

STATEMENT OF  
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OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
BEFORE THE  
READINESS AND MANAGEMENT SUPPORT SUBCOMMITTEE  
OF THE  
SENATE ARMED SERVICES COMMITTEE  
ON  
THE PRESIDENT'S BUDGET REQUEST FOR READINESS PROGRAMS  
7 March 2000

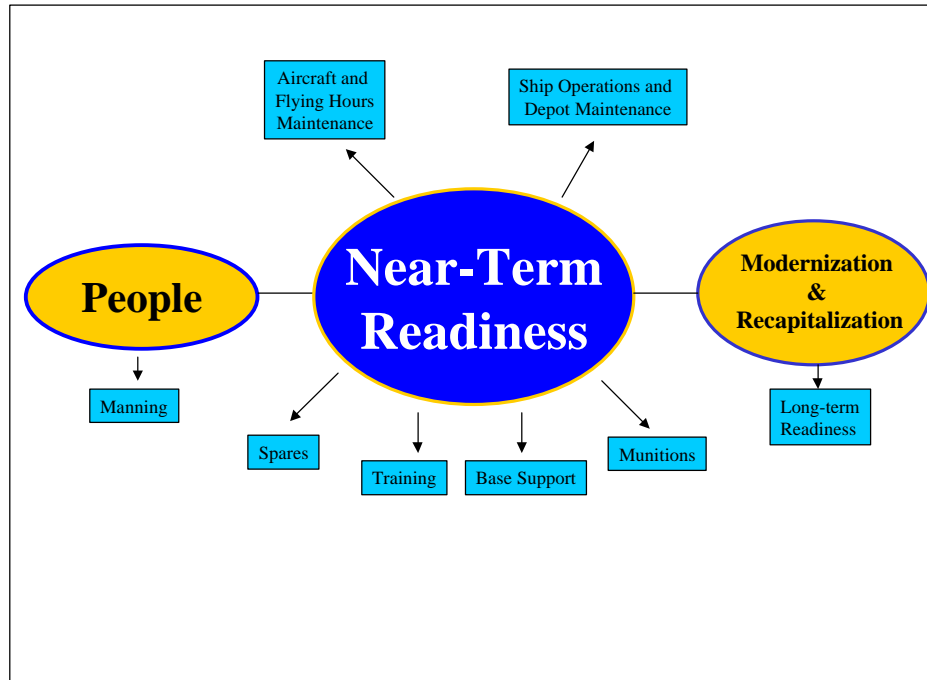
## Introduction

Mr. Chairman, Senator Robb, and distinguished members of the Committee, thank you for the opportunity to appear before you to discuss the Navy's readiness. We share a common goal - maintaining our Navy ready to protect our national security and vital interests around the world. With the continued support of this Committee, evidenced by the Kosovo Emergency Supplemental and Fiscal Year 2000 Defense Authorization Bills, and implementation of the pay triad and compensation initiatives last year, we are now seeing signs of quantifiable improvement in many of our key readiness areas.

The relevance of tomorrow's Navy is unquestioned. Currently, more than 95% of the trade that comes into or out of the United States moves by ship. The littorals are home to over 75% of the world's population, and over 80% of the world's capital cities. These trends are predicted to continue. The Navy's contribution to our nation's security is forward-deployed, combat-credible expeditionary forces that are indispensable to our national military strategy. Just as forward presence and assured access are critical to shaping the international environment and reassuring our allies, our on-station forces provide a timely and powerful

strike capability in any initial crisis response engagement.

Our FY 2001 Budget strikes a balance among many significant challenges in our resource-constrained environment. People remain our top priority, and our budget addresses several significant initiatives in this area that directly enhance readiness through manning improvements. You are aware that the Chief of Naval Operations in his 9 February 2000 letter, has identified that some areas of budgetary concern remain. Similarly, while key near-term readiness areas supported through our Operation and



Maintenance (O&M) accounts are adequately funded to current goals, we are seeing signs that some areas would benefit

from increased attention. Finally, modernization of our capital assets, shipbuilding and aircraft procurement rates, remain below what we need in steady-state to maintain just the QDR force. Evidence mounts that present QDR force levels may be insufficient to meet current tasking, and this will be under review in the next QDR.

