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THE DEPARTMENT OF THE NAVY 2017 OPERATIONS AND MAINTENANCE BUDGET REQUEST AND READINESS POSTURE

UNITED STATES SENATE, COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON READINESS

ONE HUNDRED FOURTEENTH CONGRESS, SECOND SESSION

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Vice Admiral John C. Aquilino

Deputy Chief of Naval Operations for Operations, Plans, and Strategy

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Vice Admiral Phillip H. Cullom

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STATEMENT OF

**ADMIRAL MICHELLE HOWARD
VICE CHIEF OF NAVAL OPERATIONS**

AND

**VICE ADMIRAL PHILIP H. CULLOM
DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND
LOGISTICS**

AND

**VICE ADMIRAL JOHN C. AQUILINO
DEPUTY CHIEF OF NAVAL OPERATIONS FOR OPERATIONS, PLANS, AND
STRATEGY**

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON

READINESS

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Chairman Wittman, Representative Bordallo, and distinguished members of the House Armed Services Subcommittee on Readiness, we appreciate the opportunity to testify on the current state of Navy readiness and projected changes to that readiness with the Fiscal Year 2017 budget request. This budget submission provides the resources to deliver sustainable deployed forces and supports our continued readiness recovery efforts. The submission also contains the hard choices and tradeoffs we were obligated to make in order to achieve future warfighting capability.

America's security and prosperity are inextricably linked to maritime freedom. With over 90 percent of our trade traveling the seas, the FY17 Navy budget submission provides a thoughtful approach to meeting our security challenges within our budgetary means. We have balanced capability and capacity, delivered current and future readiness, and postured our forces to meet Geographic Combatant Commanders' (GCCs) missions, while rebuilding our contingency response posture in a difficult budget environment. Although we have seen improvements in rebuilding the workforce in both our public shipyards and aviation depots, we have not yet recovered from the readiness impacts resulting from a decade of combat operations. The cumulative effect of budget reductions, complicated by four consecutive years of continuing resolutions, continues to impact maintenance, afloat and ashore. The secondary effects of these challenges impact material readiness of the force, and the quality of life of our Sailors and their families.

In "A Design for Maintaining Maritime Superiority" the Chief of Naval Operations, Admiral Richardson, has challenged the Navy team to meet the demands of our mission along four lines of effort. The readiness funding accounts directly contribute to *Strengthening Naval Power at and from Sea*. In addition, Navy readiness organizations are actively engaged in efforts to *Achieve High Velocity Learning at Every Level*, by investing in our Sailors through new and reinvigorated training programs, and to *Strengthen our Navy Team for the Future*, by employing innovative training methodologies to accelerate productivity of new shipyard employees. To meet our most critical challenges, we must also *Expand and Strengthen our Network of Partners*. We have reached out to industry to meet some of our most critical challenges in shipyard and aviation depot workload. Our budget request supports this Design and if executed will result in continued operational excellence throughout our Navy.

Although our readiness shows improvement, recovery is not yet complete. Full recovery of the material readiness of the Fleet is likely to extend beyond 2020. Stable funding, improvement in on-time execution of ship and aviation depot maintenance, and steady state operations are required to meet our Fleet readiness goals. As we proceed on the road to recovery for afloat operational units, we continue to do so by taking conscious risk in the recapitalization, maintenance, and operation of our shore infrastructure. To mitigate impacts ashore, Navy has made difficult decisions and focused on shore items directly tied to our primary missions.

Our testimony today will focus on the current readiness of the Navy as set forth in our FY17 budget submission, provide an overview of our readiness recovery efforts to restore our contingency response posture, and address challenges to delivering future readiness.

Current Navy Operations and Mission Readiness

The demand for naval assets by the GCCs remains high, and Navy continues to provide the maximum sustainable global presence it can generate to support a diverse array of GCC missions. Today, the *Harry S Truman* Carrier Strike Group (CSG) is underway in the CENTCOM area of responsibility while the *John C Stennis* CSG conducts operations in the Western Pacific. The *Stennis* CSG will also support RIMPAC 2016 this summer. This is the first year since 2009 that Navy has been able to provide a CSG to PACOM while the forward deployed CSG was in maintenance. Over the past twelve months, three CSGs conducted strike missions against ISIS in support of Operation INHERENT RESOLVE. Four Amphibious Readiness Groups (ARGs) with embarked Marine Expeditionary Units (MEUs) supported a wide range of missions including maritime security operations, strike missions against ISIS and blockade support off the coast of Yemen as part of Operation RESTORE HOPE. Closer to home, fleet ocean tug USNS *Apache* (T-ATF 172) embarked a deep-water search and salvage team and successfully located the U.S. flagged merchant vessel *El Faro* after her sinking off the coast of the Bahamas during Hurricane Joaquin. Across the globe, the Navy supported other critical GCC missions such as theater security cooperation, anti-piracy, counter-drug, ballistic missile defense, and Intelligence, Surveillance, and Reconnaissance. Missions such as these not only demonstrate our responsiveness and warfighting prowess, but maintain our Sailor proficiency, a key aspect of readiness which can only be bought with time at sea.

