

Stenographic Transcript
Before the

Subcommittee on
Readiness and Management Support

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON THE STATE OF
PUBLIC SHIPYARDS TO MEET CURRENT MISSION NEEDS
AND INVESTMENT STRATEGIES TO SUPPORT FUTURE
NATIONAL SECURITY REQUIREMENTS IN REVIEW OF THE
DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2017
AND THE FUTURE YEARS DEFENSE PROGRAM

Tuesday, April 5, 2016

Washington, D.C.

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7 Tuesday, April 5, 2016

8
9 U.S. Senate
10 Subcommittee on Readiness and
11 Management Support
12 Committee on Armed Services
13 Washington, D.C.

14
15 The subcommittee met, pursuant to notice, at 2:31 p.m.
16 in Room SR-222, Russell Senate Office Building, Hon. Kelly
17 Ayotte, chairman of the subcommittee, presiding.

18 Committee Members Present: Senators Ayotte
19 [presiding], Fischer, Rounds, Ernst, Shaheen, Hirono, and
20 Kaine.

1 OPENING STATEMENT OF HON. KELLY AYOTTE, U.S. SENATOR
2 FROM NEW HAMPSHIRE

3 Senator Ayotte: Good afternoon. This hearing of the
4 Subcommittee on Readiness and Management Support will come
5 to order.

6 I want to thank Ranking Member Senator Kaine for his
7 continued leadership on defense issues and eagerness to work
8 together in a bipartisan manner on behalf of our men and
9 women in uniform.

10 And I am very pleased to have our witnesses here today.
11 We are joined this afternoon by Vice Admiral William
12 Hilarides, Commander of the United States Naval Sea Systems
13 Command; and Vice Admiral Dixon Smith, Commander of United
14 States Navy Installations Command. I want to thank both of
15 you for being here and for your leadership and service to
16 the country.

17 As we prepare for the committee markup of the National
18 Defense Authorization Act, the focus of today's hearing is
19 on our Nation's four public shipyards: Norfolk, Pearl
20 Harbor, Puget Sound, and the Portsmouth Naval Shipyard.
21 These four public shipyards and the skilled Department of
22 Defense civilians who work at these shipyards are major
23 national security assets for our Navy and our Nation,
24 performing mission-critical depot and intermediate level
25 maintenance, modernization, and repair on our Nation's naval

1 fleet.

2 In order to protect our economic and national security
3 interests, our Nation needs the world's most capable, well
4 maintained, and combat-ready fleet. To ensure we have such
5 a fleet, our Nation looks to the Navy and the Navy looks to
6 the thousands of Department of Defense skilled civilian
7 artisans who work at our public shipyards.

8 To fulfill this critical national security role, our
9 public shipyards must have a fully trained and supported
10 workforce that is appropriately sized, as well as modernized
11 infrastructure, including dry docks, piers, production
12 shops, and wharfs. That is what more than 33,000 skilled
13 shipyard workers deserve and what our national security
14 interests require.

15 I have been fortunate to witness the excellence of our
16 shipyards at the Portsmouth Naval Shipyard, where many of my
17 constituents work. The week before last, I was privileged
18 to attend and speak at the Portsmouth Naval Shipyard's trade
19 apprentice program and worker skills progression program
20 graduation. I was so impressed by the comprehensiveness of
21 the training, as well as the quality of the more than 180
22 individuals who graduated from the program. The graduates
23 actually logged thousands of hours of on-the-job training,
24 trade theory and academic training, honing their trade and
25 sharpening their skills.

1 Portsmouth is known for programs like this and others
2 that promote labor-management collaboration, empower the
3 workforce, and create a culture that values high standards
4 and continuous learning. In fact, this subcommittee
5 highlighted these efforts and Portsmouth's dedication to
6 improving its workforce in a hearing that we had before this
7 committee last July, and in that hearing, Mr. Paul O'Connor
8 testified at the hearing. And I am so pleased to see Paul
9 here today in the audience.

10 In part because of these programs, Portsmouth has
11 solidified its reputation as the Navy's Center of Excellence
12 for fast attack nuclear-powered submarine maintenance,
13 modernization, and repair. These are not just words.
14 Portsmouth Naval Shipyard consistently proves it by
15 completing submarine maintenance ahead of schedule and
16 under budget. Last year, Portsmouth executed the fastest
17 engineering overhaul of a Los Angeles class submarine in
18 history, completing the work on the USS Alexandria 2 weeks
19 ahead of schedule and \$9 million under budget. We are not
20 too proud. We have seen similar top-notch performances at
21 Portsmouth with the USS Springfield, California, Topeka, and
22 Dallas.

23 The challenge before us is to ensure Portsmouth and the
24 other three public shipyards have the resources that they
25 need to improve performance even further. Our sailors, our

1 combat commanders, and our country depend on our public
2 shipyards. These civilians perform a vital national
3 security mission, and we should avoid policies that make
4 their jobs harder or fail to reflect the importance of their
5 work like sequestration, government shutdowns, and misguided
6 TDY policies.

7 This subcommittee is also particularly eager to discuss
8 at the hearing with both of you today the performance of the
9 public shipyards, including areas of excellence and areas
10 that we need to continue focusing on, current and projected
11 workload, and the personnel and infrastructure capacity of
12 the public shipyards necessary to execute that workload, the
13 importance of investing in infrastructure facilities and
14 equipment, and why the projects requested in the 2017 budget
15 request are needed, plans for the dry dock modernization at
16 all four shipyards, apprenticeship and training programs
17 like the one that I referenced at the Portsmouth Naval
18 Shipyard, and efforts to codify and share best practices
19 among all of our shipyards.

20 Before we hear from our witnesses, I want to touch, in
21 particular, on one area we will discuss, which is long-term
22 TDY policies that negatively affect the civilian shipyard
23 workers across the country. And this is something that I
24 have heard quite a bit from our shipyard.

25 As both of you point out in your joint prepared

1 statement, on any given day, hundreds of naval shipyard
2 workers are on travel to conduct critical maintenance of our
3 Navy ships. That travel is central to maintaining our naval
4 readiness and to sharing expertise and resources. As the
5 Senate Armed Services Committee stated in its report on the
6 national defense authorization last year, we must ensure
7 that workers conducting long-term TDY for off-yard work are
8 fully supported and encouraged.

9 Admiral Hilarides, based on your January 19th letter, I
10 look forward to hearing why you believe that the long-term
11 temporary duty policy for shipyard civilians is having a,
12 quote, negative impact on the naval shipyards' ability to
13 effectively and efficiently conduct Navy ship maintenance
14 and actually, quote, has the potential to increase the end
15 cost of projects.

16 I look forward to the testimony of our witnesses and to
17 continue our work together to ensure the skilled men and
18 women at our public shipyards have what they need to
19 continue their work which is so vital to our naval readiness
20 and our national security.

21 I thank our witnesses again for coming here to testify
22 this day and for your service to our country.

23 I would now like to call on my ranking member, Senator
24 Kaine, for his opening remarks. Senator Kaine?

25

1 STATEMENT OF HON. TIM Kaine, U.S. SENATOR FROM
2 VIRGINIA

3 Senator Kaine: Great. Thank you, Chairwoman Ayotte.

4 And thanks to our witnesses for being here today. I so
5 much enjoy working on this committee with our chair and we
6 have had a number of hearings bearing upon the workforce
7 that builds the largest items manufactured on the planet
8 earth that are so important to our Nation's defense. And I
9 look forward to your testimony today.

10 We have to recognize the collective condition of our
11 shipyards, both the workforce and the infrastructure, and
12 the ways that we can improve that to do our job better in
13 the future. Age and the deterioration and even the design
14 of the shipyard infrastructure can negatively impact the
15 work that we do. GAO found for fiscal year 2010 to fiscal
16 year 2013, there were 96 ships that were in maintenance
17 availabilities whose maintenance was affected because of
18 inadequate infrastructure, either obsolescent because it was
19 designed a long time ago or needing significant maintenance.

20 I am very happy to see that the Navy's proposal is to
21 exceed the minimum 6 percent capital investment threshold
22 for shipyards as required by law with a 7.1 percent
23 investment in fiscal year 2017 proposed.

24 However, for an awful lot of the public shipyard
25 workforce, the unfortunate effects of the RIFs, reductions

1 in force, in the 1990s have come home to roost in the
2 workforce. And I just have a couple of exhibits on the
3 table I think before the witnesses and also before all the
4 staff members and all the committee colleagues.

5 Chart 1 shows an age demographics bathtub which
6 resulted from workers being let go in the 1990s, and the
7 compounding effect of sequestration has deepened this
8 bathtub effect of worker experience. So if you look at
9 chart 1, you see significant numbers of the public shipyard
10 employees in the 26- to 30- and 31- to 35-year-old age
11 range, but then you see this dip in the kind of more
12 experienced upper level workers because of that RIF policy
13 in the 1990s.

