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THE SENATE COMMITTEE ON APPROPRIATIONS

STATEMENT OF

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BEFORE THE

SENATE SUBCOMMITTEE ON DEFENSE

COMMITTEE ON APPROPRIATIONS

ON THE

FISCAL YEAR 2018 NAVY BUDGET

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Chairman Cochran, Vice Chairman Durbin, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Navy's Fiscal Year 2018 (FY18) budget request. This budget is the second step along a three-year path that started in Fiscal Year 2017 (FY17). In FY17, Congress approved funding that helped to plug the most urgent readiness holes in the fleet. The FY18 request is focused on continuing to stabilize the ship - restoring balance that will serve as a solid foundation for next year's investments, which will be informed by the pending National Security Strategy and National Military Strategy and chart a course to growing our size and capabilities. We would not even be having this conversation were it not for passage of the FY17 bill. Thank you both for the final bill, and for supporting the Administration's request for additional Overseas Contingency Operations funding.

The Navy submits this request in a time of increasing competition. The world in general, and the maritime environment in particular, is fast-paced, increasingly complex, and uncertain. The challenges we face are more diverse, interconnected, and arriving more quickly than we had anticipated. Our maritime rivals are quickly becoming stronger. There is a need for urgency; we need to pick up the pace if we are to maintain a position of naval leadership in the world. Your sailors are out every day, all around the world, going into harm's way and undaunted by the threats that they face. Their equipment is worn. Too frequently, they don't have enough spare parts, and their stocks of munitions are lower than they need. But they are tough, dedicated, and proud of what they do. Back here at home, there is less evidence that we get it. There is little sense that our margin is shrinking, that time matters, and that we must take action. Again, your support in FY17 is important progress, and your Navy is very grateful. But there is much more that still needs to be done.

This places a growing premium on what we in the Navy often refer to as wholeness. For the Navy, wholeness is striking a balance of capabilities that are ready to meet our missions today, complemented by the additional investments that will enable us to sustain those capabilities over time.

The heartbeat of the Navy is its people - this is where wholeness begins and ends. This budget request reflects increases in both military and civilian personnel. On the military side, we are requesting an additional 4,000 active duty and 1,000 reserve personnel to man modernized cruisers and destroyers, as well as Littoral Combat Ships; properly support moves for our sailors and their families; grow our cyber capabilities; and to implement our digital training initiatives. We are also adding almost 3,700 civilian personnel to conduct ship and aircraft maintenance, increase security at our bases, and provide engineering and other developmental support for new manned and unmanned aircraft, cyber, and tactical operations.

The most significant investments in our FY 2018 budget request build upon the funding provided in FY17: the Navy added \$3.4 billion this year and hopes to continue

to achieve and better maintain readiness over the next five years. Afloat readiness accounts are almost all funded to either their full requirement or the maximum amounts that could be spent. These investments are designed to help reverse years of significant strain on the fleet. The funding will buy the gas so that our ships and aircraft can fully train and deploy. It will increase the stocks of spare parts to keep those platforms running or quickly restore them to service if something should wear out or break. They will also provide for increased cyber resilience and defense, and support modest improvements to our facilities.

As our competitors seek areas of advantage, our modernization accounts will ensure our current platforms remain competitive through their expected service lives. The FY18 budget request sustains most of our major modernization programs, across the undersea, surface, and air domains. We also sustained our planned investments in missiles, ship self-defense systems, and torpedoes in this request, and increased funding for additional weapons in future years.

Even as we invested in enhancing our readiness, our FY18 budget request also supports moving into the future. We fully funded the COLUMBIA-class ballistic missile submarine's FY18 program requirements, the Navy's contribution to our nation's strategic nuclear deterrent and our highest shipbuilding priority. We procure eight ships in this fiscal year, and another 33 across the Future Years Defense Plan. We made minor adjustments to our planned aircraft purchases, requesting one additional P-8A maritime patrol aircraft in this year's request and reducing our expected purchases of F-35C fighters from 6 to 4.

The final element of our efforts to strike the best balance across our FY18 budget request is focused on advancing key technologies that will make our current platforms more capable, providing new ways to counter high rates of fire more effectively and affordably. To that end, we have developed a new strategy to accelerate introduction of lasers and laser-enabling technologies into the fleet, and increased the funding in this and future years. We have funded the research and development of the next generation land attack weapon, hyper-velocity projectile, and hypersonic defense. And this request sustains our investments in autonomy and unmanned air, surface, and undersea vehicles.

We are adjusting our investments in tactical networks and supporting capabilities, and have asked for \$15 million to support a small but empowered office to spearhead Navy digital warfare and enterprise efforts. As just one example, one of our most impactful digital efforts is the transformation of the information systems that support our Manpower, Personnel, Training and Education enterprise. The MPTE modernization project will consolidate information from over 50 different databases in order to support tailored, flexible, and modern talent management and human resources support for our sailors. Our initial steps toward implementation are leading us to redesign our processes; in just one area, these changes have increased the number of travel claims

processed by 28 percent per employee, 38 percent faster, with zero errors. Once we move claims processing fully online, we project manpower savings of over 80 percent. We are requesting \$35 million this year to move these critical transformation efforts forward, which will extend across our MPTE enterprise.

