

NOT FOR PUBLICATION UNTIL
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ARMED SERVICES COMMITTEE

STATEMENT OF

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BEFORE THE

SENATE ARMED SERVICES COMMITTEE

ON

THE IMPACT OF SEQUESTRATION

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Chairman Levin, Ranking Member Inhofe, and distinguished members of the Committee, thank you for holding this hearing and for the opportunity to testify on the impact on our Navy of sequestration and a full-year Continuing Resolution (CR).

Important qualities of our naval forces are their readiness to respond to crisis and persistent forward presence. Because they continuously operate overseas at the maritime crossroads, our Navy and Marine Corps are the first responders to crises such as terrorist attack, military aggression or natural disaster. Operating forward at strategic maritime crossroads such as the Straits of Malacca, Hormuz, or Gibraltar, naval forces contain conflict, deter aggression without escalation, and assure allies and build partnerships.

When I last appeared before you I assessed that our FY13 budget proposal, developed under the limitations of the Budget Control Act of 2011 (BCA), was not without risk. As I said last year, senior DoD leaders conducted an assessment of the ability of our force to implement the new Defense Strategic Guidance (DSG). In the Navy we also assessed the capabilities, training, and the number and type of ships and aircraft required to execute the strategy. We determined the force supported by the FY13 budget proposal was able to execute the strategy, but with some risk due to limitations in overall capacity.

There is no question we must get our nation's fiscal house in order, but we should do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability and forward presence – the attributes we depend upon from our Navy. Unless we change course we will, without proper deliberation, dramatically reduce: our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). Perhaps more disconcerting, we may irreversibly damage the military

industrial base we depend on to build and maintain our ships and aircraft. Over the next decade, the combination of sequestration and the reduced discretionary caps would compel us to dramatically reduce our fleet size. Under these circumstances, I assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy; and unable to fully support the Global Force Management Allocation Plan for our Combatant Commanders.

Our situation

We face three separate, but linked, budget mechanisms that converge next month and place at risk our ability to carry out our defense strategy. As a result of the failure of the Joint Committee established under the BCA to achieve \$1.2 trillion in deficit reduction, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution (CR). Sequestration and the CR render us unable to continue our current and anticipated level of operations, compel us to cancel some maintenance and training, and constrain our ability to invest in future capability and capacity.

We will approach this challenge using our enduring tenets, established upon my assuming the office of CNO, to guide us:

- Warfighting first
- Operate forward
- Be ready

The Navy's primary mission is to be ready to fight and win today, while building the ability to win tomorrow; all our efforts will remain grounded in this fundamental responsibility. We will continue

to operate forward, where the Navy is most effective; but at significantly lower levels. And we will endeavor to remain ready, providing our fleet and Sailors the best possible training, maintenance, and logistics to assure their confidence and proficiency.

FY13: A readiness crisis in the making

Our immediate concern from the sequestration and the CR is their impact on readiness and training during this fiscal year. The CR is based on FY12 funding levels and therefore includes fewer operating dollars than we proposed, and Congress authorized, for FY13. Extended for the whole fiscal year, the CR would provide the Navy \$3.2 billion less in operations and maintenance funds than requested in the FY13 budget. In addition, we have incurred \$1.4 billion in unplanned costs in FY13 from emergent ship repairs and increased (and unbudgeted) presence in the Arabian Gulf. The CR also precludes the start of new projects. If the CR is extended for the whole fiscal year, we will stop work on two aircraft carrier refueling overhauls (USS ABRAHAM LINCOLN and USS THEODORE ROOSEVELT), one of which is within four months of completion. The prohibition on “new starts” under the CR also compels us to defer construction of USS JOHN F. KENNEDY (CVN-79), USS SOMERSET (LPD-25) and USS AMERICA (LHA-6) and cancel the planned procurement of an *Arleigh Burke*-class guided missile destroyer, multiple P-8A Poseidon aircraft and hundreds of weapons. Similarly, we will not begin about \$675 million in “new start” military construction projects while under the CR.

In addition to the CR funding shortfall in operating accounts, the March 1 sequestration order would impose significant additional cuts in FY13, which would reduce all of our accounts by about eight percent. And as mentioned above, second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be implemented on March 27. The Department estimates the

combined effects of sequestration will be a nine percent reduction, which would result in a \$4 billion cut in operations and maintenance funding from current levels and \$11.2 billion in the FY13 budget overall. Taken together, the CR, sequestration and emergent costs would create an \$8.6 billion shortfall in the operations and maintenance account for FY13. \$12.3 billion has already been spent from this account in FY13, and another \$16.4 billion is fixed in existing contracts and safety requirements. Therefore, we must find \$8.6 billion in savings from the remaining \$20.2 billion in operations and maintenance funding – more than a third of the money available in the account.

