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STATEMENT OF

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ON NAVY READINESS POSTURE

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON READINESS

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Chairman Forbes, Ranking Member Bordallo, and distinguished members of the House Armed Services Readiness Subcommittee, it is an honor for us to be with you today representing the men and women of the United States Navy, active, reserve, and civilians, who work each day to ensure our nation's Navy is, and remains, ready. Their dedicated service delivers Navy capabilities for presence, deterrence and, if necessary, for combat power in our national defense – in the air, and on or under the sea. Although operations in Iraq have ended, our Navy remains deployed globally. Today over half the Fleet is at sea, and Navy forces, operating forward, provided critical humanitarian relief to the citizens of Japan following the Great East Japan Earthquake and Tsunami, while conducting nearly 170 exercises and training events with our partners in the Pacific Region last year. In support of NATO operations in Libya, Navy EA-18G Growlers redeployed from Iraq in less than 48 hours, and our ships and submarines fired 221 Tomahawk Land Attack Missiles to suppress and destroy the air defense network. More than 27,000 personnel continue to serve in the U.S. Central Command (CENTCOM) area of responsibility (AOR), while those in port, operating in home waters, or stationed ashore are training for their global missions, supporting our deployed warfighters, building the future Navy, or supporting our Sailors and their families.

In his recent testimony before the full Committee, the Chief of Naval Operations, Admiral Greenert, discussed the "Sailing Directions" he issued to guide the Navy as we plot our course into the future. He articulated three basic tenets – "Warfighting First, Operate Forward, and Be Ready" – to provide the planning information and guidance necessary to deliver a ready Navy now and in a future characterized by fiscal challenges for the nation and evolving threats to our security and prosperity. His first two tenets capture the Navy's role in deterring, and should deterrence fail, winning our nation's wars, as well as our key contribution to maintaining the maritime freedom that remains the basis of global prosperity. The global reach and persistent presence of our Navy, achieved through both forward stationed and rotational forces, enable these capabilities, and provide a significant contribution to fostering and sustaining the cooperative relationships with our global partners that underpin our freedom and prosperity. A ready Navy is fundamental to achieving these first two tenets, but Admiral Greenert went further in his guidance to specifically articulate the need to "Be Ready." In order to maintain balance across all the Navy's portfolios and achieve the high levels of readiness described in this statement, in the current budget environment tough choices had to be made, including some reductions to Navy force structure.

It is the role of our organizations, working closely with the Fleet Commanders and through our Aviation, Surface, Undersea and Expeditionary Enterprises, to meet the CNO's challenge to harness the teamwork, talent, and imagination of our diverse force to be ready to fight – and to most

responsibly employ the resources the Congress provides us to achieve that goal. The Navy budget submission for Fiscal Year 2013 (FY13) is aligned to meet those challenges.

A Ready Navy Today

The Fleet Response Plan (FRP) remains the foundation of Navy force generation. Under FRP, units and task groups are trained and certified in defined, progressive levels of employability to meet deployed presence commitments, as well as surge requirements in support of major operation plan execution or other contingencies. For FY13, we are aligning the FRP cycle of cruiser-destroyer type surface combatants with the CVN cycle, and programming to support additional time in the FRP basic and integrated training phases for these ships. This will ensure the Navy is able to continue to provide the agile and adaptable forces required to meet current and future security challenges. The exact FRP Operational Availability (Ao) required for each type of combat power the Navy generates each year depends on the projected Global Force Management (GFM) plan for the year plus surge requirements. FRP Ao is stated in three terms (the number of units forward + the number of units ready to surge within 30 days, + the number of units ready to surge within 90 days). This provides a ready reference to measure Navy performance in achieving both presence and Major Combat Operations response in support of the Combatant Commanders.

The operations accounts provide the resources for the fuel, repair parts, and other support to ensure the Fleet we have today is ready to meet every task required. The FY13 budget, including Overseas Contingency Operations (OCO) funding, supports Navy operations across the broad spectrum of responsibilities that entails. Our readiness and operational support programs meet the anticipated needs of the Combatant Commanders (CCDRs) as adjudicated through the GFM process, and continue to provide surge forces in support of their major operational plans and other emergent needs, within an acceptable level of risk.

