instance, a fleet of only eight aircraft carriers will significantly and irreparably harm our global strategic posture.

As this hearing will likely reveal, our existing fleet is being worn out by this period of sustained surge. Unfortunately, there is no indication that demand for our naval forces will abate anytime in the near future. In fact, quite the opposite. In the decade ahead I believe we will increasingly lean on these forces to underpin our national security strategy, protect the world's sea lanes, and operate forward to deter conflict.

While we are currently meeting the minimum requirements of our ever-retreating national strategy, it is painfully obvious that our future readiness is being leveraged to pay for our current requirements and operational commitments. According to Admiral Greenert a couple of weeks ago, "We have today one carrier strike group and one amphibious ready group ready to deploy with all the capabilities. [but] the rest of the fleet is not ready to deploy with all the capabilities that are needed that we would normally have in our fleet response plan." So, when you compare where we are today against a year ago, or even just a few months ago, the changes become obvious. Since the beginning of the fiscal year, the Navy cancelled six deployments, and deferred two more. There is minimal surge capacity, so, while hope is not a strategy, hope will serve as the limit of our expectations should any additional contingencies emerge.

I refuse to accept this. Simply stated, the requirements well exceed the Navy's current capacity to support—due to lack of funds and sufficiently "ready" assets and there is no expectation that demand will decrease. Therefore, we need to ensure we understand what the Navy has, what it can afford, and how it can be effective with limited resources, let alone afford to meet the objective force of the 30-year shipbuilding plan.

Next, let's take a moment to review the 30-year shipbuilding plan that was submitted earlier this year. The Administration once again proposed the early retirement of seven cruisers and two amphibious ships in fiscal year 2015, well before the end of their service lives. With 31 ships being retired over just the next 2 years, we are headed toward a fleet size of 270 battle force ships by FY15. Decline is a choice, and I believe this new plan willingly chooses to continue the slow, painful decline of robust American Seapower. Couple the projection of the shrinking size of our fleet with the reality of the state of our existing inventory and the picture is quite problematic. The consequences of such a long-term deferral of ship maintenance will have a detrimental and long-term impact on the fleet. I intend to review in greater detail today the potential impact of sequestration on the fleet, how that affects the expected service life of the assets, and thereby the ability to meet the Navy's 30-year shipbuilding plan.

Let me be very clear, we *cannot* and *will not* stand idly by while the greatest, most powerful Navy in the world erodes for lack of funding. We must recognize the consequences, not only now—cancelling operations and worldwide commitments—but next year, and across the next decade. Before we realize it—the damage will be irreversible, and our inability to be able to operate forward and project power will embolden regional instability. In the end, further defense reductions will be paid for in the lives of our service members. I refuse to accept this premise and will work to provide a fleet that has sufficient funds for maintenance and modernization and is sized to support our national commitments and ideals.

Joining us today to discuss the Navy's surface force effectiveness are two distinguished gentlemen: Rear Admiral Thomas S. Rowden, Director, Surface Warfare, OPNAV N96; and Rear Admiral Timothy S. Matthews, Director, Fleet Readiness, OPNAV N43. Gentlemen, thank you for being here.

Statement of Hon. Mike McIntyre

Ranking Member, House Subcommittee on Seapower and Projection Forces

Hearing on

Ensuring Navy Surface Force Effectiveness with Limited Maintenance Resources

August 1, 2013

Today's joint hearing will focus on the Navy's current and planned surface vessel maintenance operations. I want to thank Readiness Subcommittee Chairman Wittman and Ranking Member Bordallo for cooperating with myself and Chairman Forbes to make this a joint hearing.

Today's hearing is prompted by some issues that should concern all Americans. First, after 12 years of war, the Navy's ships have been "ridden hard" and in many cases face substantial maintenance work backlogs. Proper maintenance takes time, so digging out of a backlog can be a very long and expensive process.

Second, the Department of Defense faces severe funding shortfalls due to budget reductions and sequestration. Ship maintenance is a very large, multibillion-dollar industrial enterprise. Over time, cutting funding for maintenance year after year will clearly damage the fleet.

Taken together, these two factors—high operational demand and reduced maintenance funding—pose a significant danger to the future of America's Navy. While maintenance may seem like the "routine business" of the Navy, it is in fact a very large, complex, and challenging industrial enterprise that requires years of advanced planning and management—as well as billions of taxpayer dollars.

To be successful, the Navy must constantly adjust its plans to meet the dual demands of forward presence on the seas and keeping ships in fighting condition. Leaning too far in either direction can be costly. If we don't do proper maintenance on our ships, we will wear them out and impose huge costs on the Nation in the future when ships face very expensive repairs or have to be retired and replaced earlier than planned. On the other hand, we maintain a Navy in order to protect sea lanes, defend American interests abroad, and project power. If we don't have enough ships at sea due to maintenance backlogs, we can't achieve those goals.

Also, how we use the fleet has a direct connection to the shipbuilding budget and the future size of the fleet. If ships must be retired early, we face an even greater challenge in the future when we must try to replace them earlier than planned. If ships are not properly maintained today, we could face a future with a much smaller fleet that may not meet our national security needs.

Today's hearing seeks to better understand the risks we face and how to deal with them.