14 We have a second chart, and it shows that currently
15 one-third of all public shipyard employees have less than 5
16 years experience, and the average level of experience of the
17 entire workforce is only 8 years. The Navy has, I think, a
18 desired goal that that should be between 12 and 15 years,
19 and at 8 years, we are a little bit short on the experience
20 side, obviously. It is going to take a number of years to
21 make a significant change and bring that average up to 12 to
22 15 years.

23 But there is some good news and it is the last chart.
24 It shows what the hiring has been -- hiring efforts and
25 training investments in the shipyards with the target

1 manning level of 33,000 by fiscal year 2016. And you can
2 see how it has ramped up as we have tried to fill in that
3 bathtub that was left by the RIF policies.

4 But if the sequester comes back full force, some of
5 these best laid plans of getting back to where we ought to
6 be are really in jeopardy. And I want to echo the comments
7 that were made by the chair about that.

8 I also represent a State with a wonderful public
9 shipyard in Norfolk but also one that has a lot of private
10 shipyards too. And this is a hearing about the public
11 shipyard workforce, but I do want to say I am pleased that
12 the Navy continues to grapple with how to kind of structure
13 the entire level of work and provide as much predictability
14 and balance as possible across the public and private
15 shipyards.

16 For example, I understand that the Navy shifted three
17 attack submarine availabilities to the private sector in
18 fiscal year 2016 and for 2017 in addition to increasing
19 private sector contracting opportunities in an area to try
20 to even out the workforce. The whole cycle of hirings and
21 RIFs, even if they are temporary, can put uncertainty into
22 the shipyard workforce that does the work that we need.

23 I will conclude by just saying I also am really
24 interested in talking about an issue that the chairwoman
25 mentioned, which is best practices on the apprenticeship

1 side. I think these are some of the best workforce programs
2 that we have in the United States. I think if you look
3 broader than just the issue of the day, we have tended to,
4 you know, maybe for a couple of generations really promote
5 college education and demean, downgrade, or kind of put at
6 second class apprenticeship, career, and technical education
7 opportunities when we know from experience these are great
8 jobs that you feel patriotic doing every day, that you can
9 be employed for a very long time. We need to do the work to
10 let the public know how high quality these are.

11 I am encouraged by the induction of nearly 1,000 first-
12 year apprentices into the program and the hiring of over 650
13 nuclear and non-nuclear engineers in fiscal year 2016 and
14 the apprentice school at Newport News, which is a private
15 program which is going to celebrate its 100th anniversary
16 here within the next couple of years. These core principles
17 of craftsmanship, leadership, and scholarship in service of
18 the Nation, in service of our Nation's defense, and also in
19 service of setting the example of the American manufacturing
20 might is something that we can be proud of.

21 So, Madam Chair, thanks for holding this hearing today,
22 and I look forward to asking questions and learning from our
23 witnesses. And with that, I will turn it back to you.

24 Senator Ayotte: Thank you so much, Senator Kaine.

25 And I would now like to call on Admiral Hilarides.

1 STATEMENT OF VICE ADMIRAL WILLIAM H. HILARIDES, USN,
2 COMMANDER, UNITED STATES NAVAL SEA SYSTEMS COMMAND

3 Admiral Hilarides: Madam Chair, Ranking Member Kaine,
4 distinguished members of the committee, thank you for
5 inviting me and us here today to be part of this hearing. I
6 am really honored to be here.

7 Vice Admiral Smith and I have submitted our full joint
8 statement to the committee, which we ask to be made part of
9 the hearing record. And we would now like to provide a
10 brief opening statement.

11 Senator Ayotte: Yes, please.

12 Admiral Hilarides: Over the past several years, our
13 four public naval shipyards, Portsmouth, Norfolk, Puget
14 Sound, and Pearl Harbor, have dealt with some difficult
15 challenges, as you noted, a government shutdown, a hiring
16 freeze, furloughs, aging infrastructure, in the face of an
17 increasing workload, which has led to an imbalance in our
18 capacity and our requirements.

19 I am pleased to say that we are well down the road to
20 recovery. The Navy's fiscal year 2017 budget request
21 includes funding to staff our shipyards to 33,500 full-time
22 employees so that we can execute our peak workload.

23 However, having the right number of workers on board is
24 the right first step, and over the last 3 years, our
25 shipyard workforce has grown by roughly 4,000 full-time

1 employees. When you combine that with natural attrition, we
2 have hired more than 10,000 people in the last 3 years, and
3 that is reflected, Senator Kaine, by the graph that you
4 pointed out.

5 Now training is our top challenge. Our shipyards have
6 shown a talent for innovation when it comes to training,
7 whether it is revolutionizing training of today's new hires
8 to get them on the job site faster, taking tanks off
9 decommissioned submarines to use as real-life trainers for
10 our sandblasters and painters, or utilizing 3D printing to
11 create models to allow for proper planning of difficult
12 evolutions. We have changed the way we train the next
13 generation of shipyard workers who, not surprisingly, learn
14 differently than previous generations, as our shipyards
15 continue their innovative efforts to share their lessons
16 with each other so that all may benefit.

17 Once our newly hired and trained personnel reach the
18 waterfront, they quickly realize they are part of something
19 special. Working on our Navy's most complicated and
20 powerful warships makes them part of our Navy. They do not
21 wear uniforms but they do know their work directly impacts
22 global events. Without them, our Navy could not be forward
23 deployed. They take great pride in their work, and this
24 sense of duty has a lasting effect that I believe is the
25 primary reason why people stay at our shipyards so long.

1 In reading the committee's invitation letter, I was
2 pleased to see we share an interest in science, technology,
3 engineering, and math. I will tell you the Naval Sea
4 Systems Command is committed to sharing our passion for STEM
5 with students of all ages, and our four naval shipyards are
6 leaders in this area. They have provided hands-on support
7 to a number of national and local fronts, everything from
8 first robotics, sea perch, underwater vehicle pool
9 challenges, STEM fairs, going to schools to talk about what
10 they do, and hosting students at the facilities to see what
11 a STEM career looks like. I am exceptionally proud of the
12 men and women who volunteer to take their time to be part of
13 these great efforts.

14 As this is likely the last time testifying before
15 Congress, I would like to take the opportunity to recognize
16 the nearly 70,000 government civilians, including more than
17 33,000 naval shipyard employees who work at NAVSEA. Over my
18 tenure, I visited all of NAVSEA's 30-plus facilities to see
19 firsthand the remarkable accomplishments. NAVSEA's
20 workforce is a national treasure. There is no other
21 organization in the world that can do what they do. These
22 unsung Americans allow the United States to have the
23 greatest Navy in the world. As I approach retirement this
24 summer, I would like to state publicly it has been my honor
25 to serve with them.

1 Thank you for the opportunity to say a few words, and I
2 look forward to answering your questions.

3 [The prepared statement of Admiral Hilarides and
4 Admiral Smith follows:]

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1 Senator Ayotte: Thank you for your leadership and all
2 that you have done for the country, for the Navy, and we are
3 so grateful for the sacrifices and service of you and your
4 family. And we wish you the very, very best. Thank you.

5 I would like to call on Admiral Smith now for his
6 testimony.

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1 STATEMENT OF VICE ADMIRAL DIXON R. SMITH, USN,
2 COMMANDER, UNITED STATES NAVY INSTALLATIONS COMMAND

3 Admiral Smith: Thank you, Madam Chair. Madam Chair,
4 Senator Kaine, and distinguished members of the committee,
5 thank you for inviting Admiral Hilarides and me today to
6 discuss our efforts in support of the Navy's four public
7 shipyards and our investment in their infrastructure and
8 supporting services.

9 Budget shortfalls over the past several years have
10 caused Navy to take deliberate risk in the shore
11 infrastructure in order to sustain fleet readiness. Within
12 the shore accounts, the Navy continues to place a high
13 priority on the infrastructure of our Navy shipyards,
14 including military construction, facilities sustainment, and
15 facilities restoration, and modernization. Shipyard
16 investments address the most critical safety and
17 productivity deficiencies in the controlled industrial area,
18 which primarily includes production, jobs, piers, wharfs,
19 and dry docks.

20 Despite today's fiscal constraints, the Navy remains
21 committed to improving the condition of our naval shipyards
22 which are critical to maintaining the warfighting readiness
23 of our force. I am pleased to report in fiscal year 2017,
24 as Senator Kaine stated, the Navy will again exceed the
25 mandated capital investment of 6 percent across our

1 shipyards.

2 Having served as an installation commander and a region
3 commander three times, regions which included three of the
4 four public shipyards, now as Commander of Navy
5 Installations Command, I have witnessed firsthand the
6 challenges and opportunities of operating such a complex
7 command and have made it my personal priority to support the
8 shipyard commanders and their world-class workforce.