### **Navy Operations in 1999/2000**

The flexible and scalable nature of U.S. naval power as an instrument of national security policy was shown by the operations conducted during 1999. Navy units played key roles in the Kosovo operations. Sea-based aircraft from USS ENTERPRISE, USS THEODORE ROOSEVELT and USS KEARSARGE and land-based naval aircraft flew thousands of combat sorties as part of the air campaign, suffering zero losses and achieving remarkable levels of precision. Tomahawk Land Attack Missiles (TLAM) launched from surface ships and submarines struck some 45 percent of key command and control and politico-military infrastructure targets during the campaign. Also, TLAMS achieved a more than 80 percent success rate against assigned targets in all-weather conditions. The only standoff electronic warfare aircraft available to NATO forces, EA-6Bs, accompanied all U.S. strikes - as well as those flown with allies - in over

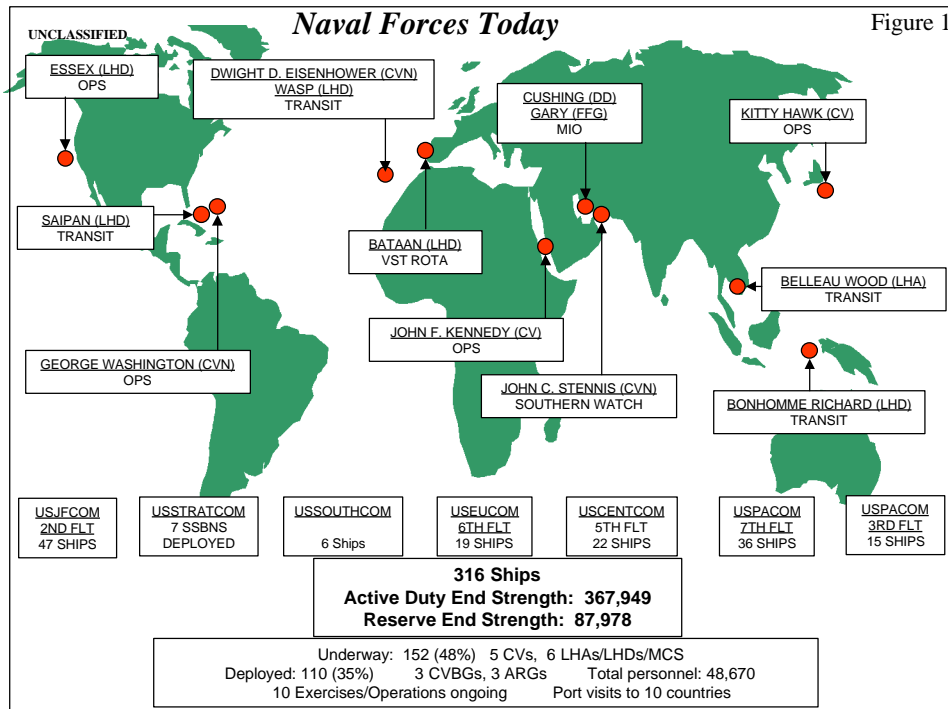
1,600 missions. Of the 20 EA-6B squadrons in the inventory, ten were deployed to support operations in Kosovo. Land-based P-3Cs, carrier group-based S-3B aircraft, and SH-60B helicopters maintained a continuous anti-ship combat patrol in the Adriatic Sea throughout the campaign. Furthermore, land-based naval aircraft flew more than one-third of all reconnaissance missions despite constituting only 20 percent of the reconnaissance platforms in-theater.

Immediately following hostilities in Kosovo, Navy Seabees from Naval Mobile Construction Battalion Three constructed living quarters and restored utility systems for U.S. forces involved in the peacekeeping mission at Camp Montieth and Camp Bondsteel.

