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SENATE ARMED SERVICES
COMMITTEE

STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON MILITARY READINESS AND MANAGEMENT SUPPORT

OF THE

SENATE ARMED SERVICES COMMITTEE

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Introduction

Chairman Ensign, Senator Akaka, and distinguished members of this Subcommittee, I appreciate the opportunity to be with you today. It is an honor to report to you on the operational status and readiness of this great Navy during these exceedingly challenging times, as we are engaged in Operation *IRAQI FREEDOM* (OIF), while continuing to prosecute the Global War on Terrorism (GWOT). Your generous support has been instrumental in our efforts to improve the combat readiness of our Navy. The results are evident in the strong forward deployed posture and readiness for combat of our people and units.

I'll begin my statement today by briefly reviewing the past year, including our support of Operation *ENDURING FREEDOM* and Homeland Defense. Next, I'll address our operations today and how we got here, focusing on the Sailors, training, maintenance, platforms, and munitions which are the key enablers of our current high forward deployed state of readiness. I will then discuss the challenges we face in maintaining this readiness level and in reconstituting the fleet once the war in Iraq comes to a close. Finally, I will outline how we will leverage technology and business practices within the Chief of Naval Operations' Sea Power 21 vision to position the Navy for future readiness.

This Time Last Year . . .

At this time last year, 103 Navy ships and 48,000 Sailors were deployed around the world supporting the Global War on Terrorism and other operational commitments. We were in the process of scaling back the Navy's participation as a joint and coalition partner in the campaign in Afghanistan. The Navy had surged to support the overall military effort, and the persistence, precision, and operational flexibility of our naval forces provided major contributions to the campaign. Three carrier battle groups, supported by Air Force tanker crews, provided continuous 24-hour tactical aircraft presence over 700 miles inland. Two amphibious ready groups fully supported Marines deployed deep into Afghanistan and Pakistan. Navy Special Forces (SEALs) provided key elements of the special operations effort on the ground while an aircraft carrier employed on short notice as an innovative Afloat Forward Staging Base (AFSB) hosted Army Special Forces units. Specially configured P-3 aircraft flew extensive missions overland providing direct reconnaissance support for forces on the ground. The Navy also participated in a host of operations intended to interdict terrorists and contraband material moving over the oceans. Meanwhile, our naval coastal patrol craft teamed with the Coast Guard for port security in support of Homeland Defense.

Nearly every ship in the Navy has deployed over the past year in support of combat operations, some twice. USS *CARL VINSON*, which was on station for the opening salvos in Afghanistan, deployed again last month. Nine of 12 Navy aircraft carriers deployed at some point in the past year, and all but one has participated in forward deployed operations since 11 September 2001.

Where We Are Today . . .

The Navy is underway on an even larger scale today, supporting Operation *IRAQI FREEDOM*, executing other missions in the Global War on Terrorism, and maintaining our nation's commitments to our allies. One year ago, in support of Operation *ENDURING FREEDOM*, the Navy was called upon to provide a moderate surge force; today we are surging near maximum capacity. Indeed, 210 of our 305 ships--representing 69% of our force--are underway, including 7 of 12 carrier battle groups, 9 of 12

amphibious ready groups, and 25 of 54 attack submarines. The Navy and Marine Corps alone have nearly 600 aircraft forward deployed in support of operations against Iraq and other potential contingencies. SEALs, construction battalions, explosive ordnance disposal teams, port operations support units, maritime patrol squadrons, medical teams, and naval coastal warfare units also are overseas--all are performing magnificently in combat or in support of other theaters of operation. Maritime Prepositioning Ships and ships of an Amphibious Task Force offloaded equipment in support of Marines in Kuwait, and 135 ships under the control of the Military Sealift Command are transporting forces to the theater. We have deployed USNS COMFORT, a hospital ship with a 1,000 bed capacity, and three field hospitals as well as our High Speed Vessel (HSV), which serves as a test bed for the Littoral Combat Ship. One of our command ships, USS MOUNT WHITNEY, is deployed as the flagship for Commander, Joint Task Force Horn of Africa. In all, nearly 77,000 Navy men and women are deployed today worldwide, 50,000 of whom are devoted to Operation *IRAQI FREEDOM*.