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF

REAR ADMIRAL THOMAS ROWDEN
DIRECTOR, SURFACE WARFARE (N96)

AND

REAR ADMIRAL TIMOTHY MATTHEWS
DIRECTOR, FLEET READINESS (N43)

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

AUGUST 1, 2013

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

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

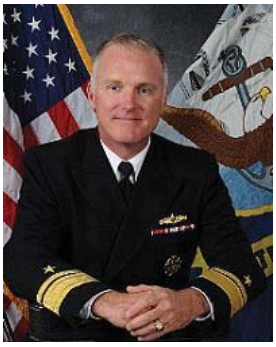
We have made significant progress in the last few years understanding the material condition of our surface fleet and improving our maintenance processes to better maintain our ships. We have also quantified, and with your support, begun to fund the additional maintenance required to address the backlog 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.

United States Navy
Biography

Rear Admiral Thomas S. Rowden
Director, Surface Warfare (N96)
Chief of Naval Operations



A native of Washington, D.C., and a 1982 graduate of the United States Naval Academy, Rear Adm. Rowden has served in a diverse range of sea and shore assignments.

Rowden's sea duty assignments include duty in cruisers, destroyers, and aircraft carriers in both the Atlantic and Pacific Fleets. During these tours, he deployed to the Arabian Gulf, Western Pacific, Sea of Japan, South China Sea, East China Sea, Philippine Sea, Mediterranean Sea, Indian Ocean, Black Sea, and Gulf of Guinea/West Africa areas of operation. He commanded USS *Milius* (DDG 69), served as reactor officer in USS *George Washington* (CVN 73); commander, Destroyer Squadron 60; commander, Carrier Strike Group Seven; and commander, USS *Ronald Reagan* (CVN 76) Strike Group. His most recent assignment was commander, Carrier Strike Group 11, and commander, USS *Nimitz* (CVN 68) Strike Group.

Ashore, he has served on the Joint Staff as an action officer in the Defense and Space Operations Division (J38); on the chief of naval operations staff as the theater missile and air defense branch head for the Director, Navy Missile Defense (N71), and as the executive assistant to the Director of Surface Warfare (N76). He completed a tour as Surface Warfare Officer (nuclear) assignment officer at the Bureau of Naval Personnel Command, and served as commanding officer of Surface Warfare Officers School Command, Newport, R.I., where he oversaw the training of every officer en route to duty on ships at sea. His first flag assignment was commander, U.S. Naval Forces Korea.

Rowden earned his Master of Arts in National Security and Strategic Studies from the U.S. Naval War College. His current assignment is on the Chief of Naval Operations Staff as director, Surface Warfare Division.

Rowden's decorations include the Legion of Merit, the Meritorious Service Medal, the Navy and Marine Corps Commendation Medal, Navy and Marine Corps Achievement Medal and other personal, unit, and campaign awards.

Updated: 8 May 2012

United States Navy
Biography

Rear Admiral Timothy S. Matthews
Director, Fleet Readiness (OPNAV N43)

Rear Adm. Matthews is the director, Fleet Readiness Division. The Fleet Readiness Division is responsible for Planning and Programming, a $23 billion annual budget in support of operating and maintaining the Navy's ships, aircraft, submarines, and expeditionary forces. The division also resources Training Ranges and the Readiness Reporting systems.

Matthews graduated from the University of Colorado in 1980 with a Bachelor of Science degree in Aerospace Engineering. Commissioned in August 1982 through the Aviation Officer Candidate School in Pensacola, Fla., Matthews was designated an aeronautical maintenance duty officer in 1983. He attended the Naval Postgraduate School, Monterey, Calif., where he received his master's degree in Aeronautical Engineering in1995. He was designated an Acquisition Professional Community member in 1998.

Matthews' fleet operational tours include duty aboard USS *John F. Kennedy* (CV 67); Fleet Air Reconnaissance Squadron Two (VQ 2) in Rota, Spain; Tactical Electronic Warfare Squadron 132 (VAQ 132) in Whidbey Island, Wash.; Carrier Air Wing 14 (CVW 14); and Aircraft Intermediate Maintenance Department, Whidbey Island, Wash. During these assignments, he made multiple deployments to the Mediterranean Sea, Western Pacific, and Persian Gulf aboard *Kennedy*, USS *Saratoga* (CV 60), and USS *Carl Vinson* (CVN 70).

Matthews' acquisition tours include Consolidated Automated Support Systems (CASS) Fleet Introduction leader at the Naval Air Systems Command, PMA-260. Beginning in September 2004, he served as director, Joint Depot Maintenance Activities Group, Wright Patterson Air Force Base. Selected for command of the Naval Air Depot Jacksonville in 2004, he reported as executive officer in 2005 and assumed command of the newly re-named Fleet Readiness Center Southeast in 2007. In August 2009, he reported as commander, Fleet Readiness Centers and NAVAIR Assistant Commander for Logistics and Industrial Operations. In August 2011, he assumed his duties as director, Fleet Readiness Division.

Matthews' awards include the Legion of Merit (2), Meritorious Service Medal (4), Navy and Marine Corps Commendation Medal (4), the Virgil Lemmon Award for Maintenance Excellence, and the Association of Old Crows' Maintenance Award.

Updated: 23 August 2011

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

AUGUST 1, 2013

RESPONSES TO QUESTIONS SUBMITTED BY MRS. DAVIS

Admiral ROWDEN and Admiral MATTHEWS. The Navy homeporting plan as briefed to Congressional staffs in May 2013 depicts San Diego as the homeport for two CVNs through 2016. A third homeported CVN is planned for San Diego in 2017. A return to six CVNs homeported in the Pacific is planned prior to 2020, with an ultimate laydown of three CVNs in San Diego. The full impact of DOD budgetary restrictions on the aircraft carrier force structure and homeporting plan is currently being evaluated. [See page 17.]

