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UNTIL RELEASED BY THE
SENATE ARMED SERVICES
COMMITTEE

STATEMENT OF
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SECRETARY OF THE NAVY
BEFORE THE
SENATE ARMED SERVICES COMMITTEE
ON
DEPARTMENT OF THE NAVY POSTURE
2 MARCH 2004

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Value to our Nation - The Navy/Marine Corps Team

I. Introduction

During my last appearance before this Committee in February 2002 and as reported in that statement, the Navy and Marine Corps contributions in the "War Against Terrorism" have been significant and important in the overall success of U.S. military forces. This continues to hold true today. Our Navy and Marine Corps Team projects decisive, persistent, joint power across the globe, in continuing to prosecute the war on terrorism.

Projecting power and influence from the sea is the enduring and unique contribution of the Navy and Marine Corps to national security. Operation IRAQI FREEDOM (OIF) demonstrated the strategic agility and operational flexibility that forward deployed Naval expeditionary forces provide. This committee's support has been vital for the Navy and Marine Corps Team to exploit the access afforded by the seas and to respond to the full spectrum of contingencies. Congressional support has led to increased readiness which was proven in OIF, where dispersed military forces, networked together, fought as a single, highly coordinated joint team.

Naval warfare will continue its progression to operate in a joint environment in responding to new threats and to the increased asymmetric capabilities of our enemies. We will be bold and continue to develop new capabilities and concepts, and fund them in quantities that are relevant to tomorrow's emerging threats. We have embraced transformation. We are addressing the challenge to operationalize our vision, Naval Power 21, with technological, organizational, and doctrinal transformation.

The following statement highlights key elements of the FY 2005 President's Budget applicable to the Department of the Navy within the Balanced Scorecard approach of managing Operational, Institutional, Force Management and Future Challenges Risks.

II. FY 2005 Budget Priorities - *Underway with Naval Power 21.*

The FY 2005 Department of the Navy Budget fulfills our essential warfighting requirements. We are resourced to fight and win our Nation's wars and our number one priority, the war against terrorism, is reflected across each allocation. Additionally, we continue to invest in future technologies and capabilities that are part of a broader joint warfighting perspective. The Navy and Marine Corps are continuously working with other Services to draw on the capabilities of each Service, to eliminate redundancy in acquisition, and create higher levels of military effectiveness. A prime example is our agreement with the Department of the Air Force to merge our two Joint Tactical Radio System (JTRS) programs into a single program that will produce a common family of radios for use aboard our ships, submarines, and aircraft. The following summarizes the FY 2005 Budget request priorities for the Department of the Navy: Personnel Salary and Benefits. Smart, motivated and capable people are a key element to any successful transformation effort. Our Navy and Marine Corps are increasingly a technologically advanced maritime force and we are in competition with the private sector to attract and retain the best men and women we can find. Accordingly, our budget includes a 3.5 per cent basic pay raise for all military personnel. Additionally, housing allowances have been increased to buy down out-of-pocket housing expenses for our military personnel. Concurrent with this commitment to provide an appropriate level of pay and benefits to our Sailors, Marines, and their families is a responsibility to operate this Department as efficiently and effectively as possible.

While we want the best people we can get to serve in the Navy and Marine Corps, we don't want a single person more than we need to properly operate the force. Job satisfaction comes not only just from compensation, but also from meaningful service – we owe it to our people to ensure that they are given duties and equipment appropriate to a volunteer force.

Operations and Maintenance. The operations and maintenance accounts are funded with over a \$2 billion increase. The present environment requires Naval forces to be both forward deployed and capable of surging when called. This account will help develop the transformational Fleet Response Plan (FRP). This is the means to institutionalize the capability to maintain a more responsive force that is ready to surge, more efficient to maintain, and able to reconstitute rapidly.

Shipbuilding Account. The Department's shipbuilding plan supports our transformational vision and increases the number of new construction ships from seven in FY 2004 to nine in FY 2005 plus one SSBN Engineered Refueling Overhaul (ERO). Initial LCS and DD(X) platforms are funded from the RDT&E account. Additionally, the Navy's FY 2005 spending plan completes the purchases of the last three DDG-51 Class ships for a total of 62 ships.