Ship Operations

The FY13 budget (baseline, plus OCO) provides the Ship Operations account with funding for an average ship's OPTEMPO of 58 steaming days per quarter (deployed) and 24 steaming days per quarter (non-deployed) at an FRP Ao of 3+2+1. This OPTEMPO enables the Navy to meet FRP training and certification requirements with manageable risk. Measures, such as increased use of simulators, concurrent training and certification events while underway, and the judicious use of fuel are used to mitigate risk. While the Navy met all GFM commitments in FY11, including operational requirements in support of Operation Iraqi Freedom (OIF)/Operation New Dawn (OND) and

Operation Enduring Freedom (OEF), we continue to experience high OPTEMPO globally. Sustaining this OPTEMPO remains dependent upon the receipt of OCO or similar supplemental appropriations.

Air Operations (Flying Hour Program)

The Flying Hour Program (FHP) provides for the operation, maintenance, and training of ten Navy carrier air wings, three Marine Corps air wings, Fleet Air Support (FAS) squadrons, training commands, Reserve forces, and various enabling activities. The FY13 budget (baseline, plus OCO) resources the FHP account to achieve an FRP Ao of 3+2+2 with subsequent Training-rating (T-rating) levels of T2.5 for Navy and T2.0 for the Marine Corps. T-Rating describes the average readiness of aircrews crews on a scale from 1 to 5. Navy air crew ratings are compared to operational standards in each Primary Mission Area. For the USMC, it describes the proficiency of aircrews in Core, Mission, and applicable Core-Plus skills and Combat Leadership categories. Both USN and USMC units must achieve T-2.0 to deploy or be surge ready.

With this funding, Tactical Aviation squadrons conduct strike operations, provide flexibility in dealing with a wide range of conventional and irregular threats, and provide long range and local protection against airborne, surface and sub-surface threats. FAS squadrons provide vital fleet logistics and intelligence. The Chief of Naval Air Training trains entry-level pilots and Naval Flight Officers, and Fleet Replacement Squadrons provide transition training in our highly capable, advanced Fleet aircraft. Reserve Component aviation provides adversary and logistics air support; makes central contributions to the counter-narcotics efforts; conducts mine warfare; and augments Maritime Patrol, Electronic Warfare, and Special Operations support.

Navy squadrons continued to meet all national tasking through FY11, while demonstrating operational agility in providing humanitarian assistance to the Japanese people during Operation Tomodachi, participating in multi-national air operations during Operation Odyssey Dawn to halt Gadhafi loyalist ground forces, and supporting anti-piracy operations in the western Indian Ocean.

The Navy and Marine Corps are increasing the use of simulation to reduce non-deployed flying hours and continue to invest in new simulators. We are also investing in improvements to existing simulators to further reduce aircraft flying hours while maintaining requisite training levels for deployed operations.

Fleet Training and Training Ranges

To support a ready Navy, we continue to invest in new or improved training capabilities in FY13. This budget submission continues funding for the overall upgrade of the Navy Continuous Training Environment (NCTE) network that supports our Fleet Synthetic Training program, and extends the NCTE to support the four ballistic missile defense-capable guided missile destroyers to be forward stationed in Rota, Spain, as well as providing for their other training requirements. Live training is enhanced by the accelerated procurement of high speed maneuverable surface targets and electronic warfare threat emitters, while we continue development of threat representative enhanced air targets. This budget also supports expanded live fire training on our ranges with surface-to-air missiles.

A Ready Navy Tomorrow

As he articulated the guiding principles that underlie the basic tenets of his "Sailing Directions," Admiral Greenert noted that ensuring a ready Navy requires maintaining our ships and aircraft to meet their expected service life (ESL). This not only provides ready platforms in the near term, but is an essential contribution to the future capacity of the Fleet. The FY13 Navy budget submission supports our proven sustainment models for CVNs and submarines, continues our investment in the readiness of our surface combatants that is beginning to be realized in the Fleet this year, and supports the transition and integration of new capabilities into Naval Aviation.