Over the past weeks, our Sailors have performed superbly in Operation *IRAQI FREEDOM*. By any measure, today's Navy is the most capable force we have ever put to sea, maintaining a persistent and capable forward presence, and we've demonstrated our ability to surge significant combat power quickly, wherever required, using the largest maneuver space on the planet. Moreover, in an era of growing anti-access threats--whether political or threat-based--the inherent ability of naval forces to project offensive and defensive power in an unconstrained manner from the sovereign sea base is growing in importance. As we confront and defeat the threat posed by the current Iraqi regime and continue the worldwide fight against terrorist organizations, we do not neglect our other global responsibilities. In the western Pacific, the USS CARL VINSON Battle Group is deployed in support of the Pacific theater commander, and the ESSEX Amphibious Ready Group, permanently forward based in Japan, is conducting routine operations and exercises in this important area of the world.

We are trained and ready on arrival, able to climb into the ring with the enemy and project power in ways we could only imagine a few years ago. And, thanks to the support of this Committee, we are presently experiencing the highest state of overall readiness I've ever witnessed in my 32 years of naval service.

How We Got Here . . .

Realizing several years ago that we needed to balance, more effectively, current readiness against the requirement to recapitalize our fleet, we invested an additional \$6 billion in readiness accounts from FY02 to FY04, including the Flying Hour Program, Ship Depot Maintenance, Ship Operations, and Sustainment, Restoration, and Modernization. We made some tough budget choices to fix critical personnel and readiness issues. With this Committee's support, we made these investments in a timely and fortuitous manner, and are now reaping the resultant personnel, material, and training benefits in the success of our ongoing operations.

We continue to make difficult, but prudent, choices in the FY04 budget. For instance, you will notice a decline in ship depot maintenance funding. Despite the reduction, our budget achieves the CNO's readiness goals: funding 96.2% of validated requirements -- the same as FY03. This is a function of the return on the readiness investment made over the past two budgets and the supplemental funding that allowed us to reduce the maintenance backlog, improve business practices and maintenance processes, and accelerate the retirement of older, maintenance-intensive ships.

Beginning with the personnel side of readiness, the Navy is retaining Sailors at the highest rates in decades. During FY01 and FY02, first term reenlistments averaged over 67%. In a phenomenal increase, our deploying battle group manning, measured at the six month point prior to the start of a deployment, has improved from 91% in FY00 to 99% for the last five battle groups. Pay raises and enhancements to special pays (especially career sea pay) enacted over the past two years are yielding impressive results. Moreover, our efforts to reduce out-of-pocket housing expenses, authorization for our Sailors to participate in the Thrift Savings Plan, improvements in medical care, and retirement reforms approved by Congress are among the significant factors that have helped us retain the Sailors we need today. On the recruiting front, we have now met our accession planning goals for 4 straight years and for 19 straight months. Our Delayed Entry Program posture (which measures the percentage of the year's recruiting goal that is already accommodated at the beginning of the year) was 54% for FY03, near the highest level ever. We are encouraged by the fact that we have garnered higher quality recruits than in previous years, with over 92% of the FY02 recruits being high school graduates.

Anti-Terrorism/Force Protection (AT/FP) personnel requirements continue to stress our ashore and afloat manpower planning. As much of our surge capability in the AT/FP mission area resides in the reserve component, this essential element of our total force has been fulfilling a crucial role in the Global War on Terrorism. Additionally, for the first time since the Korean War, we have activated a Reserve carrier based fighter-attack squadron, which presently is flying F/A-18A aircraft deployed aboard USS THEODORE ROOSEVELT in the Eastern Mediterranean. It was necessary to activate this squadron to deconflict the transition timeline for one of our active F/A-18E/F Super Hornet squadrons that would have been required to deploy early in support of then possible operations in Iraq. We are very pleased with the responsiveness and performance of VFA-201 in this important role.