Admiral MATTHEWS. The plan referenced by Representative Davis was the Strategic Choices Management Review (SCMR). The SCMR examined potential force structure reduction options but it did not explicitly consider reversibility. The SCMR carrier-related efficiencies assumed carriers and carrier air wings would be decommissioned (i.e., reactors would be defueled and ships could not be returned to active service), not placed in a temporary inactive status. From a public and regulatory policy standpoint, the Navy does not place fueled nuclear-powered warships in lay-up. While the SCMR did not examine the feasibility of re-activating nuclear-powered aircraft carriers, the cost to re-activate a nuclear-powered aircraft carrier would be substantial.

SCMR options assumed Navy end-strength would be reduced based on the number of carriers and carrier air wings cut. A significant part of the savings from carrier and air wing reductions is associated with reducing the number of assigned sailors. Overall Navy end-strength is a decision based on balancing strategic objectives and financial constraints. The Navy has processes to carry out such reductions, if the decision is made to do so. The Navy does not plan to reduce manpower unless force structure (ships and aircraft) is reduced. [See page 17.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

AUGUST 1, 2013

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. The committee would like to congratulate the Navy for creating the policy in May of this year that directs the integration of condition based maintenance, a proven technology that will generate cost savings while simultaneously increasing readiness, on ships, ship systems, and equipment. Condition based maintenance has been successfully implemented on aircraft, helicopters, military and commercial vehicles, and trains, all of which have demonstrated cost savings and increased readiness. The committee is encouraged that the Navy has included condition based maintenance on the new Littoral Combat Ship and is planning to rapidly implement condition based maintenance on main propulsion diesel engines onboard amphibious ships. This is important as it will help address a longstanding diesel readiness problem that has resulted in increased maintenance and repair costs. Please advise the committee about the actions the Navy is taking to capture the benefits offered by condition based maintenance and what the plan is to implement this proven technology on all classes of ships? Can you please tell me more about the plan to integrate condition based maintenance on diesel engines and the timeframe for doing so?

Admiral ROWDEN and Admiral MATTHEWS. Condition Based Maintenance (CBM) has been successfully implemented on aircraft, military and commercial vehicles, and trains resulting in a positive cost savings and increased readiness. Regarding the Navy's In-Service Fleet, CBM includes the Integrated Condition Assessment System (ICAS) and the Diesel Readiness System (DRS). Currently, ICAS is the CBM Program of Record used to monitor Hull, Mechanical and Electrical systems and is installed on 65% of the in-service surface fleet. DRS is a diesel engine specific program installed onboard 100% of in-service Amphibious platforms. Periodic studies of ICAS and DRS continue to prove that CBM is a good investment, improving Mean Time to Repair and operational availability.

The Navy's plan to fully implement CBM is a multipronged approach. The Navy is continuing to install ICAS on new construction ships and ICAS and DRS on all new construction amphibious platforms (i.e. LPD 17 Class). Recently, the Navy started a review to determine how best to combine all collected diesel engine data in an effort to improve and simplify remote monitoring. This review and implementation is estimated to take approximately 5 years. The goal is to provide improved diesel engine health assessment by facilitating near real-time analysis for shipboard engineering personnel and the shore-based Navy technical community. Sequestration and budget reductions have impeded the full surface fleet implementation plan and resulted in less frequent review of CBM data by shore-based technicians for both ICAS and DRS.

Mr. FORBES. With the decreasing fleet size and expanding requirements, particularly with the pivot to the Pacific, what share of COCOM requirements is the Navy unable to fulfill? Is demand increasing? What is the risk of not meeting these requirements? How is the risk of these shortfalls being mitigated? How does the Fleet Response Plan enable the Navy to plan and prioritize to meet these requirements? What risks is the Navy taking in core requirements in order to fulfill COCOM requirements?

Admiral ROWDEN and Admiral MATTHEWS. A fleet of more than 500 ships would be required to fully meet the demands of the Combatant Commanders (CCDR), but current and projected fiscal constraints preclude a Navy of that size. Navy provides the maximum presence and surge capacity possible, in support of CCDR requirements and within the constraints of force structure and the budget, through the use of a Fleet Response Plan (FRP) that provisions appropriately trained and ready forces to the CCDR in accordance with the Joint Staff-led Global Force Management Allocation Plan (GFMAP) adjudication process. Navy is simply a force provider and is not positioned to determine the risk a CCDR assumes if a unit is not sourced.

In FY13, under sequestration, Navy is taking increased risk in our core surge capacity by curtailing training for units not scheduled to deploy and delaying pre-deployment training until "just-in-time" to meet scheduled deployment dates. This approach increases the pressure on the Fleet Response Plan sustainment phase and creates challenges in our ability to provide surge ready forces. However, it does per-

mit us to make funding available to ensure our deployed forces are fully ready at all times.

As fiscal pressure forces the Navy to get smaller, the need to move forces forward becomes all the more critical. Forward deploying the forces we do have permits us to maintain forward presence with a smaller rotation base—effectively mitigating the impact of the force reduction. While we try to maximize the utilization of the force, we must also balance that impact against the personnel and service life impacts to the ship and crew. However, DoD and CCDRs may need to revise operational plans to accommodate a significantly reduced force structure.

Mr. FORBES. In recent weeks, the Navy has expressed a concern regarding lack of surge capacity as a result of sequestration and fiscal constraints. Can you please describe exactly what that means, and how that will impact the Navy's ability to meet the Combatant Commanders' requirements?