The Optimized Fleet Response Plan (OFRP), in conjunction with ongoing Fleet material condition reset efforts, is designed to support Navy's overall readiness recovery goals and maximize the employability of our operational units for both sustainable presence and contingency response. To date, three CSGs and four ARGs have been inducted into OFRP. In 2016, the *Dwight D. Eisenhower* CSG will be the first to deploy under the OFRP construct. Fleet implementation of OFRP for CSGs is scheduled to be complete in FY21 with the deployment of the *Gerald R Ford* CSG. While it is difficult to pinpoint an exact readiness recovery timeframe for each of our force elements given the array of factors involved, we predict CSG readiness recovery will occur slightly outside of the Future Year Defense Program (FYDP). ARG recovery will remain constrained until we complete modernization of our large deck amphibious ships to include the capability to operate the F-35B. Key to our success is operating the battle force at a sustainable level over the long term. As stated in FY16 testimony, readiness recovery requires a commitment to protect the time needed to properly maintain and modernize our capital-intensive force and to conduct full-spectrum training. Achieving full readiness also requires us to restore capacity and throughput at our public shipyards and aviation depots, primarily through hiring and workforce development. Successful efforts in meeting hiring goals have been largely achieved. OFRP allows us to recover material readiness without hindering our forward presence, provide our sailors and their families with predictable deployment schedules, and preserve our force structure so that it meets service life expectations.

Strengthening Naval Power at and from the Sea

The Navy's FY17 budget request ensures the readiness of our deployed forces to operate and fight decisively, meets the adjudicated requirements of the FY17 Global Force Management Allocation Plan (GFMAP), and supports implementation of the Optimized Fleet Response Plan. In FY17, Navy will stabilize deployment length for the first time in many years. For FY17, no Navy ship is scheduled to deploy for greater than seven months. The establishment of this important tenet of OFRP will help instill the predictability required for our shipyards and aviation depots. In addition, the predictability is a positive quality of life factor for our Sailors and their families. This is a major milestone in Navy's ongoing readiness recovery.

Ship Operations

The baseline Ship Operations request for FY17 provides an average of 45 underway steaming days per quarter for deployed ships and 20 days non-deployed, and supports the highest priority presence requirements of the Combatant Commanders. With Overseas Contingency Operations (OCO) funding, ship operations are funded at 58 steaming days deployed and 24 days non-deployed. This total funding allows Navy to meet the FY17 ship presence requirement, supports the higher operational tempo for deployed forces, and provides full funding for ships deployed or preparing to deploy. This account also supports spare parts inventories, organizational level maintenance consumables, and administrative and travel requirements. Because of a constrained top line the Navy took risk. Those latter elements of the Ship Operations account were reduced for one year to 90% of the requirement. This funding reduction will have some impact on the restocking of spare parts for non-deployed ships, but is recoverable if addressed in the next budget cycle.

Air Operations (Flying Hour Program)

The Flying Hour Program (FHP) funds operations, intermediate and unit-level maintenance, and training for nine Navy Carrier Air Wings, three Marine Corps Air Wings, Fleet Air Support aircraft, training squadrons, Reserve forces, and various enabling activities. Combined baseline and OCO funding will be required to maintain current and future levels of readiness for deployment. OCO funding also supports additional deployed operating tempo to meet Combatant Commander requirements above baseline funding. All Navy and Marine Corps aviation squadrons deploy with their full entitlement of aircraft, however some squadrons are challenged to achieve their required training readiness levels in early phases of the operational cycle, or following deployment due to shortfalls in available aircraft. To improve depot throughput, the Naval Aviation Enterprise is aggressively tackling three initiatives that include decreasing Work in Progress (WIP), reducing cycle time, and increasing capacity which will restore combat sustainment readiness levels.