9 Thank you, Madam Chair. I look forward to yours and
10 the committee's questions.

11 Senator Ayotte: Thank you, Admiral Smith.

12 I would like, first, to begin with a question for
13 Admiral Hilarides about the TDY policy. This is something
14 that this committee has also discussed as well very recently
15 with Admiral Howard who came before our committee. She had
16 testified that there should be a concern that we ensure that
17 there is no negative impact on the naval shipyards' ability
18 to effectively and efficiently conduct Navy ship
19 maintenance. And to me, this is something that -- I talked
20 to her about your prior comments in the January letter, and
21 she expressed concern as well that this policy could end up
22 costing us more.

23 My concern, having heard from, obviously, my
24 constituents who work at the Portsmouth Naval Shipyard who
25 are deployed to help other shipyards all the time and

1 obviously help the Navy, they want to do this. But right
2 now, the new TDY policy is negatively impacting their
3 ability to do that. And we cannot ask them to go off to
4 other shipyards and leave their family and actually be in
5 situations where it might cost them more to do that based on
6 staying stateside or put them in living conditions that do
7 not allow them to focus on their job.

8 So I wanted to ask you just very specifically based on
9 what you have said in the past -- I know you have already
10 said that it has had a negative impact on the naval
11 shipyards' ability to effectively and efficiently conduct
12 Navy maintenance and does have the potential to increase the
13 end cost. I know that was not the goal in putting the
14 policy in place, but we have to look at the actual impact of
15 a policy. And I think that is really, really important.

16 So I wanted to ask you today how has the new long-term
17 TDY policy negatively impacted the naval shipyards' ability
18 to effectively conduct naval ship maintenance. I know the
19 policy was intended to save money, but what are these
20 unintended consequences that have flowed from it that I
21 think all of us think it is important to address?

22 Admiral Hilarides: Yes, ma'am. I will attempt to
23 characterize it, and I will try to be concise but it does
24 require some detail.

25 I do stand by the letter that I wrote, and it deals

1 specifically with the trade laborers. And these are
2 shipyard workers who spend 10, sometimes 12 hours a day
3 hauling a welding machine cable, pipe. This is hard
4 physical work. They are volunteers. So to go on TDY in
5 accordance with their union contract requires them to
6 volunteer. And they will volunteer if they are properly
7 recompensed for their travel.

8 The travel regulation, as I understand it, when it was
9 put in place, said after a month, you can negotiate a long-
10 term arrangement with your housing, and you can lower your
11 cost of food and other things by shopping smartly. And many
12 people on travel can do that. They go to school for 6
13 months. They can find time to get to a store and stock a
14 long-term lease with that kind of food.

15 These folks, however, are working many times 12 hours a
16 day, hard, physical labor, and getting out to a store,
17 finding food, coming back, and cooking it just has not been
18 something that fits in the kind of day that they have. And
19 so they spend their money at the closest fast food store
20 they can find, and they really cannot survive on the money
21 that is provided once it starts to get reduced on that.

22 And so I wrote specifically about those folks because
23 we need them to volunteer to go do these jobs, many times of
24 which is 3 months, 4 months. It could even be more than 6
25 months. We want them to go as a team. They are most

1 effective. It is as much an effectiveness argument as
2 anything. They are most effective when that team is
3 integral and operates together as a team for their entire
4 time. And so when that work team goes, you want them to
5 volunteer. You want to properly support them, and you want
6 them to get their work done efficiently and effectively.

7 If after a month, their allowance goes down and they go
8 home and are replaced by someone else, you lose that
9 effectiveness in the team, and then of course you have the
10 travel costs.

11 So I wrote my letter. It is in staffing. We have made
12 the business case that is being analyzed, as the Vice Chief
13 indicated. I will continue to fight to have them see that,
14 yes, in fact, in this narrow case, it makes sense to create
15 some sort of a standard variance from that rule. And we
16 will see how that goes over the next few months.

17 Senator Ayotte: Well, you know, I certainly appreciate
18 that you have made that case, Admiral. I think we are,
19 hopefully, going to make our case as well, wanting to make
20 sure that our shipyard workers can continue to help and
21 deploy to help with the naval maintenance that needs to be
22 done.

23 I know today, in fact, every Senator who is
24 representing a public shipyard is supporting legislation
25 that I have introduced that will ensure that we have a TDY

1 policy that allows them to continue doing this. So we want
2 to work with you on this. I want to thank all my
3 colleagues, including the ranking member and, of course,
4 Senator Shaheen and Senator Hirono, for their support on
5 this issue because this is a critical issue to us and to
6 make sure that we can continue to support our workforce as
7 they deploy to other shipyards or other maintenance calls
8 from the Navy.

9 I also want to ask about the issue of best practices
10 because as we look at the number of new hires that have been
11 made, I mean, it is a tremendous number of new hires. And
12 having recently been at the graduation at the Portsmouth
13 Naval Shipyard, this is quite a few people that they are
14 integrating. And they have an excellent apprentice program.
15 And also, as we think about how to improve all of our public
16 shipyards, how are we going to make sure that we share best
17 practices whether it is in the training space?

18 Also, Portsmouth has really done a lot of work on
19 labor-management collaboration, empowering the workforce,
20 and this I think is what has allowed Portsmouth, for
21 example, to produce these submarines back into service under
22 budget and before time. So how are we in the Navy going to
23 make sure that we do that and we are all sharing each
24 other's best practices not only on the training and the
25 workforce issues but also just the excellence and

1 performance issues so that we all benefit from hearing from
2 each other?

3 Admiral Hilarides: Yes, ma'am. So that is really
4 headquarters' responsibility to pull the four shipyards
5 together. We have created, really with the help of the
6 shipyards -- in many cases, it was their idea -- things we
7 call communities of practice. And so you get the electrical
8 shop of all four shipyards together in one location. You
9 share the best training ideas. You share the best workforce
10 development ideas. If there is a new maintenance practice
11 that has been created, there is nothing like being shown it
12 hands-on as opposed to a written description or even a
13 video. And so those communities of practice is our
14 principle method of taking those best practices and sharing
15 them across all the yards.

16 Portsmouth is very much in the lead of this, but Pearl
17 Harbor's rigging trainer sets the standard for the
18 shipyards. Actually some Portsmouth people saw that rigging
19 trainer and said, boy, we need one of those at our shipyard.
20 And so those communities of practice are a predominant way
21 to do that.

22 On the labor-management side, my predecessor created a
23 thing called the NAVSEA Labor-Management Council. And this
24 is a council between NAVSEA, the national metal trades, the
25 national IFPT, and the other unions that are at the

1 shipyards above the bargaining unit, so it is a management-
2 labor discussion that is above bargaining and it is about
3 opening up this dialogue about how to make sure we have all
4 the pathways to the sharing across the shipyards to the very
5 best communications between management and labor. And when
6 there are shortfalls, they tend to go up to the Labor-
7 Management Council, and then I talk at the national level
8 with folks like Ron Ault and then we go work on it together
9 from a national level to go try to help labor relations
10 improve. And I think Portsmouth still is at the leading
11 edge of that labor-management relationship.

12 Senator Ayotte: Well, I thank you for that. And also,
13 I think having seen how they together really from the
14 grassroots perspective develop their declaration of
15 excellence and things, I hope that that is something that we
16 can, obviously, share. And I appreciate your testimony.
17 Thank you.

18 I would like to call on Senator Kaine.

19 Senator Kaine: Thank you, Madam Chair.

20 I want to talk a little bit about the infrastructure
21 and how you guys measure the infrastructure plan that you
22 have. The naval shipyard depot maintenance infrastructure
23 plan was issued in April 2013. I think it was pursuant to
24 the NDAA that was done in 2012. And the plan had five
25 tenets of infrastructure improvement: eliminating

1 maintenance backlogs, remediating seismic deficiencies at
2 any of the shipyards, maintaining dry dock certification,
3 improving infrastructure layout to increase efficiency, and
4 improving the utility system reliability. When the plan was
5 initially done, there was an extensive list of things to be
6 done. It was estimated that it would take about 17 years to
7 complete each of the five tenets.

8 Talk to us about progress on that plan. The plan came
9 out right as full sequester hit. I am going to get into the
10 sequester in a minute. But I am curious as to the timeline
11 of the Navy's effort to tackle that significant amount of
12 work to keep our shipyards in a very efficient and
13 productive status.

14 Admiral Smith: So, Senator, we have been working at
15 that. And as you know, with the budget restraints that we
16 have right now, we have to prioritize the risk of what we go
17 after. And so with the shipyards, the requirements that
18 Admiral Hilarides has at his four shipyards feeds into the
19 fleets, and then the fleets will balance that with the
20 requirements they have on the operational side. And then
21 those will go up and come up to D.C., and then we will rack
22 and stack those in the priorities. And so through that
23 process, we are making efforts on getting after the
24 shipyards and that plan and moving it. I believe we are
25 inside 17 years now. I am not sure of the specific --

1 Admiral Hilarides: As a result of the review of the
2 nuclear forces, that number has actually been reduced to 15
3 years, and that 15 years has been funded as reflected in the
4 2017 budget.