Aviation Account. The Department's FY 2005 Budget request is structured to maintain the continued aviation superiority of the Navy and Marine Corps. The Naval aircraft procurement plan emphasizes replacing costly stand-alone legacy platforms with more efficient and capable integrated systems. The number of aircraft requested increases from 99 in FY 2004 to 104 in FY 2005 which includes five VXX helicopters. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement (MYP) for the F/A-18E/F, the E-2C, the MH-60S and the KC-130J programs. Development funding is provided for Joint Strike Fighter (JSF), MV-22, AH-1Z/UH-1Y, CH-53X, EA-18G and the Multi-mission Maritime Aircraft (MMA). The budget reflects an amended acquisition strategy for the V-22 to fund interoperability issues and cost reduction initiatives.

Munitions Account. During OEF and OIF, the Department expended less precision ordnance than projected. In this environment, the precision munitions purchases for FY 2005 have been decreased for JDAMs and LGBs. This decrease in procurement provides no increased risk to the DoN but merely reflects the lower utilization rates of expended ordnance.

RDT&E Account. An increase of \$1.4 billion reflects our commitment to future transformational capabilities and technology insertion for major platforms including DD(X), LCS, CVN-21, V-22, Joint Strike Fighter (JSF), Advanced Hawkeye (AHE), and MMA. As demonstrated in recent operations, our Naval forces have been able to project overwhelming combat power because they are technologically superior. We continue to sustain a robust RDT&E effort as we transform the Navy and Marine Corps to the next generation of combat systems.

Effectiveness and Efficiency. A guiding principle in all we do is improving effectiveness to gain efficiency. The very best organizations are the most efficient organizations. If you are very efficient, you incorporate technology more quickly, you can develop new systems and capabilities, and you can bring them on line faster. Underlying all of the previous accounts and our execution of them is a continuing and concerted focus to achieve the most efficient organization. The Fleet Response Plan, TacAir Integration, and establishment of the Commander Naval Installations are a few of our initiatives to improve effectiveness within the Department.

Our objective for the FY 2005 Budget request is to move forward with Naval Power 21. This budget builds upon the foundation laid in the FY 2004 program and reaffirms our

commitment to remain globally engaged today while developing future technology to ensure our future military superiority. We are also continuing to emphasize the Department's commitment in the areas of combat capability, people, technology insertion and improved business practices. With our FY 2005 Budget request we are committed to executing this vision.

III. CY 2003 Operational Successes (*A Nation at war*)

The extraordinary capability of our joint forces to project power around the world in support of vital national objectives was demonstrated over the last year. The maritime contribution to our success in the defeat of Saddam Hussein's Baathist forces, as well as in support of other joint engagements in the Global War on Terrorism, was significant. The rapid deployment and the warfighting capability of your Naval force in the liberation of Iraq provided an example of the importance of readiness and the responsive capabilities to support our Nation's objectives in an era of unpredictability and uncertainty. The demonstrated importance of our multi-dimensional Naval dominance, our expeditionary nature, our ability to deal with complex challenges, and adaptability of our forces are illustrative of the high level of return on investment of your Naval force.

The accomplishments of this past year tell the Naval forces readiness story and its return on investment. The ships, aircraft, weapon systems, and readiness you funded provided our Sailors and Marines the tools necessary to remain the premiere maritime and expeditionary combat ready force. In preparing for and conducting operations in the Iraq Theater, speed of expeditionary operations and sustainment were important military competencies. Naval forces applied dominant, persistent, decisive and lethal offensive power in support of coalition warfighting objectives. The speed, agility, flexibility and persistence of Naval combat capability helped end a regime of terror and liberate a people during OIF.

The past year has been one of significant accomplishment. Our men and women operating in the air, on and under the sea, and on the ground are at the leading edge in the Global War on Terrorism. As in OEF, we once again have demonstrated Naval forces' unique value in contributing to the security of our Nation and our friends and allies.