Spares

While replenishment of “off the shelf” spares used in ship and aircraft maintenance is funded through the Ship Operations and Flying Hour Programs, the provision of initial and outfitting spares for new platforms, systems, and modifications is funded through the

procurement appropriation spares accounts (APN/OPN). In recent years, these accounts have been funded below requirements due to budget constraints. FY17 sustains sufficient funding levels to reduce the cross-decking between units and cannibalization of parts driven by unfilled requisitions. FY17 starts to stabilize funding necessary to ensure parts are available when needed. This is complemented by Navy-wide efforts to improve execution of these accounts, which has achieved considerable success in aviation spares by meeting first year execution benchmarks over the last three years.

Sustaining the Force - Ship and Aircraft Maintenance

The Navy maintenance budget requests are built upon independently certified models, reflecting engineered maintenance plans for each ship class and aviation type/model/series. Our shipyards and aviation depots have been challenged by emergent work beyond that expected, associated with a decade of high tempo operations and additional wear on assets. The workforce behind our public and private depots is no longer sufficient for these emergent projects and is still in the midst of rebuilding and training new workers.

Resetting our surface ships and aircraft carriers after more than a decade of war led to significant growth in public and private shipyard workload. The Navy baseline budget request funds 70% of the ship maintenance requirement across the force, addressing both depot and intermediate level maintenance for carriers, submarines and surface ships. OCO funding provides the remaining 30% of the baseline requirement and allows for the continued reduction of surface ship life-cycle maintenance backlogs. For the second year, the additional OCO request to support Navy's maintenance reset (\$625M) includes funding for aircraft carriers (CVNs) in addition to other surface fleet assets, to address increased wear and tear outside of the propulsion plant. Since much of this reset work can only be accomplished in a drydock, the maintenance schedule needs to be closely managed, as reset is expected to continue across the FYDP.

To address the increased workload in our public shipyards and improve on-time delivery of ships and submarines back to the Fleet, the FY17 budget promotes growth in our shipyard workforce, sustaining 33,500 Full Time Equivalents (FTE) in FY17, with additional investments for workforce training and development. Additionally, two attack submarine (SSN) availabilities were moved to the private sector in FY17 to help level load shipyard workload.

The Fleet Readiness Centers (FRCs) and Navy's aviation depots have been challenged to recover full productivity after hiring freezes, furloughs, and overtime restrictions in FY13. Through a concerted hiring effort with the support of congressional budgetary increases, the recovery in maintenance capability is in progress. However, the FRCs face a significant backlog of work, particularly for the service life extension of our legacy F/A-18 Hornets. FRCs hiring progress returned to pre-sequestration manning levels in FY15 and they continue to adjust hiring in order to ensure the workforce can meet the workload demand. In an effort to improve throughput, FRCs are increasing engineering support to address the work required to reach 10,000 hours of service life, reallocating some of the existing workforce, and contracting additional private sector support. Navy has increased its number of field teams to improve flight line maintenance and ensure there is a clear understanding of the material condition of airframes heading to the depots. FRCs have also developed repair kits that ensure long-lead parts are readily available as repair parts are identified.

The Aviation Depot Maintenance program is funded to 76% in baseline and 85% with OCO for new work to be inducted in FY17. This funding level supports repairs for 583 airframes and 1,684 engines/engine modules.

Navy Expeditionary Combat Forces

Navy expeditionary combat forces support ongoing combat operations and enduring GCC requirements by deploying maritime security, construction, explosive ordnance disposal, logistics, and intelligence units to execute missions across the full spectrum of naval, joint and combined operations. In FY17, baseline funding remains significantly improved over prior years, providing 79% of the enduring requirement, with OCO supporting an additional 17% of the requirement.

Shore Infrastructure

Navy's 70 installations worldwide provide the platform to train and prepare our Sailors, deploy our ships and aircraft, and support our military families. Nevertheless, fiscal constraints over the past several years have caused Navy to take deliberate risk in shore infrastructure in order to sustain Fleet readiness today.

Navy's Military Construction program, which is resourced at the lowest level since 1999, is prioritized to support Combatant Commander requirements, enable new platforms/missions, upgrade utility infrastructure, and recapitalize our Naval Shipyards. Navy is also taking some risk in the sustainment, restoration, and modernization of our existing buildings, piers, runways, hangars, utilities systems, and support facilities. Our FY17 facilities sustainment account is resourced at 70% of the OSD facilities sustainment model, which falls short of DOD's goal of 90% for the sixth year in a row. Navy's FY17 request for restoration and modernization funding is roughly half of FY16 levels. This is only enough to address the most critical deficiencies for the naval shipyards, nuclear enterprise, piers and runways, and to renovate a small portion of inadequate barracks for our junior Sailors. We are mitigating the risk in our infrastructure sustainment by prioritizing life/safety deficiencies and repairs for our mission-critical buildings and structures. By deferring less-critical repairs, we are increasing risk of greater requirements in the outyears and acknowledge that our overall facilities maintenance backlog will increase.