We maintained a continuous carrier presence in the Arabian Gulf throughout 1999. All six of the CVBGs that operated in the Gulf last year conducted strike operations in support of Operation Southern Watch. Surface combatants also continued Maritime Interdiction Operations in support of United Nations' economic sanctions against Iraq. Forward-deployed naval forces in Japan continue to provide visible overseas engagement and project U.S. influence in East Asia. And, for the second consecutive year, the

carrier and other ships homeported in Yokosuka, Japan deployed on short notice to the Arabian Gulf.

As this is written, Tuesday 29 February 2000, a



snapshot of our Navy shows 152 ships underway representing 48% of our battle forces (see figure 1). Sustaining the readiness and responsiveness of these forces, continuing to attract and retain qualified men and women, and investing for the future, has put incredible strains on our resources and program priorities. No discussion of readiness can begin without reference to our dedicated personnel who daily make the sacrifice, often enduring long family separations, as dedicated public servants who serve with honor, courage and commitment.

## Manning the Fleet

The most critical ingredient for the continued success of the Navy remains our people. The men and women of today's Navy are the finest that have ever sailed the oceans. They have served with distinction and great sacrifice during the uncertainty of downsizing and increasing operational requirements. Our readiness posture is wholly dependent on attracting and keeping high quality, motivated, and trained Sailors, even as the Nation's strong economy continues to pose significant challenges in recruiting and retention.

Recruiting: The propensity to join the military has stabilized at a historically low level. Unemployment is at record low levels, the youth population remains stable, and college attendance is increasing. The Navy, like the Air Force and the Army, is facing the same extraordinary recruiting challenges, as each continues to compete against the other for the same candidate pool. Last year's focus to increase the number of recruiters, improve recruiter support, re-open closed stations, (176 stations were opened in FY 1999, with 42 more budgeted in FY 2000) and increase our advertising budget, all with the assistance of this committee, resulted in the Navy meeting it's FY 1999

target. For FY 2000, we have met the recruiting goal through February, representing 17 straight months of successful recruitment. The months ahead, particularly March and April, will pose a continued challenge for our dedicated recruiters, as will improving our Delayed Entry Pool (DEP). Achieving 57,000 new recruits, over 1,000 high school graduates weekly, is an extraordinary challenge in today's highly competitive environment.

Pay and Allowances: Much has already been accomplished in establishing or enhancing a broad range of targeted, cost-effective incentive pays and bonuses and quality of life measures. The FY 2000 Budget provided for a 4.8% raise to base pay, restoration of the 50% retirement option, pay table reform, and special pays and bonuses, all of which are having a positive impact. These first steps will be key towards addressing our recruiting and retention challenges. We are appreciative of the initiative by the Congress last year to accelerate the implementation of market-based BAH, and that initiative is fully funded in our FY 2001 Budget. We are also encouraged that Secretary Cohen's initiative to buy down member's out-of-pocket expenses to 15% in FY 2001, and eliminate them by FY 2005, is another significant measure that has been favorably received. The FY 2001 budgeted pay raise of 3.7% is



another signal to our service men and women that we continue to treat fair compensation as a high priority, and that last year's work is not yet complete.

We continue to focus on additional efforts to improve the quality of life for our Sailors and their families. Initiatives such as Inter-Deployment Training Cycle (IDTC) workload reduction; military healthcare reform; increased enlisted advancement opportunities; and continuation of the SECNAV initiatives on improving "how we live, work and fight" are examples of our commitment to improved quality of service.

As a result of all these initiatives, we are seeing an improvement in our at-sea manning. As seen in figure (2), the number of gapped at-sea billets has been reduced from a high of over 18,000 in 1998 to approximately 9200 today.

Figure 2

<b><u>Gapped Billets: Battle Group Manning</u></b>		
FY98: 17,067	Current: 9,200	
<b><u>Carrier B G</u></b>	<b><u>Date Deployed</u></b>	<b><u>Shortfall</u></b>
Enterprise B G	Nov 98	1,137
Roosevelt B G	Apr 99	740
Constellation B G	Jun 99	281
Kennedy B G	Sep 99	772
Stennis B G	Jan 00	455

We are determined to provide shipboard Sailors the opportunity to live ashore when in homeport and enjoy a quality of life similar to other enlisted personnel on shore duty and in our sister services. We are also pursuing a reform to Career Sea Pay that would enhance its effectiveness by more appropriately recognizing the extremely arduous nature of shipboard sea duty. Enhancing the value of this special pay should incentivize Sailors, both in critical and non-critical skills ratings, to extend their tours at sea. Not only will this help in our efforts to further narrow the at-sea manning gap, but have some desirable impact on retention as well.