Ship Maintenance

Keeping our ships in acceptable operating condition is vital to their ability to accomplish assigned missions and reach their ESL, a key factor in the Navy's 30-Year Shipbuilding Plan. Surface ships, aircraft carriers and submarines currently in commission comprise approximately 70 percent of the ships that will be in service in 2020. Reaching ESL requires an integrated engineering approach to plan, fund, and execute the right maintenance. As a result of the progressive maintenance philosophy used to program surface ship maintenance from 1999 to 2010, the life cycle maintenance required for these ships to reach their expected service life was understated. Navy has made significant progress over the last two years to better define the maintenance requirement necessary to improve material readiness of surface ships and achieve their expected service lives.

The Surface Maintenance Engineering Planning Program (SURFMEPP) re-established surface ship maintenance requirements based on disciplined engineering processes, similar to those used by our carrier and submarine communities. Since its inception in 2010, SURFMEPP has

revised the Class Maintenance Plans (CMPs) for five of our seven major combatant ship classes; Mine Countermeasures and Littoral Combat Ship CMP revisions remain, and are scheduled for completion by FY14. SURFMEPP guides maintenance requirements through the production of Technical Foundation Papers (TFPs), which assess the ship's entire life cycle. TFPs are class-specific documents that provide a foundation for all maintenance requirements across an entire ship class. Adding to the previously developed TFPs for DDG 51 and LSD 41/49 Classes, TFPs have now been completed for CG, LPD-17 and LHD Classes to inform this FY13 budget submission. TFPs for MCMs are currently in progress to inform future budgets.

Based on this planning, SURFMEPP generates individual ship life cycle maintenance plans, from which Baseline Availability Work Packages (BAWP) are developed. BAWPs integrate all depot maintenance and modernization requirements, and identify and mandate the required lifecycle maintenance for each ship; 67 such BAWPs for DDG, CG, LHD, LSD and LPD-17 Class ships have been developed to date. BAWPs are then used to derive Availability Work Packages (AWPs) for each specific surface ship availability; ten AWPs have been completed and are being used in availabilities executing in FY12, with 41 AWPs in development. Under this new end-to-end process, availability planning, execution, and certification are codified, and all required maintenance actions identified in the BAWP are tracked to completion. If a maintenance action is proposed for deferral, SURFMEPP reviews the request and ensures formal adjudication by the appropriate technical authority. If approved, SURFMEPP ensures the action is rescheduled for a follow-on availability, or other appropriate windows of opportunity.

Based on the collection and analysis of ship availability extensions to date, SURFMEPP identified that understanding ship tank conditions is a priority. Growth work and many availability extensions have been related to newly discovered problems with tanks at the beginning of availability. SURFMEPP is now aggressively tracking tank conditions to counter this work growth, but reliable data only exists for approximately 69 percent of tanks. Our goal is to know the condition of 95 percent of all tanks by the end of FY14. As identified, tank corrosion prevention and correction are incorporated into individual ship life cycle maintenance plans and the BAWP as part of availability planning.

Corrosion Control Initiatives

Navy continues our partnership with the American Bureau of Shipping (ABS) in performing detailed surface ship structural surveys using commercially proven processes and procedures. Inspections are complete on over thirty surface combatant and amphibious ships, and over twenty

more are scheduled in FY12. During these inspections, between 3,000 and 5,000 thickness measurements are taken to determine the degree of localized corrosion and to look for critical areas with reduced fatigue life and marginal hull strength. Additionally, deployment histories are being analyzed for ship's position, weather condition, speed, etc., to determine the impact from these parameters on the ship's material condition. Through this documentation and analysis, the maintenance community is becoming better able to perform "condition based" planning to avoid serious material conditions that adversely impact a ship's operational availability.