Navy continues to postpone much-needed repairs and upgrades for the vast majority of our infrastructure, including utilities systems, waterfront structures, airfields, laboratories, administrative buildings academic institutions, warehouses, ordnance storage, roads, and other vital shore infrastructure. Long term underinvestment in these facilities will take an eventual toll on our ability to support deploying forces.

Despite these challenges, the Navy is committed to improving the condition of our Naval Shipyards, which are critical to maintaining the warfighting readiness of our force. The Department of the Navy will again exceed the mandated capital investment of 6% across our shipyards and depots described in 10 USC 2476 with a 7.1% total investment in FY17. We focus our shipyard investments to address the most critical safety and productivity deficiencies in Controlled Industrial Areas, which primarily include production shops, piers, wharfs, and dry docks.

Conclusion

The FY17 budget submission has been carefully structured to ensure the Navy continues readiness recovery through the implementation of OFRP. Continued shortfalls in our facilities sustainment will eventually have effects in our at sea readiness model, and failing to plan for these necessary investments will continue to slow our future recovery. We are still paying down

the readiness debt we accrued over the last decade, but more slowly than we would prefer and at continued risk to our shore infrastructure.

Powered by the exceptional Sailors and civilians we are proud to represent today, your Navy is the world's finest and we are committed to retaining our superiority. This budget represents a margin of advantage over our adversaries. That margin could be lost if we do not achieve stable budgets. We will only maintain our status as the world's greatest Navy with constant vigilance, dedication to restoring our readiness, and sustaining forces around the globe. we thank you for your support.



Vice Admiral John C. Aquilino
Deputy Chief of Naval Operations
Operations, Plans and Strategy (N3/N5)

Vice Adm. John Aquilino is a native to Huntington, New York. He graduated from the United States Naval Academy in 1984, earning a Bachelor of Science in Physics. He subsequently entered flight training and earned his wings in August 1986.

Operationally, he has served in numerous fighter squadrons flying the F-14 A/B Tomcat and the F-18 C/E/F Hornet. His fleet assignments include the Ghost Riders of Fighter Squadron (VF) 142 and the Black Aces of VF-41. He commanded the World Famous Red Rippers of VF-11, Carrier Air Wing (CVW) 2, and Carrier Strike Group (CSG) 2. He has made several extended deployments in support of Operation Deny Flight, Deliberate Force, Southern Watch, Noble Eagle, Enduring Freedom and Iraqi Freedom.

Ashore, Aquilino's assignments include duties as an adversary instructor pilot flying the A-4, F-5, and F-16N aircraft for the Challengers of VF-43; operations officer of Strike Weapons and Tactics School, Atlantic; flag aide to the vice chief of naval operations; special assistant for Weapons Systems and Advanced Development in the Office of the Legislative Affairs for the Secretary of Defense; director of Air Wing Readiness and Training, for Commander, Naval Air Forces, Atlantic Fleet and executive assistant to the commander, U.S. Fleet Forces Command.

His flag assignments include director of Strategy and Policy (J5), U.S. Joint Forces Command; deputy director, Joint Force Coordinator (J31), the Joint Staff; commander, CSG-2, and director of Maritime Operations, U.S. Pacific Fleet.

Aquilino graduated from the Navy Fighter Weapons School (TOPGUN), the Joint Forces Staff College and completed Harvard Kennedy School's Executive Education Program in National and International Security.

Aquilino assumed duties as deputy chief of naval operations for Operations, Plans and Strategy in August 2015.

His awards include the Defense Superior Service Medal, Legion of Merit, Bronze Star Medal, Defense Meritorious Service Medal, Meritorious Service Medal, Air Medal, as well as several other personal unit and campaign awards. He has accumulated more than 5,100 mishap free flight hours and over 1,150 carrier-arrested landings.

Updated: 27 October 2015



United States Navy Biography

Vice Admiral Philip Hart Cullom Deputy Chief of Naval Operations for Fleet Readiness and Logistics

A native of Flossmoor, Illinois, Vice Adm. Philip Cullom graduated with distinction from the U.S. Naval Academy with a bachelor's degree in Physics. He also holds a master's degree in business administration with distinction from Harvard Business School.