5 Admiral Smith: So whereas, for example, in fiscal year
6 2017 where we are funding our facilities sustainment,
7 restoration, and modernization account to 70 percent,
8 shipyards are being funded to 85 percent and the nuclear
9 enterprise is being funded to 100 percent. So we are
10 putting our emphasis on the shipyards to get them where they
11 need to be.

12 Senator Kaine: Admiral?

13 Admiral Hilarides: So the other question I think is
14 about dry dock modernization. The dry docks at Norfolk
15 Naval Shipyard will eventually be required to support the
16 Ford class aircraft carrier, which is significantly
17 different. We have those modernizations laid in place. Of
18 course, they are not for a number of years because the first
19 dry-docking at Norfolk Naval is not out for a number of
20 years.

21 Similar is true of the Virginia class. Eventually we
22 will need more dry docks in Pearl Harbor and Portsmouth that
23 are capable of docking the Virginia class, which has some
24 differences from the 688 class. So particularly as we go
25 look to put Virginia payload modules into Virginia, we will

1 lay those plans in. But we will not do them long in advance
2 of those requirements. We will probably do them just in
3 time as those ships come into the fleet and then are
4 projected out to when they will need their first dry-
5 docking, which could, in some cases, be as many as 10 years
6 into the ship's life.

7 Senator Kaine: Now to kind of segue into sequester,
8 because it is related to the ability to complete this
9 infrastructure program, when we went into full sequester in
10 fiscal year 2013, there was a \$9 billion shortfall in the
11 Navy's budget, and as it affected these items, there was the
12 cancellation in the Navy of about 75,000 days of civilian
13 labor for major projects and the outright cancellation of a
14 number of planned shipyard projects.

15 We heard from Admiral Howard earlier this month that
16 even if everything is fine going forward, we do not go back
17 into full sequester, that dip will suggest that we will not
18 get back to full spectrum readiness until at least the early
19 2020s, and that is assuming no more sequester.

20 How would another round of sequester, if we do not find
21 a path out of sequester at the end of the biannual budget
22 deal we did -- how would another round of sequester affect
23 your ability to do the ship maintenance on time, on budget,
24 but also complete some of these infrastructure improvements
25 that you planned out over the next 15 years?

1 Admiral Hilarides: So I will take a stab at sort of
2 the operation of the shipyard and then turn to Admiral Smith
3 for the infrastructure side.

4 The most damaging thing that happened out of all of the
5 things that went on there is when it became clear the budget
6 was going to be dramatically reduced, they put in place a
7 hiring freeze and stopped the hiring of civilian employees.
8 And then the sequester then locked that freeze in place.
9 And it was some number of months after the kind of a path
10 from that point was laid out before we returned to hiring.
11 It ended up being almost a year where we did not hire in the
12 shipyards.

13 If you do the math on what I talked about, we lost
14 ground by 2,500 or so employees from zero, and we were
15 supposed to be hiring up during that time period. So we
16 found ourselves 4,000 or 5,000 people below manning at a
17 time when the budget came back and we started doing the
18 maintenance again, that we were so far behind that that bow
19 wave that formed is a part of what the Vice Chief was
20 talking about.

21 And so the most damaging part of all of it is the idea
22 that we stopped the hiring machine that is in the shipyards.
23 2,500 people a year on average just for attrition. And so
24 if you are not hiring regularly with connections into the
25 schools and into the local labor force, you cannot just turn

1 that on a dime. So for me, that is the most alarming thing
2 out of the thought that we would go into some sort of a
3 temporary freeze is those temporary freezes have lasting
4 impacts that go for a very long time.

5 The other part that a sequester does is it squeezes the
6 other accounts. So the people who are in the government
7 will be paid, and we have a commitment to them to pay them.
8 But they will not get any overtime or enough overtime to do
9 all the jobs they have. They will not get those borrowed
10 labor folks from Newport News or from the other places we
11 get borrowed labor to go help them in those times where the
12 work peaks and they do not have all the resources
13 themselves.

14 And then it hurts in the material and parts and all the
15 things necessary to be ready to do the job when you show up.

16 So it is a broad impact, hard to measure in any one
17 metric, saying that was caused by sequester. But overall in
18 efficiency. And the place we are right now is still very
19 much due to the impacts that that event had there at the end
20 of 2013.

21 Senator Kaine: Admiral Smith?

22 Admiral Smith: Sir, with respect to infrastructure
23 facility -- and I will talk larger than just the shipyards.
24 So we track our facility condition by what we call FCI,
25 facility condition index, code. So 100 is good. We

1 consider 60 failing. The Navy's average right now -- we are
2 at 79.9 is our FCI. The shipyards are a little bit less
3 than that, i.e., the reason we are funding above the 6
4 percent.

5 With the BBA right now, in 2021 with the current
6 funding, that 79.7 will drop to 77.7. So we are going to
7 lose 2 percent just with the funding we have right now. If
8 we go into sequestration, that is going to fall off even
9 more.

10 So in other words, we are not gaining ground right now.
11 We are gaining ground in the shipyards. We are putting 100
12 percent to the nuclear enterprise, but for the rest of our
13 facilities out there, we are not gaining ground. We are
14 losing ground. Sequestration will cause us to lose even
15 faster.

16 Senator Kaine: Thank you very much. I appreciate it.

17 Senator Ayotte: Senator Rounds?

18 Senator Rounds: Thank you, Madam Chair.

19 I would like to just begin by talking a little bit
20 about the per diem issue with regard to the shipyard
21 workers. I think the chairwoman's proposal to offer a
22 legislative fix may very well be the appropriate way to go
23 in terms of reinstating the full per diem payments.
24 Admiral, it would appear that you agree with the
25 chairwoman's thought process in terms of bringing that back

1 up to where it should be. Is that a fair -- am I putting
2 words in your mouth, sir?

3 Admiral Hilarides: No, Senator. I just want to be
4 clear. It was for a very specific group of trade labor
5 people, direct labor people. It was not for everybody who
6 travels from the shipyards or all of us who travel routinely
7 for our business. It is for that narrow group. Yes, I very
8 much stand by that.

9 Senator Rounds: Very good. Thank you. I have an
10 interest in seeing that move forward. I do think that the
11 possibility is that we have probably tried to save some
12 pennies and it may very well be costing us in terms of
13 pounds. I do not have any shipyards in South Dakota, but I
14 do have an interest in seeing that things run efficiently
15 within those shipyards, and it sounds like this is one of
16 those cases where it would be very helpful to make things
17 more efficient.

18 Also, am I correct in that when we start looking at the
19 labor arrangements that we have, that as these folks are
20 asked to volunteer, there is a lineup from senior members
21 down the line to the most junior in terms of those who may
22 accept a deployment away from their home? And so if we have
23 reduced the per diem for these individuals, the most
24 qualified are perhaps the first to decline where you may
25 have junior members accepting a deployment away from their

1 home base, thus probably not having your most seasoned team
2 members moving from one location to another on a regular
3 basis. Am I correct in that?

4 Admiral Hilarides: Sir, I think to be precise, that
5 depends on the bargaining unit of each shipyard, which trade
6 school you are talking about. Generally that is, I believe,
7 an accurate description of how those union arrangements
8 work. But it is very specific by bargaining unit. But I do
9 know that broadly it has been detrimental to both the
10 quality of the people who come and their willingness to stay
11 long enough to finish the job, sir.

12 Senator Rounds: Let me turn just a little bit -- I
13 noted in the discussion earlier that you had indicated, sir,
14 that the Naval Sea Systems Command is focused on updating
15 the shipyards, the outdated IT systems in order to meet
16 modern cybersecurity standards. I am just wondering if you
17 could take a few minutes and elaborate on just what that
18 means and the impacts, if there are some examples of
19 concerns that you could share with us and what the needs are
20 that are out there right now.

21 Admiral Smith: Yes, sir. We are in the middle of a
22 study to go figure out the correct path to go replace the
23 information infrastructure that we run our shipyards from.
24 And that really does include everything from the individual
25 work items, putting them into packages that workers can use,

1 taking those packages and streaming them into a time-phased
2 network that allows you to plan and sequence the work. It
3 allows you to apply people to those jobs and then have them
4 be paid. So it is the actual system that documents their
5 hours and makes sure they get a paycheck in their account at
6 the end of the 2-week period.

7 That system right now is a kluge of a set of
8 information systems that have been put together over the
9 last 30 years. We have attempted to modernize it before and
10 not done well at that because, frankly, we did not put the
11 right professionals in my opinion against the task. We are
12 now re-arraying those correct IT professionals with people
13 who actually have better experience to go get that project
14 right.

15 We anticipate that is a 5 to 6 year project. It is
16 currently in the analysis of alternative stage. And I am
17 confident that we will be able to, this time, modernize that
18 system and be able to answer all the things that go on
19 there.

20 There is an efficiency piece there. We have a program
21 to build an electronic work document. If you get a shipyard
22 worker, he will be walking around with this stack of paper
23 drawings and paper procedures. The electronic work document
24 is about ready to field, and of course I need the
25 infrastructure to put that technical work document in. So

1 that is all part of that investment. And you will begin to
2 see that investment in our budgets going forward as we
3 finish the AOA and lay in the program to go do that.