Admiral ROWDEN and Admiral MATTHEWS. Surge capacity is the number of operationally ready units Navy is able to provide above and beyond the baseline forces provided in accordance with the Global Force Management Allocation Plan (GFMAP). The Navy force generation process is designed to optimize surge capacity to support contingency operations, both for national security requirements or humanitarian assistance, and to support the Combatant Commanders' operational plans.

In today's fiscal environment, Navy is forced to schedule surge capacity just to meet baseline Combatant Commander demand, therefore decreasing the ability to surge forces for contingent operations and emergent requirements. Loss of this surge capacity would be driven by reductions in the battle force, as there would be fewer units available and a higher proportion of those remaining units would be forward-deployed to support GFMAP requirements for naval presence. Surge capacity would also be affected by reductions in training and maintenance funding, which would reduce the materiel condition and operational readiness of nondeployed vessels.

Ultimately, Navy sources all SecDef adjudicated requirements but at long-term risk to maintenance, training, and ship service life. Sequestration and fiscal constraints may require DOD and Combatant Commander to revise operational requirements and plans to accommodate a decrease in Navy's surge capacity.

Mr. FORBES. In Chief of Naval Operations' testimony earlier this year before the full committee, he noted changes to the FY13 GFMAP based on constrained resources. To date, the Navy has cancelled five ships due to deploy to SOUTHCOM, one ship to EUCOM, and deferred the deployment of two additional ships. According to CNO's recent press briefing, July 19th, all told, the Navy is down about 10 forward-deployed ships from several months ago. What risk are the COCOMs assuming as a result of this? What will be the impact on the Navy's ability to support the full range of GFMAP requirements in FY14?

Admiral ROWDEN and Admiral MATTHEWS. Combatant Commanders (CCDRs) are encouraged to ask for any forces they feel would be beneficial to achieve their theater objectives. This demand signal is not constrained by force provider inventory, National Defense Strategy, or other CCDR demands. Navy is simply a force provider and is not positioned to determine the risk a CCDR assumes if a unit is not sourced.

The ability to support the full range of baseline GFMAP requirements in FY14 will be affected by lack of capacity and funding. Navy is deferring and curtailing deployments, maintenance, and training to meet SecDef adjudicated demands under the current budgetary shortfalls. Continuing these actions will ultimately affect Navy's ability to: (1) source future deployers; (2) meet assigned operational commitments; (3) maintain a contingency surge capacity; and, (4) control long-term maintenance costs and achieve ship/aircraft expected service lives.

Mr. FORBES. As the Navy is working toward achieving or exceeding planned service life of the current fleet, we would expect that you are looking at ways to maximize efficiency and leverage your private-public partnerships to help save valuable resources. One of these partnerships is with the American Bureau of Shipping (ABS), the U.S.-based not-for-profit marine classification society, who has developed a risk-based approach to assist the Navy in identifying crucial maintenance needs through their Achieving Service Life Program (ASLP). In fact, in a recent interview in the U.S. Naval Institute magazine VADM McCoy highlighted the success that the Achieving Service Life Program has achieved through identifying the highest risk areas and allowing NAVSEA to refocus its maintenance efforts on those areas. Partnerships like this can help direct the Navy in its maintenance prioritization process and help vessels achieve and in some cases even extend their intended service life at a cost-savings to the U.S. taxpayer.

Looking ahead, how will the Navy continue to work with organizations like ABS to maximize the efficiency of the maintenance process? Is it true that the USS *Port*

Royal was scheduled to have a survey and engineering assessment completed within the ASLP program in 2010? We know that GAO has been directed to look into the decommissioning of the USS *Port Royal*, Is it possible that GAO could conclude after their assessment that the USS *Port Royal* would have benefited from participating in the Achieving Service Life Program and extended its service life beyond 21 years?

Admiral ROWDEN and Admiral MATTHEWS. The partnership with ABS has been beneficial to the Navy and has resulted in several improvements to Navy onboard assessment requirements and the manner in which we develop, track, and prioritize maintenance actions resulting from onboard corrosion assessments performed to Navy standards. Such improvements include revised Navy assessment standards for tanks, voids, and critical spaces; enhanced branding of corrosion-related corrective maintenance actions; and consolidation of Navy assessment findings and corrective action status into Navy databases such as Corrosion Control Information Management System (CCIMS).

ASLP inspections and analyses have been conducted to commercial standards in parallel with mandatory Navy assessments, resulting in numerous lessons learned and improvements to Navy standards and processes. After 5 years of ASLP execution, the number of unique ABS findings is now less than 5% of total findings. In view of the current fiscal climate, coupled with improvements to Navy processes and decreasing number of unique ABS findings, the Navy is evaluating the cost effectiveness of continuing ASLP. Options being considered include augmenting the Navy's onboard assessment resources with ABS inspectors trained to Navy standards, and investigating limited use of ABS engineering expertise in predicting expected service life using Navy assessment results.

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. In cooperation with the American Bureau of Shipping (ABS), the Navy began the Achieving Service Life Program (ASLP) which is a tailored program to prioritize maintenance resources resulting from survey findings combined with structural stress and fatigue assessments. Does the Navy intend to continue ASLP which was recently highlighted as a success story by VADM McCoy in the May 2013 U.S. Naval Institute article "To Improve the Material Readiness of the Surface Fleet"? Please provide some examples of ASLP survey, structural and fatigue analysis findings and recommendations which will help the Navy attain service life as well as improve the targeted expenditure of maintenance funds.