Manning Initiatives

Navy began restoring some billets previously removed from optimally manned ships in FY12, with an increase of 1,105 Sailors aboard these ships. In FY13, an additional 1,107 Sailors will return to sea. This initiative provides these ships with the capacity and capability to maintain and improve their operational and material readiness. The increase in both Sailor and civilian manning at our Regional Maintenance Centers (RMCs) to restore intermediate level maintenance capacity and capability on the waterfront also continues under this budget submission. The increased staff provides the RMCs with appropriate skill-sets to execute Navy maintenance in accordance with the Joint Fleet Maintenance Manual; supports quality shore duty for Sea/Shore rotation; and provides I-Level capability/capacity in the Hull, Mechanical and Electrical, and Combat Systems, maintenance and repair shops. This increase also establishes a journeyman training continuum for Sailors that will increase a ship's capability to find, fix and document maintenance issues within the lifelines.

Ship Maintenance Funding

The FY13 budget (baseline, plus OCO) fully funds the ship maintenance requirement. More importantly, as previously discussed, the ship maintenance requirement this year includes updated Class Maintenance Plans (CMPs) for five of our seven major combatant ship classes, significantly enhancing requirement validity. Navy is also committed to the right level of ship maintenance at the most efficient cost. We continue efforts to reduce the total cost of ownership of the Fleet, as we have done with SSN 688 and SSN 774 class submarines, through continued analysis of engineered technical requirements and assessment of recently completed availabilities. However, Navy remains dependent upon the receipt of OCO, or similar supplemental appropriations, to fully fund our enduring baseline ship maintenance requirements.

The cyclic nature of ship and submarine depot availabilities from year to year continues to cause variations in budget requests and annual obligation levels. Surface ship availabilities are conducted almost exclusively in the private sector. Nuclear submarine and aircraft carrier availabilities are primarily conducted in the public sector, with selected availabilities completed by nuclear-capable private shipyards. Whenever practical, maintenance is performed in the ship's homeport to minimize the impact on our Sailors and their families. The Navy recognizes maintenance organizations need a stable and level workload to maximize efficient execution. We continue to level the workload to the maximum extent practicable within operational constraints.

Aviation Maintenance

Aviation maintenance is accomplished through a combination of organizational (unit) level, intermediate level, and depot level maintenance. Aviation Depot Maintenance (ADM) is performed by Navy organic Fleet Readiness Centers (FRCs), inter-service maintenance facilities, and commercial aviation depots that overhaul, repair, and modify Navy and Marine Corps aircraft, engines, components, and support equipment to meet Naval Aviation operational and training requirements at the best value. ADM invests today, for service life consumed yesterday, to provide readiness for tomorrow. The FRCs directly support all Navy and Marine Corps tactical and core logistical support aircraft. Navy and Marine Corps training and non-core logistical support aircraft are maintained mainly under commercial contract that includes required depot level maintenance.

Aircraft, engines, and systems have an established maintenance cycle documented in maintenance publications, which are based on flight hours, calendar days, or cycles (e.g. landings, catapult launches, carrier landings, operational hours, prognostics). These approved maintenance publications specify which level of maintenance organization can perform each task.

The Naval Aviation Enterprise applies industry-proven continuous process improvement (CPI) tools to deliver increased readiness with greater efficiency. CPI produces readiness by increasing the speed, reliability and predictability of processes associated with integrated maintenance and supply chain replenishment. The FY13 budget submission supports a key CPI effort called Quality Based Maintenance (QBM). QBM uses Aviation Rapid Action Teams (ARATs) to systematically root out components causing degraded readiness. To date, ARAT teams have developed repairs for high cost consumable items for the FA-18 and MV-22, providing significant operational savings. ARAT will continue to improve repair procedures, seek more cost effective repairs, and eliminate problematic components that contribute to increased cost and decreased readiness.