- During OIF, more than 50 percent of our force was forward deployed. The deployment of seven Carrier Strike Groups (CSGs) and eight large deck amphibious ships proved our ability to be both a surge and a rotational force demonstrating our flexibility and responsiveness.
- Navy and Marine Corps aircraft flew more than 8000 sorties and delivered nearly 9000 precision-guided munitions.
- Over 800 Tomahawk cruise missiles were fired from 35 coalition ships, one-third of which were launched from submarines. The highest number of TLAM's launched in one day occurred on March 21, 2003 – nearly 400 Tomahawks.
- Navy Special Forces, MCM, EOD and coalition counterparts cleared more than 900 square miles of water, ensuring the safe passage of critical humanitarian relief supplies to the Iraqi people.
- Marines from the I Marine Expeditionary Force (I MEF), supported by Sea Basing concepts, made one of the swiftest combat advances in history. They fought 10 major engagements, destroying nine Iraqi divisions in the 450 mile advance into Iraq.

- Eleven Maritime Prepositioned Force (MPF) ships provided equipment and sustainment for over 34,000 Marines and Sailors and fourteen amphibious ships embarked and delivered another 12,000 Marines and Sailors and their equipment.

Since the end of major combat operations, Naval forces have been instrumental in supporting the coalition's goals of security, prosperity and democracy in Iraq. Coalition maritime forces have diligently supported the United Nations Security Council Resolution 1483. They have queried over 6,000 vessels, boarded close to 3,500 and diverted approximately 430. These forces have confiscated and returned to the Iraqi people approximately 60,000 barrels of fuel. Additionally, seaward protection of the Al Basara Oil Terminal (ABOT) is enabling the generation of critically needed oil revenue. Since re-opening, the ABOT has pumped 261,500,000 barrels of oil valued at over \$7.5 billion.

Navy Seabees and Marine Engineers, as the I MEF Engineer Group, undertook construction initiatives that built and repaired major roadways and bridges, and completed major utility restoration projects. In all, 150 projects valued at \$7.1 million were completed.

Naval Explosive Ordnance Disposal (EOD) forces are working with Army counterparts in support of the coalition forces and Iraqi Police and are collecting over 2,000 pounds of unexploded ordnance per week.

IV. Navy and Marine Corps Today (*Current Readiness*)

Today's Naval forces exist to control the seas, assure access, and project power beyond the sea to influence events and advance American interests. Navy and Marine Corps forces continue to lead the way to secure the peace by responding with speed, agility, and flexibility. The value of Naval forces continues to be demonstrated through the projection of decisive, persistent, joint power across the globe. The investment in training, maintenance, parts, ordnance, flying hours, steaming days, and combat ready days coupled with our forward presence and our ability to surge has positioned Naval forces as the most effective and efficient military force.

Congress' investment in readiness over the past several years has paid large dividends for Naval forces during OIF. With combat forces operating in two fronts in the GWOT our readiness investments have resulted in enhanced Naval forces ready to strike on a moment's notice, anywhere, anytime. Our success in deploying nine out of 12 aircraft carriers and ten out of 12 big deck amphibious ships to major combat areas of operation in demanding environments is attributable to the continued improvements in current readiness.

The Department is in the process of re-deploying Navy and Marine forces in preparation for Operation IRAQI FREEDOM II. Navy and Marine Forces will deploy in two seven-month rotations with the first beginning this month. This initial ground rotation will include about 25,000 Marines, 3,500 Marine Reservists, over 5000 active duty Navy and 800 Naval Reservists.

Since the return of our forces from OIF we have invested heavily in constituting the Navy and Marine Corps Team for the next fight. Continued successful programmed investment will ensure we have the most capable forces to face the unique challenges ahead. The FY 2005 Budget continues a broad range of modernization and readiness initiatives for Naval forces.

Acquisition Programs

The Fleet and Marine forces continue to take delivery of the most sophisticated weapon systems in the world. In 2003, the Navy launched the first of two new classes of ships, USS

VIRGINIA (SSN 774) and USS SAN ANTONIO (LPD 17), commissioned the aircraft carrier USS RONALD REAGAN (CVN 76), and continued timely delivery of the ARLEIGH BURKE Class guided missile destroyers and F/A-18 E/F Super Hornets.