4 Sir, I will point out that when South Dakota is ready
5 to come into a shipyard, we want to make sure they are
6 ready.

7 [Laughter.]

8 Senator Rounds: No question about it. And the
9 experience that I had yesterday in the keel laying for the
10 future USS South Dakota was impressive. And anytime you
11 learn about a Virginia class submarine and what the
12 capabilities are, you start to realize how significant the
13 weapon systems are, how complex they are, and how much they
14 rely on the newest technology. And I think when we start
15 talking about the work on the weapon systems that are found
16 within these shipyards and propulsion systems, it would
17 appear to me that this would be an area of very high
18 priority in terms of making sure that the data we take in,
19 the information that we feed back in and so forth would be
20 of the most sensitive nature. And certainly we should have
21 appropriate cybersecurity protections in place. It sounded
22 like while we talked a little bit about the operations side
23 on this -- or the information side on it, the operations
24 side of the systems and so forth, which are also upgraded,
25 would be a critical part of that discussion as well.

1 Admiral Hilarides: Yes. The shipyards also would use
2 those systems to feed, for example, dimensional controls
3 into a numerically controlled machine. The cybersecurity of
4 that is along the lines of our SCADA systems, the things
5 that are going on. A lot of work inside NAVSEA to go
6 provide the cybersecurity of those control systems both
7 inside ships and then inside our physical infrastructure,
8 Admiral Smith as well for his critical infrastructure. That
9 would be part of that program would be to make sure we do
10 that exactly right.

11 Senator Rounds: Thank you very much for your service
12 to our country.

13 Thank you, Madam Chair.

14 Senator Ayotte: Thank you, Senator Rounds.

15 I would like to call on Senator Hirono.

16 Senator Hirono: Thank you very much.

17 We just noticed that the clock is not quite giving us
18 the full time, just to let you know, Madam Chairman.

19 Senator Ayotte: I am going to make sure everyone gets
20 their full time.

21 Senator Hirono: Thank you very much, Admiral
22 Hilarides, for your service, and I also extend my best
23 wishes to you in your future endeavors.

24 Thank you also for raising the issue with regard to the
25 impact of TDY on our workers. And those of us who have

1 shipyards -- and of course, Pearl Harbor is the largest
2 industrial employer on Oahu -- we have all heard from our
3 workers as to the negative effects of this policy. So I
4 certainly support the chairwoman's initiatives in this
5 regard.

6 As we look at the need for training of the workforce,
7 as you mentioned, the hiring freeze really put a damper on
8 the number of workers that we need. So training, our
9 apprenticeship programs are really critical. I try to go to
10 every single one of our apprenticeship graduations as I can.

11 My understanding is for the apprenticeship program at
12 Pearl Harbor, they get a lot more applicants than they
13 actually take into the apprenticeship program. Is that the
14 case in the other apprenticeship programs? And if so, since
15 we have such huge workforce needs, can we expand the program
16 so that we can train more people?

17 Admiral Hilarides: So the apprenticeship programs were
18 sized to make up that sort of standard loss, a couple
19 thousand people a year.

20 Senator Hirono: 2,500 or so.

21 Admiral Hilarides: When we try to take many more than
22 that, as we have in the last 2 years, we stretch those
23 apprenticeship capabilities sort of to their maximum. I
24 actually believe they are appropriately sized, as long as we
25 continue as a going concern, normally hiring and not

1 freezing and then rehiring.

2 Your question I think, though, is beyond that. It is
3 could we use those apprenticeship programs to train workers
4 for other industries. I would not advocate that, but again,
5 we can go look at that.

6 Senator Hirono: I think that we definitely need people
7 trained, especially in the STEM areas. It is very
8 impressive to see a submarine in dry dock, for example,
9 because you realize the kind of skill sets that our workers
10 need to repair and maintain these huge, complicated ships.

11 So when we talk about efficiencies, I realize that
12 modernization and maintenance of our facilities is really
13 important -- best practices. I am curious to know whether
14 you have a process or a system to get input from the workers
15 themselves as to how they can improve efficiencies at the
16 shipyards.

17 Admiral Hilarides: Yes, ma'am. Actually I know you
18 are fairly aware of them, the moonshine projects that have
19 come out of Pearl Harbor Naval Shipyard. And really each of
20 the shipyards has a slightly different name but really the
21 same idea, which is when you get the trade labor involved in
22 the decisions about what machine to buy, how to modernize
23 your processes and procedure, you get the very best idea. I
24 think Toyota would tell you the same thing. And so we very
25 much work to encourage those.

1 They tend to be local. I do not spend a lot of time
2 from headquarters directing that because those things do not
3 tend to work very well. But the shipyard commanders
4 certainly know that I have incentivized them to open up the
5 idea machine from the workforce and make sure that we are
6 getting their best ideas. A very complex set of controls
7 and things associated with it because you have got to also
8 be very safe with all that. But I think that each of the
9 shipyards, to the best of their ability, is working to go
10 tap into that stream of innovation that comes from their
11 workforce.

12 Senator Hirono: And there have been some real creative
13 ideas from the workers themselves that have been
14 incorporated into the shipyard.

15 Admiral Hilarides: Yes. I think point of use tooling
16 is a great example of that. Can you not just put the tools
17 by where the worksite is? And they challenged us and we
18 did. And of course, we got efficiencies from that.

19 Senator Hirono: That seems so sensible.

20 As Senator Kaine has mentioned, though, our
21 experiential level is not where they could be in terms of
22 the workers we have. Are there any programs to bring some
23 of the more experienced people back into the workforce or
24 keep them in longer to fill that gap -- experienced staff?

25 Admiral Hilarides: Yes, ma'am. In the government

1 civilian ranks, there is a program called "retired
2 annuitant." You can get a retired annuitant.

3 Senator Hirono: Retired what?

4 Admiral Hilarides: Retired annuitant. And basically
5 you are allowed to bring them back for up to 2 years half-
6 time, so about a year's worth of work. And they have to
7 spend half of their time training the workforce. You cannot
8 bring them back just to work. They have to come back for
9 training.

10 I know the shipyards are using those sparingly because
11 they are fairly expensive. Those people, after they get
12 out, a lot of times will go get other jobs.

13 We have a contract with several different companies,
14 different in each shipyard, to bring coaches. We are
15 finding that now with a large tranche of new labor force
16 that the first and second line supervisors, of course, are
17 not keeping up. Because you have created that bathtub that
18 Senator Kaine pointed out, you are pulling forward first and
19 second line supervisors to more senior jobs, and we are
20 getting a lot of very junior first and second line
21 supervisors. So we are actually working to bring in
22 companies that know how to coach new supervisors on how to
23 run a meeting, how to schedule work, how to deal with
24 problem employees. And so we are doing both of those
25 things.

1 Senator Hirono: So is that happening at all of our
2 four shipyards?

3 Admiral Hilarides: To varying degrees and, again,
4 according to their need. I think Pearl is probably not
5 quite as urgent as Puget and Norfolk are. Their numbers are
6 very, very large. Pearl has been able to use predominantly
7 their traditional methods. But I think that is the case.
8 Yes, ma'am.

9 Senator Hirono: So I also know that at Pearl Harbor
10 that we do have students from other nations. So right now,
11 12 students from seven nations are learning skills at the
12 shipyard on various aspects. Can you discuss the importance
13 of working with our international partners and programs such
14 as these?

15 So in Pearl Harbor's case, we have people from Bahrain,
16 Bangladesh, Brunei, Guyana, Pakistan, Saudi Arabia, and the
17 Philippines working with our shipyard people.

18 Admiral Hilarides: Yes, ma'am. That is a project that
19 predates my leadership time at NAVSEA. We basically partner
20 with countries that we want to help build their own
21 capacity. Predominantly this is at the leadership level not
22 at the trade skill level. It is at the leadership level.
23 So someone who would likely run one of their shipyards. We
24 bring them in. We show them how our shipyards function. We
25 provide them mentoring opportunities and training

1 opportunities. And then those relationships -- I know some
2 of my shipyard commanders have relationships with people
3 they went through that course with when they were younger,
4 and those relationships endure and create the kind of
5 conditions by which we have very, very close shipbuilding
6 relationships with many, many countries that are our close
7 allies.

8 Senator Hirono: That is probably a really good idea.

9 Would you like to add anything to that, Admiral Smith?

10 Admiral Smith: We use the annuity guys also, you know,
11 for hiring after, for training. So I have got some of my
12 staff that are out. They are folks that are ready to
13 retire. I want them to be able to pass on their skill set.
14 So it is not just kept to the shipyards, but we do use that
15 across DOD and Navy.

16 Senator Hirono: Thank you.

17 Thank you, Madam Chair.

18 Senator Ayotte: Senator Shaheen?

19 Senator Shaheen: Thank you.

20 Thank you both for being here and for the work that you
21 do every day for the country.

22 I want to also add my voice to the support for the
23 waiver of those joint travel regulations. Like Senator
24 Ayotte, I represent the shipyard in Portsmouth, and we have
25 heard very directly about the concerns that people have had.