More than 87,800 Naval Reservists make up nearly 23% of the Navy's total force. With a total of over 11,000 reservists recalled to active duty today, the effective integration of reserve elements into active components is indispensable to readiness and management of our personnel tempo in the Global War on Terrorism. We face three challenges with this reserve activation. First, several of our key reserve capabilities, such as Inshore Boat Squadrons providing worldwide port security, soon will be close to the two-year involuntary activation limit. We are examining ways to migrate some of this important capability to our active force while expanding reserve capability in this area. Second, with over 3600 medical personnel deployed aboard USNS COMFORT, in fleet hospitals, and to other forward locations above our normal posture, we are maintaining continuity of medical care for CONUS-based forces, their dependents, and retirees by combining selected medical reservist backfills with an outsourcing strategy. Finally, we continually revalidate the billets filled by reserves with an eye toward demobilizing those who are not essential to the war effort in order to achieve optimum manning efficiency. However, the cost to mobilize reservists to active duty is an unplanned resource challenge.

Two years ago, the Navy reported to you significant concerns with the material aspect of our current readiness. As one of the CNO's top five priorities, Navy current readiness received significant attention within our budget submissions. With focused effort, careful planning and congressional resource support, we have made tremendous gains in aviation material readiness, ship material readiness, and preferred munitions.

In aviation material readiness, one year ago there were 44 bare firewalls in the EA-6B Prowler fleet--a critical support aircraft that we place in the category of "low density-high demand" assets. Today there are zero bare Prowler firewalls, although we now need to purchase new outer wing panels for a number of these aircraft to ensure their continued viability until replaced by the EA-18G. I also report to you that we have made significant progress in reducing aircraft cannibalization, the practice of taking parts from one aircraft to make another operational. Despite the increased operational tempo (OPTEMPO) associated with executing the Global War on Terrorism, we've continued to make progress in this area, reducing cannibalization by an additional 5%.

The Navy also has made significant progress in shifting our weapon system logistics support strategy from one of buying parts and managing inventory to one of buying performance and managing results. The vehicles to accomplish this transition are Performance Based Logistics (PBL) contracts. These contracts are usually long term in nature and both empower and incentivize the provider to improve product support while reducing the total cost of ownership. The primary goal of the PBL approach is to enhance warfighter logistics support via improved supply availability, decreased cycle time, increased reliability and reduced obsolescence. The PBL methodology is structured to accomplish these goals by capitalizing on industry best practices and reengineering logistics support to perform more like a commercial system.

Currently, the Navy has approximately 25% of its active inventory managed under a Performance Based Logistics agreement. This approach has achieved unparalleled success across both aviation and ship programs and is equally effective when applied to a single item of supply or an entire weapons platform. A sampling of PBL successes may be found in the following examples.

- F/A-18 E/F: The F/A-18 E/F Integrated Readiness Support Teaming (FIRST) contract encompasses support for the entire aircraft. Supply availability is 85% versus 62% for F/A-18C/D aircraft. Projected savings are \$52M over 5 years.
- Close-In Weapon System (CIWS): This contract is achieving 89% supply availability versus a previous performance level of 60%. Projected savings are \$5M over 5 years.
- Aviation Tires: This innovative 5-year contract has virtually taken the Navy out of the business of buying and warehousing tires in support of 17 different aircraft. Supply availability is 98% versus a previous performance level of 81%, with projected savings of \$46M over 15 years.
- AEGIS Weapons System: This contract is achieving 95% availability versus a previous performance level of 85%. Projected cost savings is \$6M over 4 years.

Early retirement of some aircraft models enabled the Navy to avoid costly maintenance requirements and reinvest those savings across other readiness accounts. For example, the F/A-18E/F Super Hornet--the first three squadrons of which are deployed today to the Arabian Gulf--operates at one third the cost of the aging and maintenance-intensive F-14s it is replacing. Moreover, the Super Hornet provides significant readiness improvements while simultaneously providing a 40% increase in combat radius and greater payload capability than the F/A-18C/D.