Retention: Retention continues to be problematic. Although we are seeing some recent improvement, retention rates in all categories remain below our steady state targets. In particular, retention of enlisted members is below what is needed and remains a significant concern, as shown in figure (3) below.

Figure 3

<b><u>Enlisted Retention</u></b>			
<b><u>Navy</u></b>	<b><u>FY99</u></b>	<b><u>FY00TD</u></b>	<b><u>Required</u></b>
<b>3rd term:</b>	<b>52%</b>	<b>57%</b>	<b>62%</b>
<b>2nd term:</b>	<b>44%</b>	<b>48%</b>	<b>54%</b>
<b>1st term:</b>	<b>28%</b>	<b>30%</b>	<b>38%</b>

Although Navy met end strength requirements, FY 1999 ended with the lowest enlisted retention in twenty years.

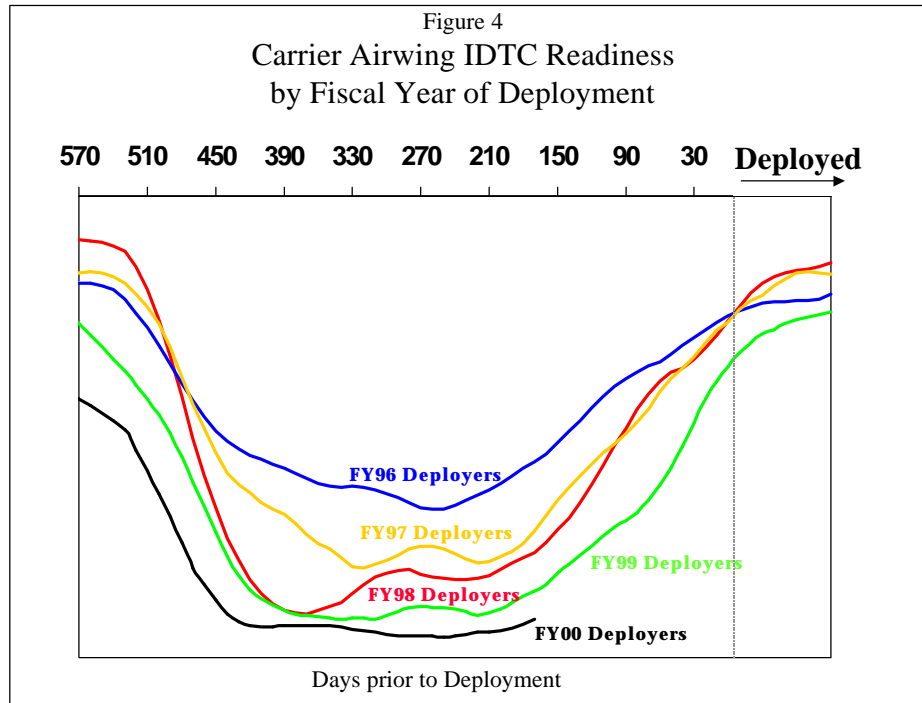
On the officer side, we are beginning to see positive retention indicators as a result of a significantly expanded Aviation Career Pay program and the recently enacted continuation pays for Surface Warfare and Special Warfare officers. These targeted pays have proven highly effective and cost efficient in attacking specific retention problem areas. We have already seen contracts awarded equaling 84%, 55% and 79% of the FY 2000 goal in the Surface Warfare, Special Warfare and Aviation communities, respectively. Surface Warfare Officer Department Head class seats are full and, starting with the

spring 2000 department head class, tour lengths will be back down to 36 months. In the aviation community, recent reports show an overall increase in both pilot and NFO retention through the first quarter of FY 2000. The Aviation Career Continuation Pay (ACCP) targeted incentive program, which compensates aviators for superior performance and going to sea duty through a 20 year career, has been met with a very positive response, particularly among mid-grade and senior officers through Post Command Commander. There is still not a sufficient number of junior officers being retained, and the take rates of junior first time bonus eligible aviators are being closely monitored to determine if any adjustments in this new ACCP program are warranted.