We are continuing to build on previous budgets to ensure we equip and train our forces to help us continue to meet the challenges of the future. What the DoN budget will buy to advance our vision in Naval Power 21:

Shipbuilding. The FY 2005 to FY 2009 shipbuilding rate of 9.6 battle force ships per year is up from 8.4 battle force ships per year for the same period in FY 2004. The FY 2005 Budget request closes the procurement gap and with the exception of a slight reduction in FY 2006, provides an upward trend through the FYDP, procuring 17 battle force ships by FY 2009. The FY 2005 to FY 2009 investment is an average of \$13B per year in new construction. The FY 2005 to FY 2009 plan also procures three Maritime Pre-positioned Force (Future) (MPF (F)) ships and a MPF(F) aviation variant. While our build rate drops to six in FY 2006, this is a reflection of a shift to the next generation surface combatants and sea basing capabilities.

The Navy has nine new ships and one SSBN refueling requested in the FY 2005 budget, as well as substantial shipyard/conversion work. This investment includes:

- 3 DDG's (\$3.4B)
- 1 VIRGINIA Class submarine SSN-774 (\$2.5B)
- 1 LPD-17 (\$967M)
- 2 T-AKE (\$768M)
- 1 DD (X) (\$221M) (RDT&E funded)
- 1 Littoral Combat Ship (LCS) (\$108M) (RDT&E funded)
- 1 SSBN conversion/refueling (\$334M)

FY 2005 marks the final year of DDG 51 procurement, bringing to closure a 10-ship FY 2002 to FY 2005 MYP contract awarded in FY 2002. The Navy will move to the DD(X) and LCS hulls as quickly as possible. In addition to vitally needed new capability, these ships will increase future shipbuilding rates. Investment in these platforms will also help maintain critical industrial bases.

The Department is modernizing its existing submarine with the latest technology while, at the same time, continuing to replace aging fast attack submarines with the new VIRGINIA Class submarine. The VIRGINIA Class design is complete and the lead ship (SSN 774), will commission on schedule. FY 2004 funded the first of five VIRGINIA Class submarines under a MYP contract. The second submarine of the MYP contract is funded in FY 2005. Consistent with Congressional approval of five year-five ship MYP authority (FY 2004 to FY 2008) for SSN 774, the Navy is maintaining one submarine per year through FY 2008.

The DoN accelerated one LPD from FY 2006 to FY 2005 leveraging FY 2004 advanced procurement resources provided by Congress. The lead ship detail design has been completed and lead ship construction is over 80 percent complete with a successful launch in July 2003. Production effort is focused on a November delivery. The LPD 17 Class ship represents our commitment to a modernized expeditionary fleet.

The FY 2005 Budget request also provides for procurement of two auxiliary cargo and ammunition ships (T-AKEs) in the National Defense Sealift Fund. These will be the seventh and eighth ships of the class. Lastly, the FY 2005 Budget request accelerates the lead MPF(F) from FY 2008 to FY 2007 to reflect an emphasis on sea basing capabilities.

DD(X) is a centerpiece to the transformational 21st Century Navy and will play a key role in the Naval Power 21 strategic concept. This advanced warship will provide credible forward Naval presence while operating independently or as an integral part of Naval expeditionary forces. The DD(X) lead ship design and initial construction contract will be awarded in FY 2005.

Conversion and Modernization. The FY 2005 Budget request proposes advanced procurement funds for the USS CARL VINSON (CVN 70) Refueling Complex Overhaul (RCOH), now scheduled to begin in FY 2006. CVN 70 has sufficient reactor fuel for one additional surge deployment.

Funding for the TICONDEROGA Class cruiser modernization effort began in FY 2004 and continues in FY 2005. The cruiser modernization effort will substantially increase the service life and capability of CG 47 Class ships. The conversion will reduce combat system and computer maintenance costs, replace obsolete combat systems, and extend mission relevance service life. FY 2005 will fund advanced procurement items for the first cruiser modernization availability in FY 2006.

Funding is included in FY 2005 to complete the conversion of the third and the overhaul of the fourth hull of four OHIO Class SSBNs to SSGNs. The SSGN conversion provides a covert conventional strike platform capable of carrying up to 154 Tomahawk missiles. The FY 2006 Budget request will complete the conversion of the last SSGN. All four of these transformed platforms will be operational by CY 2007.