Clearly, there was a cost-savings benefit to the Navy in leveraging the expertise and capability of ABS rather than attempting to acquire or develop an in-house capability. If the Navy does intend to eliminate ASLP, does the Navy have a plan to re-create or develop another service life program and at what cost to the U.S. taxpayer?

Admiral ROWDEN and Admiral MATTHEWS. ASLP was initiated in 2009 along with other measures, such as establishment of Surface Maintenance Engineering Planning Program (SURFMEPP) and increasing resources at the Naval Regional Maintenance Centers (RMCs), in order to improve maintenance planning and achieving ships' expected service life (ESL).

The ABS onboard corrosion inspections are performed to commercial standards and are in parallel with onboard assessments and analyses conducted in accordance with Navy standards. One of the key objectives of ASLP has been to study the findings of ABS commercial surveys/analyses and to develop improvements to Navy standards and processes executed by Navy entities such as the RMCs. As a result, there have been many improvements to Navy assessment requirements and the manner in which we develop, track, and prioritize maintenance actions resulting from onboard corrosion assessments performed to Navy standards. Such improvements include revised assessment standards for tanks, voids, and critical spaces; enhanced branding of corrosion-related corrective maintenance actions; and consolidation of Navy assessment findings and corrective action status in Navy databases such as Corrosion Control Information Management System.

After 5 years of ASLP execution, coupled with continued SURFMEPP evolution and increased RMC assessment resources, the number of unique ABS findings are now less than 5% of total findings. In view of the current fiscal climate, coupled with improvements to Navy processes, and decreasing number of unique ABS findings, the Navy is evaluating the cost effectiveness of continuing ASLP in its current construct. Options being considered include augmenting the Navy's onboard assessment resources with ABS inspectors trained to Navy standards, and limited use of ABS engineering expertise in predicting ESL using Navy assessment results.

Mr. WITTMAN. In light of the existing shortfalls in the FY13 O&M accounts, and the impacts of sequestration in FY14, what are your greatest concerns about the Navy's readiness? And, what is the impact it will have on the future?

Admiral ROWDEN and Admiral MATTHEWS. We are concerned that the cuts imposed by continued sequestration will result in significant degradation to our surface fleet readiness as inadequate funding for life-cycle maintenance impacts the material condition of our ships and their ability to reach expected service life. This will reduce operational availability of our ships and result in a lower force structure than projected by our 30-year shipbuilding plan.

Navy's ability to manage the impacts of sequestration in FY13 is not representative of the expected impact in FY14. The impact of sequestration in FY14 will be more severe since it is a larger topline reduction imposed upon a smaller budget, and because the ability to mitigate readiness impacts by reprogramming prior-year procurement funding was essentially exhausted in FY13. Without reprogramming authority, under sequestration, over 50% of the approximately 60 planned CNO availabilities will need to be cancelled or deferred.

Two additional factors are impacting surface ship readiness. One is the significant backlog of life-cycle maintenance developed after nearly a decade of high operational tempo and deferred maintenance. Funding for the "reset" of surface ship readiness will be at risk under continued sequestration. The second is that we continue to rely on OCO funding for a significant portion of our enduring baseline ship maintenance requirement. As a result, surface ship maintenance funding will be increasingly vulnerable as OCO funding is phased out and baseline budgets become more pressurized.

Mr. WITTMAN. What is the impact of sequestration on surface ship operations?

Admiral ROWDEN and Admiral MATTHEWS. Sequestration in FY14, particularly if combined with a continuing resolution, will compel us to defer roughly half of FY14 surface ship availabilities. Ships impacted will experience an increase in the number of equipment casualties, limiting their ability to operate at full capacity and capability. In addition, the likelihood that the casualties that do occur will be more significant and take longer to repair will increase. Ultimately, the maintenance that was deferred will be more costly and extensive when we finally have the resources to execute that maintenance. If the maintenance is not reconstituted, the ships' ability to achieve expected service life is reduced.

In 2013, steaming days were reduced due to sequestration. It is likely the Navy will have to further reduce steaming days if sequester continues in 2014. Reducing steaming days will negatively impact training and readiness of the Fleet as ships will not be able to get under way to practice important and vital tasks such as gunnery exercises, underway replenishment, air operations, and a multitude of other tasks necessary for safe operations, which will manifest as reduced surge capacity in the event of conflict or crisis response.

Navy also canceled five ship deployments in fiscal year 2013 as a result of sequestration.

Mr. WITTMAN. How much is the Navy reliant on OCO funding? In what accounts? Why is the Navy not moving from OCO to baseline?

Admiral ROWDEN and Admiral MATTHEWS. OCO funding has been essential to Navy's ability to provide "ready" and trained forces during the conflicts in Iraq and Afghanistan over the past 12 years. The operations and sustainment of our Navy expeditionary combat support forces most directly involved in the operations have been highly leveraged with OCO funding. Sustaining this long war has also driven higher maintenance requirements for our ships and OCO funding has become a critical component of our ship maintenance program. The Ship Operations, Ship Depot Maintenance, Aviation Depot Maintenance, and Flying Hour Programs also receive OCO and cannot sustain their present level of operations without it. The Navy PB14 budget requests the following OCO amounts to fund total requirements:

Ship Maintenance	$1.3B (20% of the total requirement)
Ship Operations	$ .5B (18% of the total 51 deployed/24 nondeployed steaming days requirement)
Flying Hours Program	$ .2B (3% of the total requirement)
Aviation Depot Maintenance	$ .1B (11% of the total requirement)
Navy Expeditionary	$ .4B (43% of the total requirement)

Supplemental funding above the baseline will likely be required for some time to restore the readiness of our ships. Navy remains concerned that, although ground combat operations will end in Afghanistan, Navy operations are likely to continue at their current pace or even increase in the coming years. As such, the Navy, in conjunction with the Office of the Secretary of Defense (Comptroller) and the Office of Management and Budget, continues to identify enduring missions funded in the OCO that should transition to the baseline.