The addition of precision-guided munitions (PGM) capability to every strike aircraft means we now measure air wing capability in targets per sortie instead of sorties per target. Accordingly, early attention to the Navy's preferred munitions requirements was another key enabler of today's readiness gains. At the onset of Operation *ENDURING FREEDOM*, the Navy and Marine Corps did not possess

the desired inventory of PGMs. This inventory was further depleted by operations in Afghanistan. However, our increased investment in the PGM industrial base and procurements continues to move us in the right direction. Laser guided bomb (LGB) production is currently at the maximum rate, and Joint Direct Attack Munition (JDAM) production is forecast to reach the maximum rate by August 2003. In anticipation of combat operations in Iraq, the Navy initiated cross leveling of LGB and JDAM inventories with the Air Force to mitigate the delay in production ramp-up and to replenish the Navy's JDAM inventory shortfalls. Maximum procurement of PGMs continues to be a high priority for the CNO and Navy Fleet Commanders.

We have made similar gains in ship material readiness. Supplemental funding; cost avoidance through the accelerated retirement of older, high maintenance frigates and destroyers; the expanded use of multi-ship/multi-option, maintenance contracts with private industry; and innovative scheduling enabled us to reduce deferred ship maintenance by 45% (from \$356M in FY01 to \$197M in FY02). Meanwhile, the consolidated shipyard activity in Pearl Harbor continues to demonstrate the flexibility and effectiveness of integrating depot and intermediate ship maintenance under a mission funding financial system. Mission funding enabled Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility to begin immediately repairing damage resulting from USS DENVER and USS GREENEVILLE collisions and to provide recent unscheduled drydock repairs on USS PAUL HAMILTON and USS REUBEN JAMES. Based on this success, our FY 2004 budget includes the transition of Puget Sound Naval Shipyard from a Navy Working Capital Fund activity to a mission funded activity

Recognizing that naval forces at sea are less vulnerable than ground forces to chemical, biological or radiological (CBR) attack, one of our concerns as we prepared for a possible contingency in Iraq was the adequacy of our Sailors' protection against such attack. We determined that our current quantity of equipment was adequate for rotational force operations but not for large surge force operations. Considering the volume of forces identified for this campaign, we fundamentally changed scheduled deployment priorities due to the requirement to surge such a large force structure outside of the normal deployment cycle. The Commander, Fleet Forces Command (CFFC) validated and requested additional emergent funding to improve Chemical, Biological, Radiological and Nuclear Defense (CBRND) readiness for the increased force requirements. The CFFC study concluded that afloat forces possessed the requisite gear but that expeditionary forces most vulnerable to CBR attack needed additional equipment and training. We expedited procuring additional CBRND equipment stocks and accelerated a "pilot" Naval Sea Systems Command CBRND Readiness Improvement Program (RIP) to improve ashore forces' readiness and training. We also fielded an interim presumptive and confirmatory Biological Warfare threat identification capability. These actions resulted in a significant improvement in CBRND capabilities for the fleet.

In total, the Navy has expended over \$160M to improve its ability to fight and win in a CBR contaminated battle space. Today, all of our forward deployed Sailors, including those who are or could be based ashore, are equipped with adequate supplies of the most appropriate CBRND equipment available. Meanwhile, we are committed to an aggressive anthrax and smallpox vaccination program, which is proceeding apace. To the maximum extent possible, we will look to deter and avoid direct CBRN threats to our forces. Finally, we maintain efforts to field additional capability, and continue to analyze our prospects for sustained operations in a CBRND environment and our ability to reconstitute for additional future tasking.

Training readiness is another success story. We continue to place greater emphasis on use of simulation and other means of finding efficiencies that can be captured and diverted into other readiness accounts. Inherent in our employment shift to a rotational force that is surge-capable, we have found innovative ways to achieve an acceptable level of surge readiness earlier in a battle group's deployment cycle. Adjustments to key training and scheduling events during the inter-deployment training cycle are resulting in ships and squadrons being capable of accelerating to a deployable status sooner. This has been manifested during the current crisis in that the last three carrier battle groups we sent forward were all deployed early at acceptable levels of readiness.