Aircraft Production. Consistent with the FY 2004 program, the FY 2005 Budget request reflects continued emphasis on re-capitalizing our aging aircraft. Our focused efforts to aggressively “shore up” operational readiness by providing requisite funding for our Flying Hour Program, Ship Depot Maintenance, Ship Operations, and Sustainment, Re-capitalization and Modernization accounts continue. While we continue to make substantial investments in readiness accounts and working capital accounts, we identified the resources to procure 104 aircraft in FY 2005. The Department’s aircraft procurement plan emphasizes replacing costly legacy platforms with more efficient and capable integrated systems. This has resulted in significant investments in transformational aircraft and program investments across the spectrum of aviation capabilities. Such valuable investments in more capable aircraft have allowed a reduction of 40 aircraft from FY 2005 to FY 2009.

During the past year, we continued to enjoy the fruits of our aviation investments with the successful first deployment and operational employment of the F/A-18 E/F Super Hornet in support of OIF. Highly praised for tactical capability and platform reliability, the F/A-18 E/F program has been funded to provide a transformational radar, helmet mounted sight, advanced targeting pod and integrated weapons system improvements. Additionally, we recently awarded a second MYP contract that includes the EA-18G airframe to replace the Navy's aging EA-6B beginning in FY 2009.

All helicopter missions continue to be consolidated into the MH-60R and MH-60S airframes. These helicopter platforms are the cornerstone of Navy helicopter concept of operations designed to support the CSG and ESG in various mission areas.

The Department significantly increases the funding requested for MMA. MMA will provide the Navy with strategic blue water and littoral capability by re-capitalizing the P-3

Maritime Patrol Aircraft broad area anti-submarine, anti-surface, maritime and littoral Intelligence, Surveillance and Reconnaissance (ISR) capability.

Progress continues towards delivering a high-quality aircraft to the Marines and Special Forces including increasing capability and interoperability of the aircraft, investing to reduce production costs, and maximizing production efficiency. Since the resumption of V-22 flight-testing, in May 2002, the V-22 is satisfying the threshold levels for all its key performance parameters and reliability and maintainability measures. V-22 test pilots have recorded more than 1,100 flight hours since that time. The V-22 program will continue Low Rate Initial Production (LRIP) until the Milestone III decision expected late CY 2005.

The Department will continue to procure the AH-1Z/UH-1Y. These aircraft meet the Marine Corps' attack and utility helicopter requirements by providing increased aircraft agility, airspeed, range, and mission payload. They provide numerous capability improvements for the Marine Corps, including increased payload, range and time on station, improved sensors and lethality, and 85 percent component commonality. The KC-130J MYP is funded and supported in this budget. The advantages include an all digital cockpit that reduce aircrew manning requirements, a new propulsion system that provides more cargo capability, and increased fuel delivery.

Mine Warfare Programs. In keeping with the Department's goal to achieve an organic mine warfare capability in 2005, the budget request supports the development and procurement of five organic airborne systems integrated into the MH-60S helicopter: the AQS-20A Mine-hunting System, the Airborne Laser Mine Detection System (ALMDS), the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the Organic Airborne and Surface Influence Sweep (OASIS) system. The FY 2005 Budget request also supports the development and procurement of the Remote Minehunting System (RMS) integrated into DDG-51 hulls 91-96, and the Long-term Mine Reconnaissance System (LMRS) integrated into SSN-688. The ALMDS, AQS-20A, and RMS will reach an initial operating capability in FY 2005. The budget request supports the transition of assault breaching technologies into acquisition, which will provide a capability to detect, avoid, and defeat mines and obstacles in the surf and craft landing zones. In FY 2005, we will continue with our Surface Mine Countermeasures (MCM) mid-life upgrade plan. We have initiated a product improvement program for the engines of the MCM-1 AVENGER Class mine countermeasure ships to enhance their reliability and availability. We are upgrading our minesweeping capability with new acoustic generators and magnetic sweep cables, and have programmed resources to replace our maintenance-intensive mine neutralization system (AN/SLQ-48) with an expendable mine neutralization system.