Additionally, the FY13 budget invests in long term enhancements to the overall material condition of Naval aircraft. In a cooperative venture between NAVAIR and the Fleet, corrosion prevention teams are systematically analyzing the material condition of fleet aircraft and providing feedback directly to operational units to improve corrosion prevention practices and close gaps in training. In addition to direct feedback, long term improvements to repair manuals, training curriculum, inspection requirements, and data documentation practices assist in reducing the impact of corrosion and degraded material condition.

Adequately addressing the maintenance issues encountered with our older aircraft, along with aggressively pursuing cost efficiencies and readiness degraders, also requires a robust Aviation Support program. Aviation Support consists of technical, engineering logistics and repair services administered by platform. This critical work enables aircraft to maintain safe and reliable operation, while ensuring expected service life is met at the lowest cost. It funds the air vehicle, engine, systems, support equipment technical data updates, calibration, and software maintenance activities that directly affect operational mission effectiveness and mission completion rates. It includes the foundational engineering and logistics processes, policies, and information technology programs essential to sustain fleet aircraft, engines and support systems.

Aviation Maintenance Funding

FY13 funding (baseline, plus OCO) for depot airframe and engine workload supports 94% of the aviation depot maintenance Fleet and Reserve requirement. This funding will result in 720 airframe and 2,070 engine depot inductions. There is a $75M shortfall to fully fund the operational requirement of $1.4B, resulting in a projected backlog of 14 airframes and 273 engine depot requirements.

To develop the Aviation Support requirement, Navy leverages both the Optimized Performance Model and the Support Equipment Depot Readiness Assessment Model to ensure credible traceability between requirements and affordable outcomes. Both models provide more transparent funding allocation and prioritization for safety and readiness issues. For FY13, Aviation Support is funded at $715M FY13 (baseline, plus OCO).

Navy Expeditionary Forces

Although a smaller part of the overall Navy operations and maintenance budget, Navy expeditionary forces support global missions that expand and enhance CCDR capabilities by deploying security, construction, logistics and training units. These cost effective capabilities are

expected to remain in demand to support CENTCOM missions through the end of OEF, and will continue to be in demand supporting global maritime operations envisioned for Theater Security Cooperation, Security Force Assistance, Anti-Access/Area Denial, Mine Counter-Measures, and support to Special Operations Forces (SOF) in the new defense strategic approach.

Navy uses a capability costing model similar to the models used in other O&M programs to assist in the planning, programming and budgeting of the Navy Expeditionary Combat Enterprise (NECE). The model includes expeditionary components' FRP training schedules, inflation and pricing guidance, and historical costs to predict future costs at various performance levels. The model is able to make tradeoffs in performance from the notional FRP output, driving differences in cost.

The FY13 budget submission (baseline, plus OCO) funds 100% of the FY13 requirement for the full range of NECE capabilities, while the FY13 baseline budget funds 50% of the enduring requirement. The Navy continues to leverage OCO to fund enduring post-OEF baseline requirements, including Explosive Ordnance Disposal, Maritime Expeditionary Forces, and Naval Construction Forces, as well as additional capabilities highly desired by the CCDRs.

Shore Operations

The Navy's shore infrastructure – both in the United States and overseas – keeps our fleet ready to deter aggression, respond to crises, and win our nation's wars. In addition to supporting operational and combat readiness, it is also an essential element in the quality of life and quality of work for our Sailors, Navy civilians, and their families. The FY2013 budget submission emphasizes ship and air operations, and Sailor and family readiness.

We remain committed to current Fleet operations through a combination of Base Operating Support (BOS) and Facilities Sustainment, Restoration, and Modernization (FSRM) funding. Within BOS, our FY2013 budget submission funds port and flight line operations, safety and security, and family support programs. Meanwhile, we continue to target our FSRM funding toward facilities directly supporting operations, such as airfields, hangars, piers, and barracks. This includes our Naval Shipyards, which we continue to sustain and recapitalize within today's fiscally constrained environment, focusing on mission-critical facilities such as production shops, piers, wharves, and dry docks. We mitigate the level of deliberate risk we take in the sustainment of our infrastructure by prioritizing projects at facilities with the lowest quality rating first.