Mr. WITTMAN. As the size of the Navy's fleet declines, and staffing levels at maintenance and training organizations feel added pressure from sequestration, what specific risks has the Navy identified that could hinder its ability to execute the Surface Force Readiness Manual strategy?

Admiral ROWDEN and Admiral MATTHEWS. The purpose of the SFRM is to ensure ships are trained, maintained, and certified for success in combat operations in support of a crisis (surge) or scheduled deployment. In order to achieve this certification, each ship requires the budget and the time to complete maintenance and training.

- The Navy is attempting to increase the size of maintenance and training organizations to correct prior deficiencies so we can execute the SFRM strategy and get our forces maintained, trained and certified for deployment.
- Despite increasing the size of maintenance and training organizations, specific risks of sequestration include:
  - Cancelling or delaying maintenance availabilities.
  - Reducing underway training time (a reduction in steaming days).
  - Delaying training until it is absolutely necessary, thereby reducing ability to surge forces.
  - Tailoring training to cover only the most likely missions.

Mr. WITTMAN. To help improve the material condition of the fleet, the Navy has reorganized OPNAV offices, stood up new maintenance organizations, and partnered with the American Bureau of Shipping. What, if any, measurable results or cost savings have resulted from these efforts?

Admiral ROWDEN and Admiral MATTHEWS. Since 2010, Navy has worked aggressively to reverse a decade-long negative trend in surface force readiness due to high operational tempo and a progressive maintenance process that focused on near-term maintenance to get ships under way. Progress is being made to improve the material condition of the Fleet, but measurable results and cost savings take time. As we liquidate the existing backlog of maintenance and continue to improve our maintenance planning and execution processes, we expect more apparent results. Recent accomplishments include:

- Established the Surface Maintenance Engineering Planning Program (SURFMEPP) to provide technical oversight of surface ship maintenance.
- Revised depot maintenance requirements for CG–47, DDG–51, LSD–41/49, LHD–1/8, MCM–1, and LCS–1/2 ship classes to more accurately capture the necessary life-cycle maintenance.
- Updated the tank database which now tracks 12,600 tanks and contains accurate condition information for about 85% of tanks in the Fleet.
- Implemented formal availability work package development process, with Baseline Availability Work Packages developed for 100 total availabilities, 21 of which have been completed to date.
- Established Commander, Navy Regional Maintenance Center (CNRMC) and revitalized RMCs.
- Increased MPN by 1151 billets in POMs 12–14 to reconstitute organic intermediate level maintenance capacity and capability.
- Implemented Workforce Development Program to reestablish Journeyman training at the RMCs, improving the maintenance proficiency and capability of technicians both at RMCs and on subsequent sea tours.
- Improved Integrated Assessment Program, including implementation of Total Ships Readiness Assessments (TSRA) and Corrosion Control Assistance Teams, to improve material condition awareness of ships and assist crews with identifying and correcting deficiencies.
- 203 TSRAs conducted in FY11/12, improving knowledge of ship material condition and maintenance availability planning and execution.
- Patterned after proven CVN and SSN material assessment programs.
- Implemented the Surface Ship Engineering Operating Cycle to instill discipline in the surface maintenance program by requiring maintenance executors to track their performance against the requirements developed by SURFMEPP.
- Enables us to identify, document, and track execution-year impacts to ships' expected service life.

- Informs our Planning, Programming, Budgeting, and Execution cycle to support fiscal decisionmaking.

Mr. WITTMAN. Navy witnesses have testified in recent years that they are turning the corner on reversing the negative trends in surface fleet readiness/maintenance, but needed more time to achieve the results. In the current fiscally challenged environment, how tenuous is that progress? And what is the potential for meeting those requirements coupled with recent trends of sustained surge/high operations tempo of the assets?

Admiral ROWDEN and Admiral MATTHEWS. Many of the readiness initiatives begun in recent years (e.g., Total Ships Readiness Assessments, Class Maintenance Plans, Surface Maintenance Engineering Planning Program, etc.) will endure and continue to benefit surface fleet readiness. However, if sequestration continues without reprogramming, over half the FY14 surface ship availabilities will be at risk, including the reset work that would have been accomplished on those ships. The backlog of life-cycle maintenance will grow even larger, and for some ships may become cost-prohibitive. FY14 availabilities that are completed will be descoped, reducing the amount of reset life-cycle maintenance accomplished and potentially affecting expected service life.

If sequestration in FY14 is averted and the President's baseline budget and OCO request are enacted, the full maintenance requirement for the Fleet will be funded, including $346.6M to "reset" the material condition of surface ships undergoing dry-docking availabilities in FY14. This would put us on a path to reset the remainder of the surface fleet in future years, even if the trend of high operations tempo continues.

Mr. WITTMAN. How do maintenance and modernization correlate to a ship's ability to reach expected service life?