1 And as you reiterated, we want the very best people with the
2 most skills doing those jobs when they travel. And so I
3 think it is very appropriate that you have waived those
4 requirements, and hopefully we can get that fixed for the
5 long term.

6 I also want to applaud again the Navy's exceeding the
7 minimum 6 percent capital investment for shipyard
8 modernization. Obviously, we are seeing that begin to have
9 an effect at Portsmouth where they are working on the
10 backlog of projects that need to be done. And I wonder if
11 you can speak to the importance of those modernization
12 projects. You have talked a little bit about how important
13 they are to maintaining the fleet, but can you elaborate on
14 that?

15 I know one of the things that we are very proud of in
16 Portsmouth is, when a project comes in, completing it on
17 time and on budget and often ahead of time. So do you know
18 what percentage of ships and submarine maintenance were
19 completed on time and within budget for the last year that
20 we have data on?

21 Admiral Hilarides: We have that data. It is not
22 particularly flattering, and I can provide it to the
23 committee.

24 [The information referred to follows:]

25 [SUBCOMMITTEE INSERT]

1

2 Senator Shaheen: And does it break out how the
3 differences by ship, by shipyard, by year, by project in a
4 way that provides some insight on what could be done to
5 improve operations with respect to completing projects?

6 Admiral Hilarides: Yes, ma'am. So for -- and I will
7 say Portsmouth and Pearl Harbor where predominantly it is
8 SSN projects and there is a lot of like work, that is very
9 good data and we use it all the time to go benchmark and
10 figure out how to help project teams do better and better.

11 The two large shipyards are wrestling with a much more
12 challenging set of work. Each of the big yards has a
13 ballistic missile submarine refueling going on right now.
14 So they are actually moving nuclear fuel around a ballistic
15 missile submarine. Both of them have an aircraft carrier in
16 yard right now, which is a massive workload compared to a
17 submarine project. And they both have SSN projects, as well
18 as waterfront support and other off-yard things. Puget has
19 a carrier in San Diego and a carrier in Yokosuka also under
20 repair.

21 So I can provide you all that detail. I would just
22 urge caution in the use of the data for benchmarking. Each
23 shipyard is in a place in its cycle. Portsmouth is in a
24 very, very good cycle. They have been at the top of their
25 game now for quite a while. Pearl is on the rise. There

1 are some lights of great performance and a couple of things
2 that have not gone quite so well in the other two yards as
3 well. So we can provide the data. I would just urge
4 caution in how you would interpret as that shipyard is great
5 and that shipyard is not any good. We spend a lot of time
6 on that data.

7 Senator Shaheen: Well, and certainly that would not be
8 my thinking about it, but more to think about how the Navy
9 is using the information and what lessons can be learned
10 from shipyard to shipyard about what is working and
11 effective and what needs more work.

12 Admiral Hilarides: We used that data actually to make
13 the case for the hiring. So the hiring was not a slam dunk.
14 It took us a long time to convince the Navy to allow us to
15 hire up to the numbers that we made the case for. And we
16 used specifically the Portsmouth performance in 2011, 2012,
17 and 2013 -- and Pearl. They got almost all their avails
18 done in time during that period because their workforce was
19 sized to the workload we had. We are just now starting to
20 size Norfolk, Puget for the workload they actually have in
21 yard. And so performance is improving nowhere near fast
22 enough and plenty of work to do, but we do use that data.
23 Thank you, ma'am.

24 Senator Shaheen: And to what extent has sequestration
25 affected the ability to make the case for the hiring that

1 you need for those projects?

2 Admiral Hilarides: We went into the time of the
3 sequester working on convincing them to hire us up. They
4 had applied some efficiency targets to the shipyards that
5 had suppressed the total number of people we had. We had
6 made the argument that those targets were not rational and
7 that we needed to release them. So we were sort of on a
8 flat hiring spot. Then we froze hiring, and then we finally
9 made the case. And so those 11,000 people really represent
10 that divot, and that divot is reflected in delays in
11 aircraft carriers, submarines, the avails that are going on
12 right now. That is not an excuse. That is just the facts.

13 Senator Shaheen: One of the things that I have been
14 very impressed by is the Navy's diversifying its energy
15 resources and the ability to use efficiencies both on base
16 and in terms of the fleet and making it more efficient and
17 relying less on fossil fuels. I wonder if you could talk
18 about how you see the importance of that.

19 Admiral Smith: We take the energy conservation and
20 efficiency very seriously. We are working very hard to meet
21 not only the Federal goals, but we have our own goals within
22 DOD and the Navy. I can speak to the shore side. I really
23 cannot speak to the operational side. But we focus at all
24 70 of our installations on how we do conservation, reducing
25 the demand, efficiency against a 2003 baseline. They are

1 all well over 20 percent and coming down. We invest a
2 significant amount of resources in each year into those
3 energy projects to help continue to bring those down. And
4 it is also a behavioral and getting folks to turn out lights
5 and do those kind of things. And the more we do that, it
6 reduces the utility bill. So I have for running the shore,
7 about a \$10 billion budget. About \$1 billion goes to
8 utilities. So the more we can drive down that utility bill,
9 it is obvious that it is going to help us. And so that is
10 why we focus on it very hard. And it is just smart business
11 because it is less expensive.

12 Senator Shaheen: And I assume there are some national
13 security incentives for doing that as well.

14 Admiral Smith: Yes, ma'am.

15 Admiral Hilarides: On the ship side, there is a set of
16 alterations to various classes of ships that are aimed
17 specifically at that. And it is really not to save the
18 money for the fuel. It is to give the CO more combat range
19 because the ship uses less gas. And so there is an
20 operational imperative on the ship side as well.

21 Senator Shaheen: Thank you. I think sometimes that
22 gets lost in the debate around energy that it is really not
23 just about saving money and being more efficient. It is
24 also about the national security imperative. So thank you.

25 Thank you, Madam Chair.

1 Senator Ayotte: Thank you, Senator Shaheen.

2 First of all, I want to say a thank you, which I have
3 said before, but I want to make sure I thank you again,
4 Admiral, and that is for requesting funding for the P285
5 barracks at Portsmouth Naval Shipyard for our junior
6 enlisted sailors. So I thank you. And I know that Senator
7 Shaheen was a great advocate for that too, and I think both
8 of us were grateful that you put that in. So thank you.

9 I also wanted to ask about -- in light of the threat of
10 terrorism, as we think about force protection, obviously
11 security personnel, security barriers are all important as
12 we think about the important assets at our shipyard. And
13 obviously, our nuclear submarines are so important in terms
14 of their technology in protecting them.

15 One of the things I wanted to ask you, Admiral Smith --
16 has the Navy been examining waterside security barriers to
17 provide better protection for our shipyards and naval bases?
18 I think that was an issue that you were studying, and if you
19 could give me an update versus what you have determined on
20 that and how that compares to what is currently used. And
21 is there a next generation of force protection for waterside
22 barriers that we should be looking at?

23 Admiral Smith: Yes, ma'am. We are looking at next
24 generation. We have been doing that throughout this winter.
25 So all our shipyards have a harbor security barrier around

1 it, as do our installation piers. But what we have right
2 now does not meet the requirement for high-speed boats that
3 could be used for a terrorist attack.

4 Senator Ayotte: So what is in place right now does not
5 do it. So we need to --

6 Admiral Smith: Yes, ma'am. And so we are looking at
7 that. And so this past winter -- actually this week, we are
8 going through the eighth testing of a new product down in
9 Norfolk. My operations officer from headquarters is
10 actually going to be down there to witness it. It has got a
11 better ability -- it is proving out to have a better ability
12 to stop vessels quicker. It also has a semi-automatic
13 capability to open and close on its own. So, one, it has
14 the potential to provide more security, and it also, on the
15 other hand, can be more efficient so we can reduce overhead,
16 dedicated boats that we have to open and close those. So
17 that testing is still going on, but it looks to be very
18 fruitful. And so I am very optimistic that we are well on
19 our way to going to the next generation and have good
20 potential resources out there to do that.

21 Senator Ayotte: Good. And this important to the Navy
22 to do that?

23 Admiral Smith: Yes, ma'am. Absolutely.

24 Senator Ayotte: Thank you.

25 I also wanted to ask about an issue that has been

1 brought to my attention at our shipyard as well, which is
2 security personnel. And this is the issue, obviously, of
3 the gates and people who are manning the entry points in our
4 shipyard. And the concern that I had that has been raised
5 with me is it is taking too long to recruit and train
6 security personnel. And I know that the Navy recognized
7 this issue. And it is something that I have also spoken to
8 Vice Chief Admiral Howard about, that you raised the GS
9 level for security personnel and created a career
10 progression because one of the issues was keeping people in
11 that position to pay the people in a way that they are going
12 to stay and conduct these important security positions.