Sustaining the Surge . . . and Restoring Readiness Post-Crisis

While we have invested wisely in order to gain the highest available readiness, today's surge has put a significant strain on every Navy resource. Our military forces are deployed far beyond normal peacetime Global Naval Force Presence Posture (GNFPP) training and deployment cycles. It is likely that the ABRAHAM LINCOLN Battle Group and the NASSAU Amphibious Ready Group will have been deployed for over 9 months, upon their return from the Arabian Gulf. Such deployments bear significant, unprogrammed costs in fuel and parts that we will need to recover if we are to continue to operate at this tempo. Moreover, once we complete our mission in Operation Iraqi Freedom, we will need to reconstitute our forces quickly in order to sustain the readiness required to continue the Global War on Terrorism. Returning to and stabilizing a rotational, forward deployed/surge capable naval force will require careful analysis and balancing of ship maintenance schedules, deployment durations (including some battle group deployments in excess of our six month goal), aircraft modification and transition schedules, resupply of parts inventories, and possible relaxation of overseas commitments. At the same time, our most precious asset--our Sailors and their families--will need time to recover from the personal cost of these long deployments.

Innovative planning already is underway to maximize on-station time of our ships while mitigating the impact of longer deployment schedules on our Sailors. One such effort, the Navy's Sea Swap initiative, is experimenting with exchanging forward deployed crews, the first of which occurred aboard USS FLETCHER in the Western Australian port of Fremantle. We will continue this initiative with another crew change this summer and we intend to examine other pilot programs in optimal manning, rotational crewing, and assignment incentive pay designed to make more optimum use of our capital assets.

Current operations have severely disrupted planned maintenance schedules for our ships and aircraft. Schedule "churn" challenges a maintenance infrastructure sized and culturally inclined to support peacetime sustained operations instead of a large, post-surge ship and aircraft workload. This, in turn, results in greater cost for the same amount of maintenance performed. Accordingly, we are focusing on the maintenance strategies and processes we will use to restore our ships and aircraft to deployment-ready status. We are already working hard to reorganize priorities and resolve competing maintenance requirements in order to return to a full readiness posture capable of surging in support of future joint operations. Finally, we are examining ways of incorporating the lessons learned from this surge into a new approach to maintenance that will be more capable of handling future surge operations.

Replacing units which have been deployed for many months will likely require the same type of shortened training cycles we have been using for our surging units. This is sustainable in the near term, but we will need to work toward more normal training cycles in order to retain our critical warfighting skills in all areas (especially those which might not be required during the conflict with Iraq, such as anti-submarine warfare).

Despite increases in production, the conflict with Iraq has reduced the Naval PGM inventory, including the Tomahawk Land Attack Missile (TLAM). Consequently, and depending on the duration of the conflict, it will be necessary to continue PGM production at maximum capacity.

Challenges and Transformational Initiatives

The Navy is committed to extending our culture of readiness into the future, to include support for an operational concept that will maintain a substantial portion of the fleet in a readiness condition that would permit a rapid surge of significant combat power to augment the normal rotational force posture maintained under the Global Naval Force Presence Policy. This construct also includes the ability to reconstitute rapidly following a contingency.

To date, the Navy has conducted significant analysis and has established a ready surge force construct of 6 carrier battle groups (soon to be transitioned to carrier strike groups, or CSGs, in line with the CNO's Sea Power 21 vision) and 6 amphibious ready groups (soon to be transitioned to expeditionary strike groups, or ESGs). We are currently defining our surge requirement across the full spectrum of Navy combat power and reshaping our readiness processes, including the inter-deployment training cycle, to institutionalize this surge capability. We also will seek to do a better job of balancing our resources to support this re-alignment. Elements of the CNO's Sea Power 21 vision will complement these initiatives while enhancing the key enablers of people and processes.