Munitions. The Standard Missile (SM) program replaces ineffective, obsolete inventories with the procurement of more capable SM-2 Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved guided missile launching system and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air and surface mode. In addition to SM and RAM, the FY 2005 Budget request provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM) and will support the first Full Rate Production (FRP) contract award of 82 U.S. and 288 international missiles. We have committed to replenish our precision munitions inventories and to do so, we will utilize a five- year MYP to maximize the quantity of Tomahawk missiles procured.

Marine Corps Expeditionary Capability. The Expeditionary Fighting Vehicle (EFV), formerly the Advanced Amphibious Assault Vehicle (AAAV), will provide surface assault elements the requisite operational and tactical mobility to exploit opportunities in support of joint operations. The EFV will be capable of carrying a reinforced Marine rifle squad at speeds in excess of 20 nautical miles per hour from over the horizon in sea state three. Once ashore, the EFV will provide Marine maneuver units with a world-class armored personnel carrier designed to meet the threats of the future. Production representative vehicle procurement occurred in FY 2003 and will deliver in FY 2005. IOC will be released in FY 2008 and FOC in 2018.

Also critical to Marine Corps transformation efforts is the Joint Lightweight 155mm Howitzer (LW-155). This system will enter FRP in FY 2005, and our budget includes a request for a Joint Marine Corps - Army MYP. Another transformational component of the FY 2005 Budget, the High Mobility Artillery Rocket System (HIMARS), will continue LRIP delivery.

Alignment

The DoN is transforming to dramatically reduce operating and support costs. Changes will embrace efficiency and result in increased effectiveness and a higher readiness standard in concert with the overarching goals of the President's Management Agenda. We have made several fleet and shore organizational changes that have shown great potential in maximizing the way forces can be employed and supported.

Fleet Response Plan (FRP). FRP provides a model for a new joint presence concept that will transform how the U.S. military is employed. It refines maintenance, training, and readiness processes in order to increase the number of combat ready ships and aircraft throughout the Fleet. FRP ensures six employable Carrier Strike Groups (CSGs) always are ready to respond to a crisis, plus two additional CSGs capable of deploying to the fight within 90 days of notification ("6+2"). With the implementation of FRP, half of the Fleet either could be deployed or postured to surge, able to arrive swiftly with the overpowering combat power needed either to deter or defeat the hostile intentions of an adversary, or to win decisively in combat against a significant enemy.

TacAir Integration. The Navy and Marine Corps Team embarked on a Tactical Aircraft Integration plan that will enhance our core combat capabilities and provide a more potent, cohesive, and affordable fighting force. The culmination of a long-term effort to an increased level of readiness from the resources given to us, TacAir integration seeks to generate a greater combat capability from Naval TacAir. Through TacAir integration, the Department will reduce the number of tactical aircraft (JSF and F/A-18) from 1,637 to 1,140 aircraft by 2021. This integration will provide increased combat capability forward and is in concert with enhanced sea basing concepts. A cornerstone of this plan is the global sourcing of the Department's TacAir assets and the funding and maintenance of legacy aircraft at the highest level of readiness until they are replaced by the JSF and the Super Hornet (F/A-18 E/F).

Training Resource Strategy (TRS). TRS was developed to provide high quality training to our deploying combat forces. The training of our high technology force in modern warfare has shifted to a network of existing ranges and installations stateside. Fully implemented, TRS has resulted in more training options, reduced pre-deployment training transit time, and has increased

productive training days. The USS ENTERPRISE was the first CSG to deploy under the TRS, utilizing six training ranges, each unique to the successful completion of her qualification. TRS supports the FRP and will quickly respond to surge requirements by delivering and bringing to bear a capable fighting force.

Current and future readiness requirements underscore the continued need for realistic training and maximized use of training and testing ranges. While we continue to find ways to enhance readiness through increased use of information technology and simulation, live training on actual ranges and training areas remains critical during the essential phases of the training cycle. Maintaining training realism and access to these ranges has been of keen concern to our Naval forces. We continue to balance the need to maintain a ready and capable force with the need to be sensitive to environmental and encroachment issues.