Therefore, we are compelled to take the following steps:

- Cancel 70% of ship maintenance in private shipyards and all aircraft maintenance scheduled in the 3rd and 4th quarters of FY13; this affects up to 25 ships and 327 aircraft and eliminates critical ship and aircraft repair and adds to an existing maintenance backlog generated by a decade of high-tempo operations – resulting in an overall Navy maintenance backlog of about \$3 billion;
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region;
- Reduce by half the number of days at sea and by one quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the requirement is two carriers);
- Stop Amphibious Ready Group (ARG) deployments to the Middle East / Arabian Gulf in FY14 after USS BOXER; this loses the nation's primary response force for crises such as noncombatant evacuations in Liberia and Lebanon, floods in Pakistan and

Thailand and terrorism threats in Africa – all of which were addressed by ARGs in the past decade.

- Cancel five of six FY13 ship deployments (including USNS COMFORT) and stop all aircraft deployments to South America, stopping efforts that interdicted hundreds of tons of illegal drugs into the U.S. in 2012;
- Cancel all ship and aircraft deployments to Africa, halting support to counter-terrorism operations on the continent during a time when terrorist affiliates are active there;
- Stop training and certification of ballistic missile defense ships, resulting in no new deployments of these ships to Europe after October 2013;
- Cancel most non-deployed operations including exercises, pre-deployment certification, and all port visits in the continental U.S.; as a result, the number of ships available for homeland defense will be reduced and it will take 9-12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations;
- Stop training and certification for Carrier Strike Groups (CSG) except for the one next to deploy to the Middle East / Arabian Gulf; We will have only one additional or “surge” CSG certified for Major Combat Operations in FY13 and throughout FY14 (down from almost three on average);
- Stop training and certification for Amphibious Ready Groups (ARG), resulting in no additional or “surge” ARG certified for Major Combat Operations in FY13 and FY14;
- Freeze hiring of civilian workers and release current temporary workers, resulting in a reduction of about 3,000 people from our shipyard workforce of Navy civilians;
- Plan to furlough up to about 186,000 civilians for 22 days, resulting in a 20 percent pay reduction.

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such F-35C *Lightning II*, P-8A *Poseidon* and E-2D *Hawkeye*, this reduction will compel us to reduce the number of platforms procured in FY13.

In addition to these immediate impacts, our actions in FY13 to address reductions from the CR and sequestration will begin to erode our readiness in four major ways:

Degraded material condition and expected service life of our ships and aircraft. The cancellation of maintenance for ships and aircraft will reduce their service lives, increase the likelihood of break downs and force us to pay a higher cost (premium) to make up the critical maintenance later. Should operations funding eventually become available, some ships and aircraft will be unavailable to deploy or surge because they need repairs; further, we will need to realign ship maintenance periods and repairs within an already tight operational schedule.

Sailors lacking proficiency and confidence. Cancelled training and exercises could result in some units in the fleet that, by the end of FY13, are not proficient in the basic skills necessary for effective warfighting operations. To be effective, we need all combatants able to deploy or surge to a contingency.

A damaged industrial base. Delayed or cancelled ship and aircraft construction, cancelled maintenance and repair, and reduction of the civilian workforce will immediately impact private shipyards, aircraft and weapons manufacturers and our military industrial base. The loss of work in FY13 alone may cause some smaller suppliers and service providers to shut down.

Increased strain and operational tempo on our Sailors and Civilians. The reduction of ready forces will put greater stress on the Sailors assigned to ships and squadrons that are currently deployed or soon to deploy. They will operate at a higher tempo; and we are already at an extraordinary operational tempo. While military compensation is exempt from sequestration, there is a cost to the force in having to do more. However, I remain committed to making sure we provide for our Sailors, Civilians and their Families by funding our most important missions and deployments, and Family Readiness Programs.

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A *Poseidon*, F-35C *Lightning II* and Littoral Combat Ship – resulting in fewer of these platforms being procured in FY13.

Longer-Term Effects: A Different Fleet and a Different Strategy

In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 *Lightning II*, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.

Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will quickly be forced to shut down. Once these companies and their engineers and craftspeople move on to other work, they are hard to reconstitute, sometimes impossible, at a later date when our national security demands it.

Reducing the Impact of Sequestration and the Continuing Resolution

We ask that this Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. Additionally, the Department needs the Congress to pass FY13 appropriations legislation that allows the department to allocate reductions in this fiscal year in a deliberate and coherent manner to sustain current operations while meeting current obligations.

I am honored to represent about 600,000 Sailors and Civilians serving their country in the United States Navy. We understand the importance of resolving our fiscal challenges to ensure our nation's future prosperity. I look forward to working with the Congress to ensure our Navy will remain the world's preeminent maritime force while continuing to protect our nation's security and prosperity.