One of the biggest challenges we face as a surge capable rotational force is in maintenance workload predictability and stability. Implementing this new surge concept will require innovative approaches to maintaining our ships and aircraft. In FY 2004, we will integrate Puget Sound Naval Shipyard and the Pacific Northwest Intermediate Maintenance Facility. Converting these activities to Mission Funding is a vital part of this integration and will deliver increased responsiveness to the warfighter and more efficient use of resources. Mission funding provides the flexibility to match workforce to the highest priority work requirements without delays or administrative funding constraints. It will allow for the most effective use of all maintenance resources in the region, unconstrained by organizational boundaries, and will eliminate redundant overhead functions. In short, Mission Funding is essential to provide fleet commanders with the inherent flexibility to execute their highest priority requirements in this surge environment, where ship maintenance availabilities and operational schedules will be flexing to support the GWOT, Southwest Asia and future contingencies.

Ensuring that an increasing number of deployed ships sustain high readiness is critical and not easily attainable given the restrictions on the use of overseas depot facilities. Acquisition restrictions forced us to send U.S. shipyard workers overseas to do routine maintenance work on USS FLETCHER, our Sea Swap experiment test ship. This is not good stewardship of taxpayer dollars. We need a common sense approach to afford better, more cost-effective maintenance support to our forward deployed forces.

Public/private partnerships are a key enabler to improve our maintenance capability. For example, our naval aviation depots (NADEPS) are world-class organizations, replete with examples of novel approaches to the aircraft maintenance business. The NADEPs currently are executing 15 public/private agreements valued at over \$182 million. These partnerships are primarily long-term contracting initiatives or memoranda of agreement that establish a joint venture between private industry and the public yards. Often this involves one party providing technical expertise and direct labor, with the other providing the actual facilities or support equipments required to execute the work. There are approximately 16 additional agreements in the approval and negotiation phases valued at over \$492 million for the base period of their contracts. With the agreements that are in place, we have seen the most common inhibitors to maintenance depot production (material, carcass, and engineering constraints) become exceptions rather than the rule. By removing the barriers that inhibit government/industry teaming, we can encourage greater use of these partnerships as a primary means of improving depot support. Congress' support for "Centers of Industrial and Technical Excellence" has been a very positive development in this regard.

The Secretary of Defense has cited public/private partnerships as a key initiative under the Future Logistics Enterprise, which is intended to transform logistics support to the warfighter in the areas of supply, maintenance, and transportation. In addition, the CNO has cited public/private partnerships as one of the key facets of Sea Enterprise, the sweeping initiative to capture efficiencies in order to recapitalize the Navy. Along with the NADEP examples mentioned above, other partnerships include aircraft carrier and submarine maintenance work and resource sharing, propeller repair facilities, and SSGN design and conversion.

Enterprise Resource Planning (ERP) is a critical part of any discussion about modernizing our organizations and improving their efficiency. Navy ERP is comprised of four distinct efforts covering program management, financial management, regional maintenance and supply management. ERP is the tool which enables a significant reduction of costly legacy systems; it facilitates an economic, standardization of business and administrative processes, and will provide much greater resource and cost visibility to decision makers at all organizational levels. We must sustain our ERP investment and implementation to continue to harvest efficiencies that can be redirected to warfighting priorities.

The high quality of training we provide to our Sailors is largely unseen by the public and often taken for granted, yet it is an essential element of their impressive combat readiness. Accordingly, you will note a significant investment in training within the President's budget. As you know, the Navy has trained its last battle group at Vieques Island, Puerto Rico and will cease operations there next month. The loss of this valuable asset will be offset by upgrades in certain range capabilities, cooperative use of other service ranges and integration of new technologies such as Virtual At Sea Training (VAST), which together will provide fleet training superior to that currently being conducted by deploying battle groups. The developing Joint National Training Capability (JNTC) has tremendous potential in terms of expanding the interoperability and technological facets of our training syllabus. The JNTC concept, as envisioned, will provide a global, integrated network of live-fire training ranges and a linked network of simulation capabilities focused on better preparing U.S. forces from all Services for Joint operations.