### **Near-Term Readiness**

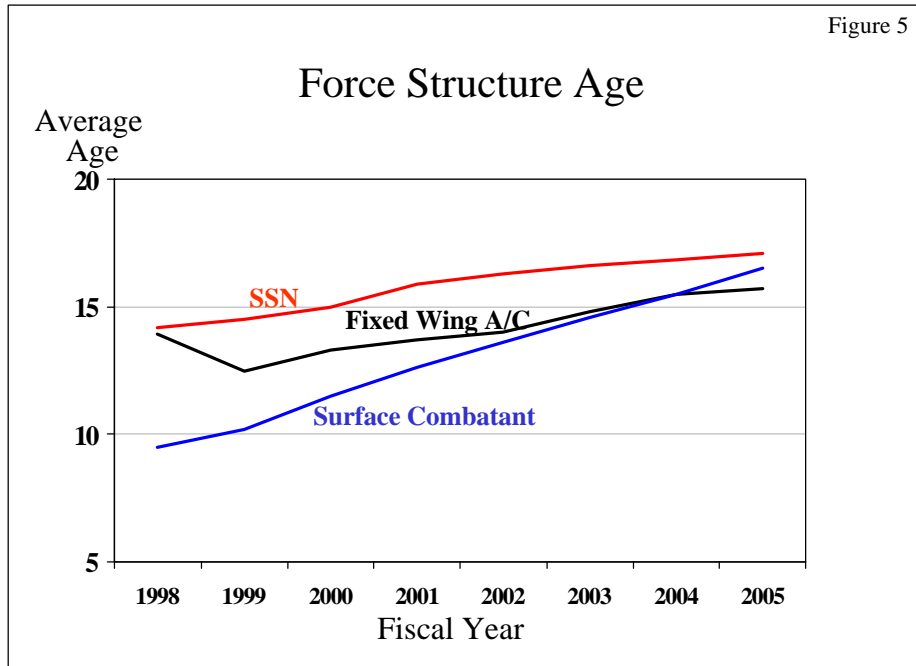
Today, consistent with our tiered readiness posture, the readiness of our deployed forces continues to be satisfactory as validated by the performance of our forces in Operations ALLIED FORCE and SOUTHERN WATCH. Principal concerns remain with our non-deployed forces in the IDTC. The Navy's cyclical readiness posture can be represented by the now familiar "Readiness Bathtub," which illustrates by its depth and slope the readiness of our Airwings as they

return from deployment and then begin work-ups (Figure 4).



Readiness remains a top priority and plays a critical role in our budget decisions. The Navy has a number of reporting systems available that account unit readiness. The Status of Resources and Training Systems (SORTS) database, and AV3M (Aviation Material Maintenance Management) are two operational reports that units submit as an assessment of their readiness. Current reporting indicates our deployed unit readiness is satisfactory; however, some non-deployed readiness areas, such as material readiness, continue to remain below goals. The fragile nature of readiness requires us to remain on the lookout for indicators and trends. This is especially

critical at current optempo levels and as the age of our platforms continue to increase, as demonstrated in figure (5) below.



**Aircraft Flying Hours and Maintenance**

In the area of aviation, we have priced the flying hour program to fully reflect actual FY 1999 experience, and sufficient to train and maintain qualified aircrews and achieve the Navy's goal of 85% Primary Mission Readiness (PMR) in all ten active carrier airwings and 87% PMR in the reserve carrier air wing. Operational costs above this level which may be required as a result of contingency operations are covered through the Overseas Contingency Operations Transfer Fund (OCOTF). Also, as a result of

"lessons learned" in Kosovo in FY 1999, FY 2001 includes funding for spare parts and equipment necessary to establish one additional EA-6B squadron. Aircraft depot maintenance funding is sufficient to ensure that deployed squadrons have 100% of the necessary aircraft available, while non-deployers have at least 90%. The FY 1999 and FY 2000 Congressional adds have helped us achieve these CNO goals.