Family Readiness Programs and Child and Youth Programs

Our personnel programs deliver a high return on investment in the readiness of our Sailors and civilians. Navy's Family Readiness programs enhance mission readiness by assisting Commanding Officers, Sailors, and their families in managing the demands of the military lifestyle. Our Navy Child and Youth Programs provide high-quality educational and recreational programs for Navy children ages six weeks through eighteen years in multiple venues. All programs are operated in accordance with the Military Child Care Act, and are DoD-certified and nationally accredited. We recently expanded our childcare facilities by 7,000 spaces, and will meet the Secretary of Defense's goal of providing for at least 80 percent of the "potential need" by the end of this year.

Housing

Quality housing significantly impacts Sailor retention, productivity, and individual and mission readiness.

Our Bachelor Housing program is focused on providing Homeport Ashore housing for our junior sea-duty Sailors by 2016, and attaining the OSD goal of 90 percent "adequate" (Q1/Q2) bachelor housing. Our Homeport Ashore program is on track, and the PB-13 budget submission includes homeport ashore barracks construction at Naval Base Coronado. Navy is also requesting $195M in FY13 to improve the condition of our existing barracks to continue progress toward OSD's quality goal.

Navy Family Housing supports Navy readiness by providing Sailors and their families the opportunity for suitable, affordable, and safe environments by first looking to the community, then to our private partners, and finally through Navy-owned housing. Due to our privatization and renovation efforts, Navy is on track to achieve OSD's goals of 90 percent "Adequate" family housing inventory by 2017. Our FY13 budget submission funds family housing improvements, planning, and design in addition to the operation and maintenance of our approximately 10,000 Navy-owned and 3,000 leased homes. We have privatized 97 percent of our CONUS and Hawaii family housing inventory and continue to perform oversight of our privatized housing to ensure Navy Sailors and their families benefit from quality housing and services.

Energy and Environmental Readiness

We continue our progress toward meeting Federal mandates for energy efficiency and alternative energy, as well as goals established by the Chief of Naval Operations and the Secretary of the Navy. Our energy initiatives are focused on enhancing combat capability, reducing total

ownership costs, and ensuring energy security. Protection of the marine environment in Navy training, testing, and research activities at sea continues to be the Navy's top environmental priority.

Energy

The Navy's energy program is aimed first at energy efficiency to enhance combat effectiveness through greater endurance, and reducing operating costs over the lifecycle of our systems and facilities. On the operational energy front, testing and evaluation of numerous technologies that improve fuel economy and reduce maintenance requirements for existing ships is complete, and we continue to make targeted investments for the future. We are developing best practices for reducing fuel consumption by ships and aircraft, as well as investing in simulator upgrades.

The program's second focus is assuring mobility by diversifying our sources of energy. Navy's small investments in alternative fuel 'drop in replacement' testing provide an off ramp from conventional fuel sources, while providing a hedge against future price volatility. Use of advanced alternative fuels will require no modification to current inventory aircraft and ship engines or changes to fuel distribution or logistics resupply networks. Provided the alternative fuel life cycle pathway meets all legal requirements, the Navy has no process or feedstock preference.

Additionally, we are on track to conduct a test and evaluation of a "Green Strike Group" this summer, featuring ships and aircraft operating on biofuel blends, as well as technologies that enable energy efficiency. Incorporating use of these energy initiatives into the 2012 RIMPAC Exercise provides an opportunity to highlight our efforts to reduce fuel consumption through technology and best practices, and will serve as a capstone for the testing of hydrotreated renewable fuel blends.

The Navy has also made remarkable progress on shore energy initiatives to meet various legislative mandates. We are increasing the energy security of critical assets, improving the energy efficiency of our buildings, reducing petroleum consumption from non-tactical vehicles, and incorporating renewable and alternative energy technologies where economically viable. Advanced metering and microgrid technologies will enable better energy management and improve resiliency in emergencies. The Navy fully supports compatible renewable energy development and is working aggressively to identify ways to preserve our readiness where renewable energy may impact military missions.