This budget request acknowledges the growing prominence of information warfare through increased investments in survivable networks, electromagnetic maneuver warfare, and offensive and defensive cyber programs. Cyber protection of critical warfighting systems will provide the capability to automatically harden applications on naval platforms, reducing vulnerability to cyber attacks. The budget request also recognizes that as we advance technologies we must accelerate our adoption of training that leverages latest educational methods and tools, particularly the employing a combination of live, virtual, and constructive (LVC) training. By increasing our investments by \$217M, we ensure that we keep our operators at the center of our plans, ensuring that they will be able to most effectively fight their ships, submarines, aircraft, and networks. Finally, we continue to seek ways to exploit the advantages offered by smart manufacturing technologies, including tools for shipyards and depots to speed production, reduce maintenance and sustainment costs, and enhance operations and logistics. These are just some of the highlights of the Navy's FY18 budget request, building upon FY17 readiness investments to achieve greater wholeness, both now and into the future. However, the perfect warfighting capability is useless if it arrives late to the fight. Getting a new capability to the fleet first, before any competitor, is decisive. As important as any specific capability, we also need speed. Time matters, and we are not moving fast enough. The Congress has a major role to play here. Becoming more competitive starts with stable, adequate funding -- the Navy simply cannot stay ahead in a system in which we operate without a budget over 30 percent of the time. Stable and reliable funding allows our suppliers to manage their workforce and costs more effectively, which in turn reduces our costs. It gives our industry partners the confidence to invest in advances that make their processes faster and more efficient. We also need to better align our strategy with our budgets. We cannot achieve wholeness when we continue to be asked to do more around the world than our funding levels can support.

Within the Navy, we are rededicating ourselves to a single-minded focus on building leaders, who are building the best possible teams. In the past year, we have issued an updated leader development framework to help guide the advancement of sailors as leaders of both character and competence - the two necessary ingredients for professional leadership. We also issued a framework that is informing advancement strategies for our Navy civilians, to guide strategies that are tailored to their particular areas of expertise.

I am grateful for the additional acquisition authorities that the Congress has given to me and my fellow Service Chiefs, and have learned a lot as I have started to execute them. Many of my colleagues in industry that do both commercial and Defense

Department work describe two ways of doing business: the “competitive way” and the “government way.” They describe their worlds as consisting of parallel universes that operate at vastly different speeds. In the “government way,” we take over seven years to move from starting to look at potential information technology systems to initial operations. The “competitive way” took deep learning from an idea to GO champion in the same amount of time. Too often, the “government way” ignores the fact that going slow -- or worse, doing nothing -- incurs risks that are often much higher than acting imperfectly. In the “government way,” there are too many people that can say no. In the “government way,” there are layers upon layers of oversight, many of which have their origins decades ago, in a time when there were no computers. I am working with the Department and industry to examine our methods against the need to deliver quality in a way that is also timely and cost-effective. Make no mistake, continuing to operate in “the government way” imposes costs and risks as real as any others we might be trying to avoid. . To that end, right-sizing and modernizing our installations and facilities will be an important part of our future competitiveness; although the Navy believes its infrastructure capacity is about right, completing the more detailed analysis once a BRAC is authorized will have value, and may highlight opportunities for some savings.

Within the Navy, we are taking steps to accelerate acquisition. There are two elements to our approach. The Rapid Prototyping, Experimentation, and Demonstration (RPED) process seeks to develop and field prototypes to find solutions to fleet problems. The Maritime Accelerated Capabilities Office (MACO) process streamlines and accelerates the acquisition decision making process so that capabilities can be delivered to the fleet as fast as possible.

These new ways of doing business are enabled by engaging with industry much sooner in the acquisition process, both to help refine the requirements process and to make it more efficient. As a part of this, we have been increasing our outreach to small businesses, which are often the most agile of our performers. And I am routinely calling both on our own Navy team as well as our partners in industry to challenge assumptions that we have grown to take for granted - assumptions about how long it takes to design or build everything from our most simple to most complex platforms. We are shifting our mindset from technological miracles that deliver in the distant future, to one of achievable and meaningful advances today that can be pushed forward into the future through faster iteration. We must design and build all of our future platforms with modernization in mind.

Finally, together we must develop a more competitive approach to defining our future. I have been focused on getting better insight and control of research and development funding so that it can be prioritized to the areas of most decisive advantage. We need more targeted investments, with well understood risks, that include time to delivery as a critical discriminator.

If our efforts here are going to succeed, I will need your help. I welcome the greater accountability you have given me, but would ask you to look hard at areas where oversight can be pruned back to less onerous levels. Which oversight functions are best performed by the Navy Secretariat, by the Office of the Secretary of Defense, or both? What steps can we take to maintain sufficient checks and balances, but that also recognize the competition that we cannot ignore? These are difficult questions, but ones that the world in which we find ourselves in demands that we answer. I look forward to working with you in this vital area, and to answering your questions.