At sea, he has served at sea aboard USS *Truxtun* (CGN 35), USS *Jesse L. Brown* (FF 1089), USS *Dwight D. Eisenhower* (CVN 69), and USS *Mobile Bay* (CG 53), participating in numerous exercises and counter-narcotics patrols as well as Operations Desert Storm and Southern Watch. During the Kosovo Crisis, he commanded USS *Mitscher* (DDG 57), deploying to the Mediterranean, Adriatic, and North Sea. As commander, Amphibious Squadron 3, he served as sea combat commander for the first Expeditionary Strike Group (ESG 1) in support of Operations Iraqi Freedom and Enduring Freedom and, subsequently, as chief of staff to Commander, 2nd Fleet/Striking Fleet Atlantic. Most recently, from June 2007 to August 2008, he commanded the Eisenhower and George Washington Strike Groups, as commander, Carrier Strike Group 8.

Ashore, he has served in technical, staff, policy, and strategy positions as shift engineer and staff training officer of the A1W nuclear prototype at the Idaho National Engineering Laboratory; special assistant to the CNO's Executive Panel (OP-00K); and, branch head for Strategy and Policy (N513). Joint assignments have included defense resource manager within the J-8 Directorate of the Joint Staff; white house fellow to the Director of the Office of Management and Budget; and, director for Defense Policy/Arms Control on the National Security Council staff. He also held a personnel assignment, serving as the head of Officer Programs and Placement (PERS 424/41N) for all surface nuclear trained officers from late 2001 until 2003. Flag assignments ashore included Navy staff positions as director of Deep Blue; the Strategy and Policy (N5SP) Division; Fleet Readiness Division (N43); and, most recently, director, Energy and Environmental Readiness Division (N45) on the Navy Staff. In March 2012, he assumed his current duties as deputy chief of Naval Operations for Fleet Readiness and Logistics.

Cullom's personal awards include the Defense Superior Service Medal (two awards), Legion of Merit (six awards), Defense Meritorious Service Medal, Navy Meritorious Service Medal (two awards), Navy and Marine Corps Commendation Medal (three awards), Joint Service Achievement Medal, and Navy and Marine Corps Achievement Medal.

Updated: 2 December 2014

Vice Chief of Naval Operations

7/1/2014 - Present

Admiral Michelle Howard

Admiral Howard is a 1978 graduate of Gateway High School in Aurora, Colorado. She graduated from the United States Naval Academy in 1982 and from the Army's Command and General Staff College in 1998, with a Masters in Military Arts and Sciences.

Howard's initial sea tours were aboard USS Hunley (AS 31) and USS Lexington (AVT 16). While serving on board Lexington, she received the secretary of the Navy/Navy League Captain Winifred Collins award in May 1987. This award is given to one woman officer a year for outstanding leadership. She reported to USS Mount Hood (AE 29) as chief engineer in 1990 and served in Operations Desert Shield and Desert Storm. She assumed duties as first lieutenant on board the USS Flint (AE 32) in July 1992. In January 1996, she became the executive officer of USS Tortuga (LSD 46) and deployed to the Adriatic in support of Operation Joint Endeavor, a peacekeeping effort in the former Republic of Yugoslavia. Sixty days after returning from the Mediterranean deployment, Tortuga departed on a West African training cruise, where the ship's Sailors, with embarked Marines and U.S. Coast Guard detachment, operated with the naval services of seven African nations.

She took command of USS Rushmore (LSD 47) on March 12, 1999, becoming the first African American woman to command a ship in the U.S. Navy. Howard was the commander of Amphibious Squadron Seven from May 2004 to September 2005. Deploying with Expeditionary Strike Group (ESG) 5, operations included tsunami relief efforts in Indonesia and maritime security operations in the North Arabian Gulf. She commanded Expeditionary Strike Group Two from April 2009 to July 2010. In 2009, she deployed to CENTCOM theater, where she commanded Task Force 151, Multi-national Counter-piracy effort, and Task Force 51, Expeditionary Forces. In 2010, she was the Maritime Task Force commander for BALTOPS, under 6th Fleet.

Her shore assignments include: J-3, Global Operations, Readiness and executive assistant to the Joint Staff director of Operations; deputy director N3 on the OPNAV staff; deputy director, Expeditionary Warfare Division, OPNAV staff; senior military assistant to the secretary of the Navy; Chief of Staff to the director for Strategic Plans and Policy, J-5, Joint Staff, deputy commander, US Fleet Forces Command, and Deputy Chief of Naval Operations for Operations, Plans & Strategy (N3/N5). She currently serves as the 38th Vice Chief of Naval Operations.

Updated: 3 July 2014