The most energy efficient ship or building will not achieve our energy goals if we do not fundamentally alter the way we think about and consume energy. The Naval Postgraduate School has accepted the first students in its new masters programs in both energy technology and energy

policy, and we are driving energy awareness to ensure that every Sailor values energy as a critical part of our readiness, resulting in more frugal use of resources, greater agility and reduced vulnerability to adversaries. Finally, we are incorporating energy into the acquisition process, mandating that our future platforms and systems consider energy as a warfighting capability during the early stages of design.

Environment

Working closely with our principal environmental regulator, the National Marine Fisheries Service, Navy engages in a comprehensive and robust program of environmental planning, permitting and consultation regarding our at-sea activities. The Navy maintains the world's foremost marine mammal research program to ensure science-based protective measures for Navy activities at-sea. A concerted environmental compliance effort in these and other areas is absolutely essential, given the near certainty that non-governmental environmental interest groups will continue to seek restrictions on Navy activities at sea. Navy environmental protection efforts enable us to be a responsible environmental steward of the marine environment, and a mission-ready force able to engage and defeat potential enemies

Optimizing Total Ownership Cost

Building and sustaining a capable, yet affordable Fleet remains one of the CNO's highest priorities. Naval acquisition policy and processes continue to focus on program affordability, Total Ownership Cost optimization, and sustainment in the Navy's Weapon System Programs. Navy defines Total Ownership Cost as the total life cycle cost of a system from concept, research and development, production, and sustainment through disposal, including the total supporting infrastructure that plans, manages and executes that program over its life cycle.

In execution, we seek to maximize performance and retain flexibility while controlling total ownership cost. However, we must also balance required performance with sufficient flexibility to adequately respond to changes in our battle space. We employ a broad spectrum of contracting tools and procedures to craft, award, and administer contractual vehicles to incentivize Total Ownership Cost efficiencies in the sustainment arena, including:

- Performance based logistics contracts that transfer traditional sustainment functions to a contractor for a specified level of performance.

- Strategic sourcing and commonality approaches that lead to "buying smarter" (and more affordably) through consolidated purchasing, reductions in technical specification variability, and tailored performance work statements.

One common characteristic of these contracting strategies is the long term nature of their required funding. Navy is focused on developing sustainment strategies early in order to identify the proper contract type, clearly define performance requirements, and develop a clear understanding between government and industry regarding required performance standards.

In addition to contracting tools, the Navy also accomplishes reduced Total Ownership Cost through a set of initiatives that drive us to seek out cost reductions. Supported by policy, these initiatives focus on total ownership cost estimating and sustainment planning as highly weighted criteria to mitigate cost risk within defense system decision-making forums. The Navy refined an Enterprise-wide process for identifying and vetting cost reduction candidates for potential investment. Institutionalizing this process fosters a culture of continuous cost consciousness for optimizing cost in Navy's major weapons system acquisition process and supporting governance forums. These efforts ensure equitable risk and performance measures, resulting in the right performance for the right price. For FY13, seven discrete initiatives were selected requiring an investment of $327M to achieve projected life cycle savings of $3.7B, with $229M in savings programmed within the FYDP.

Conclusion

As part of his recent testimony, Admiral Greenert reiterated the three budget priorities he shares with his recent predecessors: Remaining ready today; building a relevant and capable future force; and, enabling and supporting our Sailors, Navy civilians, and their families. This triad informs the difficult balancing act to which each CNO applies their considered judgment, developing a budget submission that best delivers the Navy the nation needs today, and in the future. In concert with the three tenets of his "Sailing Directions," our common focus on readiness is clear. The Navy FY13 budget submission is constructed to sustain Navy readiness overall, but also to improve readiness in key areas requiring further enhancement. With the support of the Congress, our Navy is ready today, and will remain ready for the challenges of the future. We thank the Members of the subcommittee for your strong support of the Navy and the successful accomplishment of our mission, and particularly for your commitment to the welfare of our Sailors and their families. We request your favorable consideration of the Navy FY13 budget request.