13 So I understand the new policy is going to allow
14 security personnel at Portsmouth and other shipyards the
15 opportunity for career progression that did not exist with a
16 fixed GS-5 position and that officers will be GS-7
17 positions, and supervisory police officers will have a GS-8
18 position.

19 Is that what you understand is the new policy? And
20 what impact is the policy having on attrition, and do we
21 continue to have, still, challenges on the security for our
22 shipyards?

23 Admiral Smith: So, yes, ma'am. We have redone the
24 position descriptions for that. We are building the career
25 path. We are still in the process of doing that. That is

1 not a complete --

2 Senator Ayotte: Okay. So you have not put it in place
3 yet.

4 Admiral Smith: It is starting to roll out.

5 So, for example, you talk to the GS-5's. We now have
6 the GS-6 in place. So folks will be evaluated and move up
7 to GS-6. 7's are not in place yet. We have the 8. So we
8 are still in the process of building that in addition to
9 then-CNO Greenert last summer directed that we hire another
10 1,461 security personnel because of the shortfall. So we
11 are still hiring to that.

12 From an enterprise perspective, we are doing pretty
13 well. We are still struggling in the mid-Atlantic and New
14 England. We are still struggling at Portsmouth. I know
15 that. I am diving that to figure out why, why am I being
16 successful elsewhere but not being successful in Portsmouth.

17 Senator Ayotte: So is the Navy prepared, if they have
18 to, to address the career progression issue? I know you
19 have gone to GS-6, but also I think looking at the
20 progression issue, GS-7, GS-8 perhaps for the supervisory
21 positions. So is this something you are going to continue?
22 How fast do you expect implementing the rest of this policy
23 and keeping a focus on those --

24 Admiral Smith: So the goal is to have the plan built
25 by the end of June and then to start working our way into it

1 as we get the hires and identify, based upon the
2 requirements of each installation, who needs what resources
3 based upon number of entry control points, amount of
4 waterside property, those kind of things. So we are still
5 working to build a plan to understand where we need to put
6 those positions at. So I should have that done by the end
7 of June.

8 Senator Ayotte: Thank you. I appreciate it.

9 I see that Senator Ernst is here. I know that Senator
10 Kaine has a couple. So what I will do is I have a couple
11 more questions. I will wait till the end. I believe the
12 next would be Senator Ernst.

13 Senator Ernst: Thank you very much, gentlemen, for
14 being here today. I apologize. We were talking about small
15 arms modernization in the other subcommittee. So glad to
16 join you.

17 I do appreciate your support. Shipyards -- I will be
18 honest. Not my thing in Iowa. So if you want to talk about
19 corn or soybeans, you know, that is awesome.

20 But public shipyards. So thank you. I know you are
21 both very familiar with this. So thank you for holding this
22 hearing.

23 And just for my information as well, the public
24 shipyards are hiring thousands of additional workers to
25 better match workforce with workload. And what I have heard

1 is that the process from application to the first day on the
2 job -- so filling out the paperwork, whether it is online,
3 and then actually getting to work -- that that is
4 unnecessarily long and complicated for a lot of those
5 workers.

6 As a result, we are losing some of our best applicants
7 as they take other jobs that can hire them quicker. And
8 this is not just in this particular situation. I think it
9 is DOD-wide.

10 And are you seeing this issue and are you concerned by
11 it? I know they have to go through -- what is the website?
12 USA Jobs. Yes. Thank you very much. So you are familiar
13 with that. If you could talk a little bit about that issue,
14 if you are concerned by it, and maybe the average wait time,
15 if you are aware of that, from that time the applicant goes
16 on line, fills out the application, until they are actually
17 able to be hired.

18 Admiral Hilarides: Yes, ma'am. We will talk the
19 specific case of the shipyards. When we recognized how far
20 behind we were and the need to hire that nearly 11,000 that
21 we hired in the last 2 years, we went out and sought
22 authorities and streamlined processes, everything from a
23 physical -- you got to get a physical. We hired extra
24 doctors. We had to get clearances. The clearance system
25 was bogged down. We helped them with contractors to go help

1 boost their capacity to go process clearances. And so we
2 specifically went after all those barriers and got the
3 shipyard hiring specifically because we had this tremendous
4 challenge and hill to climb. We were able to get it down.

5 Routinely, however, I hear that same thing at my
6 headquarters, at my field activities that the government
7 hiring process is cumbersome and it takes a long time. We
8 do lose some number of folks who apply for those jobs. We
9 have a few silver bullets we can use, but we cannot use them
10 all the time. And so I think that that is going to continue
11 to be an issue is the amount of time it takes. When a
12 company like a Google can show up at a college and make a
13 job offer in a minute, I just do not have that opportunity.
14 So that will continue to be a challenge for us.

15 Admiral Smith: I mean, from the Navy at large, DOD, we
16 are seeing the same challenge. To Madam Chair's question on
17 security, it is taking us 163 days to get a security officer
18 on board. That is just way too long. Yes, ma'am. It is
19 too long. We have got to get the process better.

20 Senator Ernst: That is pretty incredible. I know we
21 do have an arsenal that sits between Iowa and Illinois, and
22 we face some of those similar challenges as well. So I have
23 heard from workers there that maybe they have someone they
24 would just love to see in their workforce. They encourage
25 them to apply. They will apply online through the website,

1 and it may be 6 months before they ever hear back from the
2 entity that is hiring. That is too long. By then, those
3 folks have already moved on. They have found other
4 workforce opportunities. So I do not think that that is
5 acceptable that we are asking people to wait that long for
6 these important positions. Yes, I am astounded. That
7 should not happen.

8 Do you happen to know the reasons why it would take
9 that long? Is it reasonable to expect people to wait that
10 long to hear back on these types of positions?

11 Admiral Hilarides: So those procedures have grown up
12 over a lot of years. Some of the parts of it are extremely
13 important. We have hired some people who we found out were
14 bad people. In the last 2 years, we hired two people who
15 turned out to be attempting to work for us to get inside to
16 get information to sell to someone else. So the security
17 piece is absolutely essential. The same thing with the
18 physical. So you are going to put them in the bilge of a
19 ship and hauling an 80-pound welding rig around, you want to
20 make sure they are physically capable. So many parts of it
21 are absolutely essential.

22 The parts that are not tend to be outside of our
23 controls. The Navy is a big bureaucracy. Hiring a
24 government civilian -- you want to be a little careful as
25 well because generally you are hiring that person for a long

1 time. Very few people come into the government and leave
2 just a couple years later. The number of people who come in
3 our shipyards and stay for their entire career is a very
4 large number -- and other places. And so we end up being
5 pretty careful.

6 And I would say this. These jobs are attractive enough
7 that if somebody really wants to come into the government,
8 they wait. So I do not think we are taking a really large
9 hit on the quality. But it is frustrating, and I hate to
10 get a new employee who just the first thing tell me as a
11 leader is how frustrated they are at the selection process.
12 Yes, ma'am.

13 Senator Ernst: Absolutely.

14 Are there any suggestions that you would make on how we
15 can speed up the process? Like if you are buying a home,
16 you can get prequalified on your loan while you are looking
17 for a home. Is there anyway that you could prequalify
18 individuals? Within a certain time frame maybe they get a
19 physical and it is good for 6 months if they are looking for
20 government employment. Are there ways that we could work
21 with them?

22 Admiral Smith: So there are a lot of fingers, hands go
23 into the hiring process. So it is streamlining that
24 process. There are things that as the Commander, Admiral
25 Hilarides or I can do within our command to improve our

1 processes, but then we rely on others. I mean, one of the
2 things we have done in going back to the security manning
3 and hiring and the challenges we find in that is a potential
4 employee would have to go out and get his eye exam. He
5 would have to go out and get a health exam. He would have
6 to go out and get this exam instead of coming in a one-stop
7 shop. And so one of the things that we have done is now do
8 a one-stop shop, and we have all the medical facilities and
9 requirements there so they can come in and get it done at
10 once. We are saving several weeks with that process. So
11 there are those kind of things out there.

12 I would submit, though, the biggest challenge is
13 because there are so many hands in the pot trying to get
14 that streamlined which a lot of that is not within our
15 control as commanders of our organizations.

16 Senator Ernst: Is there anything that we could do as
17 Congress that would help that, or is that beyond --

18 Admiral Hilarides: The only other point I was going to
19 make is that we use both the intern program. So we have
20 authority for interns. And we do a temp worker program in
21 the shipyards where we need a worker for a short period of
22 time. They are sort of a probationary employee. They come
23 in and you can let them go. And those tend to last a year.
24 Those are the places where we do most of that
25 prequalification. And so when there is a hiring, when

1 hiring is available, often those temp workers will be
2 brought in. And that is a very good process by which the
3 workforce sort of vets them and finds out if they are
4 willing to work hard enough and all that sort of stuff. But
5 those are really our workarounds.

6 I cannot point to an agency and say get rid of that
7 agency. And I probably should not.

8 Senator Ernst: Well, my time has expired. But I very
9 much appreciate your expertise and your willingness to be
10 here today. And I am better informed, those of us that are
11 not familiar with shipyards. So I appreciate it. Thank
12 you.