#### **Ship Operations and Ship Depot Maintenance**

For ships, funds are adequate to achieve a ship OPTEMPO goal of 50.5 underway days per quarter for deployed ships, which is considered the minimum required to maintain a fully engaged overseas naval presence. As with the flying hour program, OPTEMPO funding beyond this level which may be required as a result of contingency operations is provided through the OCOTF. Non-deployed ships are funded to 28 underway days per quarter, appropriate to meet training and readiness requirements.

Ship depot maintenance has been budgeted at our goal of 93.5% of notional requirements. However, the Fleet Commanders would like to see this higher given their appropriate focus on near and mid-term readiness, as well as experience with FY 2000 funding levels. There have been

unforeseen requirements arise in FY 2000, such as contract awards higher than expected, material condition of ships worse than anticipated, and recent groundings of surface ships that have caused us to reassess the adequacy of the current requirement, as reflected in the CNO's unfunded priority listing.

### **Training and Munitions**

The use of live ordnance is a vital means of training our forces in combined arms operations in preparation for deployment. The inability to conduct coordinated live fires at Vieques from ships and strike aircraft is particularly detrimental, given that two of the last three East Coast deployers engaged in combat operations shortly after arriving in theater.

On 31 January, the President issued two directives that set a course of action to resolve the impasse over training on Vieques. When implemented, the directives will enable the Navy to resume its important training at Vieques, training that will keep our Navy strong and ready. They also provide for significant economic benefits for the people of Vieques. We are hopeful these directives will start a process to resolve this important issue.



The Navy also recognizes the importance of training munitions in support of our combat readiness. As such, we have continued to fund training munitions at levels consistent with prior years, and are in the process of revalidating our training requirements. The current budget for FY 2001 contains over \$50 million for training ordnance and includes an increase of over 1,200 units of practice LGBs over that appropriated for in FY 2000

We are requesting \$296 million for ammunition procurement in FY 2001. Although this appears as a reduction from the FY 2000 level of \$396 million, the FY 2000 program included funds provided from the FY 1999 Kosovo Emergency Supplemental. Discounting the Supplemental, the FY 2001 program actually increases.

### **Base Support**

The FY 2000 across-the-board reductions in our Operation and Maintenance appropriations were targeted to Real Property Maintenance (RPM) to protect the critical steaming, flying and associated maintenance accounts. This \$120 million reduction is serious and needs to be replenished. Our Real Property Maintenance is measured in terms of Asset Protection Index (API), which is the level of funding divided by current replacement value. As shown

in the table below, FY 2001 shows an improvement, but still below the minimum 2% acceptable level.

**Navy API and Backlog**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
API	1.81%	1.69%	1.81%
Backlog	\$2.8B	\$3.1B	\$3.4B

As a result of the under-investment in RPM, backlog grows from \$3.1 billion to \$3.4 billion, impacting our infrastructure and extenuating a major quality of life dissatisfier.

**Spares**

Since last year's testimony in support of the President's Fiscal Year 2000 Budget submission, \$468 million has been added for aviation readiness to the Aircraft Spares and Repair Parts procurement account (APN) and the Aviation Depot Level Repairables account (AVDLR) for Fiscal Years 2000 and 2001. The APN account increased by \$171 million and the AVDLR account increased by \$297 million. Much of this increase was achieved through last year's Readiness Supplemental.

The Navy Working Capital Fund (NWCF) and Defense Working Capital Fund (DWCF) are used by the Navy and the Defense Logistics Agency (DLA), respectively, to provide

wholesale spare parts stock that is bought out by the APN and AVDLR accounts. In essence, these working capital funds finance the lead time required to have wholesale material available. NWCF obligational authority provides wholesale buy-in to support APN-6 and FHP aviation spares requirements in FY 2001. An additional \$500 million in DWCF obligational authority has been granted to DLA in order to provide an increased level of wholesale aviation spare parts buy-in.

