



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

27 March 2002

The Honorable Bob Stump
Chairman, Committee on
Armed Services
House of Representatives
Washington, DC 20515

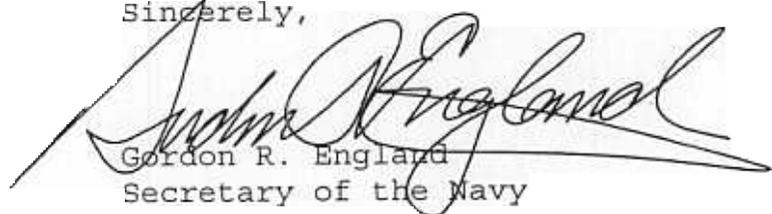
Dear Mr. Chairman:

As directed by the Fiscal Year (FY) 2002 House Appropriations Committee Report 107-298, the enclosed report provides a plan to eliminate the maintenance backlog that has accumulated as a result of previous underfunding, and to incorporate necessary funds in future budgets to execute that plan.

Specifically, the report addresses funding for Ship Depot Maintenance. The report also provides the details of the FY03 President's Budget increase of \$632M over previous funding levels.

Please let me know if I can be of further assistance. A copy of the Navy report is also being provided to Chairmen Levin, Inouye, and Lewis.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon R. England".

Gordon R. England
Secretary of the Navy

Enclosure

Copy to:
The Honorable Ike Skelton
Ranking Minority Member

HOUSE COMMITTEE ON

OS 168-3 MW 10:22
RECEIVED

1. Ship Depot Maintenance has been underfunded in the past as the Navy has had to balance extraordinarily challenging priorities. Additionally, underfunding has been a result of our inability to precisely capture the requirement. This contributed to less than full funding due to questions of validity of the overall requirement. A program called the Maintenance Requirement System (MRS) used on surface ships was recently implemented to provide a quantifiable method to assess the material condition of our ships, prioritize maintenance needs, and establish the repository of all depot maintenance requirements. The FY03 budget is the first budget that MRS was utilized to develop the requirement. As it matures with the input of more empirical data, confidence in the output will increase and will allow us to more accurately define the depot maintenance requirement as well as the maintenance backlog.

2 The following table addresses funding for depot maintenance

Department of the Navy			
Active Forces Ship Depot Maintenance	(Dollars in Millions)		
	FY01	FY02	FY03
Ship Maintenance	\$ 3,819	\$ 4,229	\$ 4,861
Percentage of Requirement Funded	88.6%	89.3%	95.5%
Annual Deferred Maintenance	\$ 356	\$ 377	\$ 164
Program Increase over Previous FY	\$ 34	\$ 410	\$ 632

3. In FY01 and FY02, we added additional funds to address the deferred maintenance backlog. The FY03 President's Budget represents a \$632M increase over previous funding levels and demonstrates my commitment to solving this readiness issue. Clearly, our preference would be to do all maintenance that could be accomplished. However, since maintenance requirements are prioritized by need, it is the lowest priority items, those with the least impact on readiness, that are deferred if the requirement exceeds the funding.

4. Continued funding of Ship Depot Maintenance at current levels, 95.5 percent, along with improved refinement of the requirement, could eliminate, over the next six years, the current backlog of deferred surface ship maintenance. The necessity of funding current readiness accounts such as Ship Depot Maintenance to the maximum extent possible is well understood and it is highly desirable to fund Ship Depot Maintenance to 100 percent of the requirement. However, absent additional resources it would require funding shifts from other critical current readiness accounts and/or underfunded ship and aircraft procurement accounts. The FY03 President's Budget submission attempts to optimize the Navy's allocation of scarce resources across current and future readiness programs with a commensurate acceptable level of risk.

Enclosure