13 Thank you, Madam Chair.

14 Senator Ayotte: Thank you, Senator Ernst.

15 I just want to share Senator Ernst's concerns about the
16 hiring period, and I think that is a challenge. We want to
17 get talented people in. So this is something, of course, we
18 would want to work with you on in any way we can assist
19 with.

20 And with that, I would like to call on Senator Kaine.

21 Senator Kaine: Thanks, again. Just a couple of
22 points, but Senator Ernst made a good point in saying, well,
23 I am from Iowa. We do not have a shipyard. I am from
24 Virginia. I have been in our shipyards a million times, but
25 I am not a professional at it. So I do not necessarily know

1 what I am looking at.

2 But I will tell you it is something I would recommend
3 to committee members on Armed Services. We do travel to
4 other nations. Go look at another nation's shipyards. It
5 was not until I went with Senator King of this committee to
6 the Mazagon docks in Mumbai and looked at the Indian
7 shipbuilding industry. And they were so proud that two U.S.
8 Senators would want to come see their shipbuilding
9 operation. It was a fantastic visit. But, boy, when you
10 saw that, now all of a sudden I could think about what I had
11 seen at Newport News or at the Norfolk base and realize,
12 wow, just in terms of the layout, so much more efficient --
13 the layout and the scheduling of the work. They were
14 basically doing things in a very odd set of structures that
15 had been built for different kinds of ships. They were
16 trying to build subs in there. It was just virtually
17 impossible. They were proud to do and excited to show it
18 off, but it really helped demonstrate what we had and what
19 we sometimes take for granted.

20 Two really specific things: one about an old problem
21 and one about a new opportunity.

22 Old problem: corrosion. I am amazed. You know, we
23 have spent all this time battling about budgetary issues. I
24 read GAO reports that say corrosion DOD-wide -- \$22 billion
25 a year. Wow. \$22 billion a year. And as we get into

1 sequester and some of the pressures that lead us to defer
2 maintenance, that is a problem that can expand, not shrink.
3 But if you could do innovative strategies to reduce the
4 corrosion expenditure in DOD by a third, there is a whole
5 lot of really important programs in the United States where
6 we spend than \$7 billion a year.

7 So I am just wondering. I am really curious in what
8 you do in your corner of the world, what are the kind of
9 innovative strategies to deal with the corrosion problem,
10 especially given some of the budget pressures that we have
11 put on your shoulders.

12 Admiral Hilarides: Sir, I will make sure you get an
13 invitation to Megarust. We actually have a Navy conference
14 called "Megarust."

15 Senator Kaine: Wow.

16 Admiral Hilarides: We bring in Sherwin Williams, all
17 the paint manufacturers. We bring in chemical companies and
18 are actually looking at all series of formulations to go try
19 to do that. Again, sea water, air, ships, vibration. There
20 are a lot of reasons why there is a constant need for
21 painting of ships.

22 Continually looking at better and better paint systems.
23 One of those paint systems was pioneered up at Portsmouth
24 Naval Shipyard, the high solids pain that we put in the
25 ballast tanks on submarines, went from a 10-year period of

1 painting it to a 15-year period which saves one entire paint
2 cycle of a submarine over the course of its life.

3 So we put a lot of effort into it. I spend way too
4 much time on rust, and so I am right with you, sir. And we
5 are looking for industry to help us out as much as possible.

6 Senator Kaine: That is great.

7 Another area of industry -- I am going to go to the new
8 opportunities side because the hearing is about sort of
9 investment strategies. We have a lot of innovative private
10 sector folks in Virginia in the additive manufacturing or 3D
11 printing area. And I understand that the Navy has used 3D
12 printing technologies to do on shipboard production of some
13 parts that can be used so you do not have to fly parts in to
14 a ship. Talk a little bit about 3D printing and the kind of
15 investment going forward especially for on-time, on-ship
16 production of critical components.

17 Admiral Hilarides: Yes, sir. We actually have a lot
18 of research inside the entire Naval Sea Systems Command
19 enterprise and across the Navy on additive manufacturing.
20 Our principal challenge is almost all the things that we
21 need that are critical are made of some material that is not
22 plastic, some alloy of some metal. And right now, the
23 research is going on. So even if you alloy a steel and you
24 three-dimensionally print it, the atoms go in in the
25 sequence the printer puts them in.

1 When we manufacture that piece of steel otherwise, it
2 gets worked. It gets heat-treated, and we know its
3 properties very well. We are actually now characterizing
4 additive manufacturing metal properties because I cannot
5 certify that part out of that printer until I know its metal
6 properties. And so we actually have a significant body of
7 research going on in the Naval Sea Systems Command to go
8 characterize the strength of particularly the metals to go
9 make sure that we can then start to use it. It is holding
10 us back a little bit, but it is fundamental research that
11 has got to be done before you can say that part is ready to
12 go in that nuclear reactor or in that gun system or in that
13 kind of critical thing. We are working on it full speed,
14 though, and wherever we can, we qualify the process and the
15 fleet is already using those systems.

16 Senator Kaine: Great. Thank you both very much.

17 Senator Ayotte: I just have one final question for
18 you, Admiral Smith. So one of the issues that I had focused
19 on as well is our service members and our DOD civilians, you
20 know, the jobs that they are doing -- is ensuring that they
21 have access to good, affordable child care. And obviously,
22 those who serve our country -- it is really important that
23 they have access to this so that they can do their jobs.

24 And unfortunately, at Portsmouth, one thing I learned
25 is that there were over 160 families waiting average of

1 almost 300 days to get their children into care there. So
2 this is something I have been focusing on not only for
3 Portsmouth but thinking across DOD.

4 So the Navy told us yesterday that they believe that
5 wait times at Portsmouth had been reduced about 3 months,
6 but we also had my staff call Portsmouth and find out. And
7 what we learned was that depending on the category of
8 individual, wait times can still be as long as a year.

9 So I just wanted to follow up with you. I know the
10 Navy has said that you are looking at plans to install
11 military learning centers at Portsmouth to reduce the child
12 development center wait list and wait times. I wanted to
13 get an update on that. And obviously, I know that this is
14 an issue at other naval installations. So if you can give
15 me an update on Portsmouth and then just an overall Navy
16 view of where we are on these issues.

17 Admiral Smith: Yes, ma'am. Absolutely.

18 So you are right. It depends. So we will talk
19 Portsmouth. And like any CDC, the wait list varies on the
20 age of the child and spaces available. So the average wait
21 list right now is 7 months up at Portsmouth. The high was
22 10. It is down to 7. But that goes to some folks who were
23 waiting a year, some folks less.

24 For the MLCs, we are still working through that
25 process. They will be on the ground, installed. We are

1 targeting the end of this fiscal year three to four MLCs
2 will be there. Depending how you configure them, whether
3 you configure them for an infant, 1-year-old, or an older
4 child, they can accommodate anywhere from 8 to 24 children.
5 So we will hire some additional staff members to man those
6 up, nominally four per MLC with the final number being
7 depending how we configure it.

8 Senator Ayotte: So -- I am sorry. Go ahead.

9 Admiral Smith: You were coming with a question.

10 Senator Ayotte: No. It just occurred to me with all
11 the new hiring, this is going to be a bigger issue.

12 Admiral Smith: Absolutely. I will say, though, that
13 is not appropriated fund hiring. It is a little bit
14 different from APF, and it is a bit easier to hire on the
15 NAV side.

16 So that is where we are at with Portsmouth.

17 From a big picture, so we have got 120-plus CDCs across
18 our 70 installations. We have 57,000 spots in those CDCs.
19 We have created an additional 7,000 since 2009. We created
20 those additional 7,000 to get us down to the DOD target of a
21 3-month wait list. So the Navy is meeting the 3-month wait
22 list overall. We have 16 installations, Portsmouth being
23 one of them, that is not meeting that 3-month.

24 Senator Ayotte: Well, I really would appreciate,
25 obviously, the focus on getting the military learning

1 centers up and running as soon as possible at Portsmouth.
2 And then having been there, we need to get to a new facility
3 that has more capacity in the long term. So I look forward
4 to continuing to remind you of that issue.

5 Admiral Smith: Yes, ma'am.

6 [Laughter.]

7 Admiral Smith: We are finishing up the engineering
8 studies right now to put in the pads, and then it will take
9 about 3 to 4 months to get the MLCs there installed,
10 upgraded, and ready to go.

11 Senator Ayotte: Okay. Thank you. I appreciate it.

12 I want to thank you both for being here and for your
13 service to the country. Again, I want to thank you, Admiral
14 Hilarides, for your leadership and for your dedicated
15 service for decades to our country. And will you please
16 pass along to your family how grateful we are for all that
17 they have done as well?

18 Admiral Hilarides: Will do.

19 Senator Ayotte: Thank you.

20 [Whereupon, at 3:52 p.m., the hearing was adjourned.]

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