While the Navy has been working toward balancing the legs of aviation spare parts support, it is also working on programs to provide more reliable spare parts. The Navy's Logistic Engineering Change Proposal (LECP) Program is a good example. The LECP Program uses NWCF to invest in new spare parts that provide improved reliability, which in turn reduce future material support costs. LECP items are fielded on aircraft through O&M,N funded fleet requisitions. The Navy made an annual NWCF investment of \$40 million to buy more reliable aviation spares in the LECP Program last year and this level of investment is expected to continue in the foreseeable future. In FY 2001, the expected savings associated with the LECP program is \$14 million. The savings are expected to grow

to \$42 million in FY 2002, \$70 million in FY 2003, and eventually around \$100 million annually by FY 2007.

After great effort, in FY 2001, all of the "legs" of aviation spare parts support: APN funding, AVDLR funding, NWCF, and DWCF, should be balanced and funded in support of naval aviation with one notable exception. Through both an oversight and requirements changes, the APN Spares account is underfunded approximately \$174 million, and this is reflected on the CNO's unfunded priority list.

### **Long-term Readiness**

Looking to the future, increasing our investment to support the recapitalization and modernization of our Navy is essential to maintaining operational primacy. Adequate readiness can only be sustained in the future with a modernization and recapitalization program that delivers sufficient numbers of technologically superior platforms and systems to the Fleet. I remain concerned that we are falling behind in this effort.

We are continually pursuing initiatives that will lower our cost of doing business so we can maintain near-term readiness and still invest more in the future. However, our ability to realize efficiencies is not keeping pace with requirements. As a result, we were again

required in this budget to compensate by shifting resources from modernization and recapitalization appropriations to operations and support areas.

Modernization enables our current forces to continue to be valuable warfighting assets in the years ahead while concurrently trying to mitigate escalating support costs of aging equipment. Also, as technological cycle times are now shorter than platform service life, it is fiscally prudent to modernize the force through timely upgrades. Recapitalization is critical for three basic reasons: first, the risks to our future military pre-eminence require a prudent investment in new capabilities; second, the aging of many of our ships, aircraft, and vehicles, coupled with the added wear and tear associated with use, mandates their systematic replacement; third, the industrial base that supports our armed forces is still largely unique and, absent new programs, would likely not remain economically viable.

We need to invest now with a focused and expanded program to maintain naval superiority well through the first half of the 21<sup>st</sup> Century. With the help of the Administration and the Congress, our shipbuilding and aircraft procurement programs have improved since last

year. However, they are still insufficient to sustain the force needed for the 21<sup>ST</sup> century.

Our FY 2001 Budget sustains our shipbuilding plan of 8 ships, and averages 7.8 ships per year through 2005. This is approximately 1 ship per year less than the 8.6 ships per year steady state requirement. Likewise, our aircraft procurement is 128 aircraft in FY 2001, less than the 140 projected last year, and significantly below the 150-210 per year requirement. Those shortfalls can all be attributed to affordability, and are reflective of the priority placed on our more immediate needs.

### **Summary**

Today, as a result of the much appreciated efforts from this Subcommittee, we remain the finest naval force in the world. With your continuing support we can ensure that the Navy remains ready in the future to influence directly and decisively, events ashore from the sea -- anytime, anywhere.

The past few years unquestionably demonstrate that the Navy plays a pivotal role in the protection of U.S. interests worldwide. Our assessment of the emerging threat indicates that the nation's reliance on a maritime force will not diminish as we enter into the new millennium.

Our operational primacy depends on the unwavering commitment of our Sailors. The recent pay reforms, leadership initiatives to reduce workload and improve quality of service, and expanded educational opportunities demonstrate a similar commitment from us, and are steps in the right direction. While your Sailors spend their days and nights securing our national interests, we must continue to work together to secure the quality of service they so richly deserve.

Mr. Chairman, again I would like to thank you and this Subcommittee for all you have done for the Navy, our dedicated sailors, and their families. I will be happy to answer any questions the Subcommittee might have.