We intend to use the Training Resource Strategy (TRS) as a key resourcing framework to support continued transformation of fleet training. Beginning in the Atlantic Fleet, TRS will move us to a 21st Century training environment. These transformational training initiatives were needed to replace

a legacy training regimen that did not fully train to the increasingly joint, interoperable, and geographically dispersed nature of today's combat operations. With this initiative, our Navy is aligning its training methodology to flex naval forces in shifting operational and tactical training environments through a mix of live and virtual training environments.

Battle groups soon will be able to conduct combat exercises in port with netted combat system trainers that enable crews and staffs to train under tactically stressful scenarios prior to at-sea training events. Our carrier air wings will use simulation more effectively and will conduct long and short-range strike missions against a variety of challenging fixed and mobile targets. These initiatives, together with new range instrumentation being developed cooperatively with the Air Force, also position Navy ranges to support fully the developing Joint National Training Capability. This program will be expanded in future years to support the Pacific Fleet and will serve as the vehicle for continued transformation of fleet training in the Navy.

The new DoD Readiness Reporting System (DRRS) concepts will further augment joint training initiatives. In particular, Navy is currently developing an enhanced reporting system to fulfill all of the mandated requirements set forth for the services. With prototype completion expected this year, this system will link Navy reporting metrics to Joint Mission Essential Tasks (JMETS), provide near-real time reporting, roll-up readiness assessments, and provide drill-down assessment capability.

No readiness challenge is greater than that of encroachment on our training ranges. We rely on full use of our ranges; facilities and advanced technology to ensure our forces have a decisive advantage in combat. Unfortunately, training areas that were originally located in isolated areas are today surrounded by recreational facilities and urban and suburban sprawl. Increasing regulation, permitting processes, and litigation have cumulatively diminished the Department of the Navy's ability to effectively train our personnel and test our weapon systems. We actively seek to be good stewards of the environment, and the record shows we have been successful in this area. However, we also are asking for the legislative relief we need in the form of the Readiness and Range Preservation Initiative in order to bring the twin requirements of national security and environmental conservation into better balance.

We believe it is important that our Facilities Sustainment, Restoration and Modernization (SRM) program remains robust enough to maintain our shore facilities and infrastructure. While our FY 2004 Military Construction and Sustainment program reflects difficult but necessary trade-offs between shore infrastructure and fleet recapitalization, the majority of the SRM trends are very good. Sustainment funding has increased from 84% to 93% of the requirement in FY2004. Our FY2004 budget request puts us on a course to achieve the DoD goal of a 67 year recapitalization rate by FY2008. (Note: DoD goal is FY07, but the budget reflects FY08). In pursuing that goal we will explore innovative solutions to provide safe, efficient installations for our service members, including design-build improvements, more efficient facilities, and BRAC land sales via the GSA Internet.

Conclusion

Again, I would like to thank the members of this Committee for all you have done for our Navy. The first war of the 21st Century promises to be a challenging struggle. Over the past year, the United States Navy has excelled in a very dynamic and dangerous environment in support of this vital effort

because we are well trained and equipped to go in harm's way. Every day, your volunteer Sailors are dedicated to providing flexible, forward deployed, combat ready power on a moment's notice anywhere in the world to ensure the safety and vital interests of the American people. We are this way because of the tremendous support we have received from the American people and from the Congress--support we must be able to count on if we are to remain prepared to conduct the Global War on Terrorism and respond to any other contingencies that arise in this dangerous world.

Budgets always present difficult choices, and this budget is no exception. I believe the President's 2004 budget request firmly supports the priorities needed to allow the Navy to continue delivering precise, persistent and responsive combat capability at sea. It builds upon previous submissions and will help continue to translate the Navy's vision into tomorrow's warships, aircraft, weapons, information networks and, ultimately, Sailors. On behalf of our Sailors and their families who proudly serve our nation, I thank you for your continued commitment to the readiness of the finest Navy in the world.