Admiral ROWDEN and Admiral MATTHEWS. Maintenance and modernization correlate to the ship's ability to reach expected service life by addressing two issues: deteriorating material condition due to age/fatigue and the obsolescence of machinery, weapons, sensors, and networks aboard the ship.

If maintenance is not conducted regularly the ship will eventually be unable to operate safely. Equipment may be degraded or become nonoperational, and the ship's structure will become weakened.

Modernizing a ship includes upgrading obsolete equipment so that its combat system can pace a modern threat and replacing old equipment that is no longer supported logistically with new technologies that are in production and available.

Proper maintenance and timely modernization ensure ships are relevant and able to meet expected service life.

Mr. WITTMAN. Given the current budget environment and limited maintenance resources, would you expect the Navy to defer or cancel additional availabilities in FY14? If the Navy defers routine maintenance on surface ships, how will the Navy sustain its current fleet of ships for their expected service life, and fully execute its 30-year shipbuilding plan?

Admiral ROWDEN and Admiral MATTHEWS. Under continued sequestration, the current estimate is that funding for more than 50% of the approximately 60 planned FY14 surface ship availabilities will be at risk.

Not performing ship maintenance when required will result in reduced operational availability due to degraded material condition. If maintenance is continually deferred, the cost and duration of deferred repairs rise significantly. Ultimately, if life-cycle maintenance is not completed, ships will be decommissioned before their expected service life (ESL). Failure of ships to reach ESL impacts our ability to reach the force structure projected by the 30-year shipbuilding plan.

Mr. WITTMAN. Can you please describe the total cost of surface ship reset, length of time required to accomplish it, the type of maintenance required, how the Navy is funding those requirements, and how the bill originated?

Admiral ROWDEN and Admiral MATTHEWS. Surface ship reset cost is $346.6 million in FY14, with an additional estimated $2 billion required in future years. By FY18 all surface ship reset maintenance is scheduled for completion. When Navy started the reset process, there were 89 ships requiring significant dry-docking maintenance availabilities to reset. Today, 53 ships still require reset during their next dry-docking availability.

The type of maintenance required usually consists of repairs to Hull, Mechanical and Electrical systems (HM&E), to include structural repairs to tanks and voids. For FY13 and FY14 availabilities, reset funding is incorporated into availability planning and execution.

This requirement originated primarily due to high operational tempo and deferred maintenance during Operation Iraqi Freedom and Operation Enduring Freedom.

Mr. WITTMAN. What is the impact to the 30-year shipbuilding plan and overarching force structure if the Navy does not receive the necessary funds to reset the force?

Admiral ROWDEN and Admiral MATTHEWS. The exact impact is unknown, but without "reset" funding the Navy will be forced to cancel or defer important maintenance, reducing the combat readiness and viability of our ships. In the long term, if we do not maintain our ships, the Navy will be forced to decommission ships before their expected service life. The Navy estimates that if sequestration continues over the long term and there is no maintenance funding, by 2020 we will be reduced from 295 ships down to a Fleet of about 255–260 ships.

Mr. WITTMAN. What is the impact of layoffs in the private sector for Navy surface ship maintenance? Have there been any impacts to date? And, what are your concerns about the possible long-term consequences on the private sector depots and the fleet?

Admiral ROWDEN and Admiral MATTHEWS. Navy and industry predicted FY13 budget uncertainty would result in layoffs at private sector shipyards. Because all FY13 ship availabilities were restored following passage of the FY13 appropriations bill and reprogramming authorization, the anticipated layoffs did not occur. In fact, the private sector is on track to perform as much or more total maintenance Man Days (funded) in FY13 as in FY12.

Although layoffs did not occur in the short term, Navy is concerned about the long-term impacts of sequestration on the private sector industrial base. If sequestration continues, the impact in FY14 will be more severe since it is a larger topline reduction imposed upon a smaller budget, and because the ability to mitigate readiness impacts by reprogramming prior-year procurement funding was essentially exhausted in FY13. Without reprogramming authority, under sequestration, over 50% of the approximately 60 planned CNO availabilities will be cancelled or deferred, putting up to 8,000 private sector jobs at risk. Many of these would be highly skilled artisans that take years to train. The resulting loss of talent would impact the capabilities and capacity in the private sector industrial base, and would not be able to be quickly reversed when needed. Ultimately, it would lengthen maintenance periods and increase costs, resulting in degraded surface fleet readiness.

Even if a source of funding is identified and reprogramming is authorized during the fiscal year, negative impacts to the industrial base and fleet readiness are likely. The uncertainty of having maintenance availabilities deferred, and then funded at the last minute, is very disruptive to the maintenance planning process and to workforce management by our private sector partners. A shorter lead time to finalize the maintenance schedule and procure necessary equipment and materials often drives up costs and may impact the maintenance that can be accomplished in the availability. Specific maintenance that requires extensive planning or long-lead materials may be deferred, even if the availability itself is funded and executed.

Mr. WITTMAN. There is currently a maintenance backlog for surface combatants due, in part, to the high operational tempo. With no expectation that this tempo will decrease in the near future, how does the Navy plan to conduct maintenance and/or modernization of these ships? What specific mitigation strategies has the Navy developed to address the high operational tempo and staffing shortages that GAO raised as risks that could hinder implementation of the Surface Force Readiness Manual strategy that was introduced in 2012? How much forward presence can the Navy provide the combatant commanders and still have time to perform the maintenance necessary to keep the fleet operational?

Admiral ROWDEN and Admiral MATTHEWS. The current backlog is a result of maintenance deferred over the last decade as we experienced a high operational tempo and prioritized efficiency over effectiveness. Many of the organizational and process changes made to surface fleet maintenance in the last few years have focused on providing greater oversight of maintenance actions across the Fleet, capturing the true material condition of our ships, and quantifying the necessary maintenance based on engineered requirements. As a result, the right maintenance is scheduled on time, including any additional maintenance requirements as a result of high operational tempo. Consistent with the Surface Force Readiness Manual, deployment and maintenance periods align with the Fleet Response Training Plan to ensure ships can meet maintenance and modernization requirements from a scheduling standpoint, even after completing extended deployments.

We have begun to address staffing shortages by establishing Commander, Navy Regional Maintenance Center (CNRMC) and revitalizing the RMCs, including:

- Increased MPN by 1151 billets in POMs 12–14 to reconstitute organic intermediate level maintenance capacity and capability.
- Implemented Workforce Development Program to reestablish Journeyman training at the RMCs, improving the maintenance proficiency and capability of technicians both at RMCs and on subsequent sea tours.

As long as we are identifying, funding, and executing the true maintenance requirement (including liquidation of the current backlog), ship material condition will not limit the forward presence available to combatant commanders. Under continued sequestration however, over 50% of approximately 60 FY14 availabilities will be deferred. This would result in degraded material condition of those ships which could limit their operational availability. Ultimately, if the maintenance is not completed, it could impact their ability to reach expected service life, resulting in reduced force structure and less ability to provide forward presence.

Mr. WITTMAN. How well is the cost of maintaining Navy's force structure aligned with the cost of being able to deploy it? To what extent is the Navy concerned that decisions to defer ship maintenance in 2013 will lead to shortfalls in deployable forces or surge capacity, particularly carrier strike groups, in 2014 and beyond? What, if any, adjustments is the Navy making to manage such concerns?

Admiral ROWDEN and Admiral MATTHEWS. As part of the 2012 OPNAV realignment, resource sponsorship for the majority of afloat readiness resources was realigned to the DCNO for Warfare Systems (N9). N9 is now responsible for the integration of manpower, training, sustainment, modernization, and procurement of the Navy's surface warfare systems resourced by the director of Surface Warfare (N96). This has enhanced our focus on warfighting capability, program wholeness, and total ownership cost, allowing better alignment of the "cost to own" (or maintain) the surface fleet with the "cost to operate" (or deploy) it.

The original decision to defer 23 ship maintenance availabilities in FY13 was a result of the continuing resolution and sequestration. We were able to restore 15 availabilities when the FY13 appropriations bill was passed, and the final 8 with a reprogramming request. As a result, there have been no shortfalls in deployable forces or surge capacity as a result of deferred maintenance in FY13. There has been an impact on Fleet operations and readiness as a result of the $4.1B shortfall in our Operations and Maintenance (O&MN) accounts in the FY13 appropriations bill, however. We cancelled several independent ship deployments, delayed CSG deployments, and limited our surge capacity—impacts which will carry over to FY14 and beyond.

Navy's ability to manage the impacts of sequestration in FY13 is not representative of the expected impact in FY14. The impact of sequestration in FY14 will be more severe since it is a larger topline reduction imposed upon a smaller budget, and because the ability to mitigate readiness impacts by reprogramming prior-year procurement funding was essentially exhausted in FY13. Without reprogramming authority, under sequestration over 50% of the approximately 60 planned CNO availabilities will need to be cancelled or deferred.

To adjust to such a significant reduction in OM&N funding, maintenance and training will have to be prioritized for next-to-deploy ships. For example, the ships receiving maintenance availabilities in FY14 will primarily be those deploying in FY15.

Mr. WITTMAN. In 2010, Vice Admiral Balisle's Navy Fleet Review Panel concluded that prior decisions to improve efficiency may well have been an appropriate attempt to meet Navy priorities at the time, but there was limited evidence to identify any changes that were made with surface force readiness as the top priority—efficiency—was sought over effectiveness. How do the Navy's current decisions that are designed to achieve cost savings differ from the prior efficiency decisions, which adversely affected surface ship readiness, according to the Fleet Review Panel report?

Admiral ROWDEN and Admiral MATTHEWS. The Navy, in order to achieve the best possible surface ship readiness, has reorganized maintenance and modernization functions within the Navy staff. As a result, a revitalized fleet ashore maintenance organization has been funded and new procedures have been put in place to allow improved accountability for the use of both modernization and maintenance funds.

There are several initiatives the Navy has put into place in order to reverse the negative trends identified in the Fleet Review Panel report. The Navy has established a rigorous and comprehensive maintenance program based on best practices from the carrier and submarine fleet. This includes:

- Introduction of a Class Maintenance Plan which dictates the periodicity of large maintenance items, such as inspecting tanks or drydocking the ship.

- Introduction of the Surface Ship Engineered Operating Cycle Instruction which delineates maintenance responsibilities for fleet staffs and maintenance organizations.
- Increased manning at shore-based maintenance facilities such as Regional Maintenance Centers.
- Instituted Surface Maintenance Engineering Planning Program to provide centralized surface ship life-cycle maintenance engineering, class maintenance and modernization planning, and management of maintenance strategies aligned with and responsive to National, Fleet, Surface Type Commander (TYCOM) and NAVSEA needs and priorities.

These initiatives were not put into place as cost-savings measures, at least in the short term. We do, however, expect the adherence to our material standard to lower the cost of maintenance in the long term as the cost of a maintenance problem increases exponentially if it is allowed to fester.