For the last two years, Congress has addressed critical Navy needs regarding encroachment. Readiness-specific changes to the Marine Mammal Protection Act (MMPA), Endangered Species Act, and Migratory Bird Treaty Act will help the Navy meet training and operational needs. The Navy and Marine Corps has and will continue to demonstrate leadership in both its military readiness role and as an environmental steward of the oceans we sail and the lands we train upon. We are pursuing opportunities for acquiring land buffers adjacent to our training lands. We are implementing the Integrated Natural Resources Management Plans prepared under the Sikes Act to address endangered species concerns in lieu of designating critical habitats. We will continue operational actions to minimize harm to marine mammals, as we continue investments in research into marine mammal biology and behaviors. The Marine Mammal Protection Act is due for reauthorization in this legislative cycle. To maintain our military readiness, your support is necessary to retain the proper balance between environmental protection and military readiness during the reauthorization debate.

Carrier Strike Group (CSG) / Expeditionary Strike Group (ESG). CSG alignment is complete and the first Pacific Fleet Expeditionary Strike Group (ESG-1), centered on the USS PELELIU Amphibious Ready Group and the embarked Marines of the 13th Marine Expeditionary Unit (Special Operations Capable), is completing an eight month deployment. The Navy deployed an Atlantic Fleet ESG, the USS WASP Amphibious Ready Group, last month.

The ESG adds to the ARG/MEU, a robust strike, anti-air, anti-surface, and anti-subsurface capability of a cruiser, destroyer, frigate and attack submarine and for the first time, the Advanced Swimmer Delivery System (ASDS). These combined capabilities give the Combatant Commander a wider variety of options and enables independent operations in more dynamic environments.

Vieques/NSRR closure. The former training ranges on Vieques have been closed and the property has been transferred to the Department of the Interior (DOI), Fish and Wildlife Service. We have active clean-up and range clearance programs underway at disposal sites on both East and West parcels. We are working with the appropriate agencies to negotiate a Federal Facilities Agreement governing clean-up activities. We are refining costs to complete clean-up estimates for range areas and resolve litigation issues filed by the residents of Vieques. We will close Naval Station Roosevelt Roads by 31 March, as directed by the FY 2004 Defense Appropriations Act. Naval Activity Puerto Rico will serve as the caretaker organization following operational closure. Puerto Rico has established a Local Redevelopment Authority, and we will proceed quickly to property disposal.

Commander Navy Installations Command (CNI). We have aligned all Navy shore installations under a single command that will allow us to make better decisions about where to invest limited funds. By consolidating all base operations worldwide and implementing common support practices the Navy expects to save a substantial amount of money over the next six years.

Communications

FORCEnet will provide the overarching framework and standard communication mechanism for future combat systems. Navy Open Architecture, in conjunction with the FORCEnet standards, will provide a common open architecture for warfare systems aboard surface, subsurface and selected airborne platforms such as the E-2C Advanced Hawkeye. A critical subset application already being procured is the Cooperative Engagement Capability (CEC), which will be installed on 38 ships and 4 squadrons (16 aircraft) by FY 2006. CEC includes robust data communication capability among cooperating units in support of sensor netting. In the future, CEC will also include a Joint Track Manager to create a single integrated air picture of sufficient quality to support fire control application for each combat control system.

Navy Marine Corps Internet (NMCI) is operational and providing commercial IT services for more than 300,000 DoN employees and two Combatant Commanders. To date, we have ordered 330,000 of the expected 345,000 FY 2004 seats. Implementing NMCI has enabled us to increase the security posture of our networks and has given unprecedented visibility into IT costs. As we roll out NMCI we are doing away with the over 1,000 separate networks that the Navy used to run. We have reduced the number of legacy applications in the Navy's inventory from 67,000 to about 31,000 and begun further efforts to reduce this number to around 7,000 – an almost 90 percent reduction. As we proceed with NMCI, we anticipate other opportunities for progress in areas such as enterprise hosting, software release management, IT resource analysis and technology insertion.

We have designed the NMCI Operational Evaluation to provide critical information necessary to determine how well NMCI is supporting mission of the user and to judge how well service level agreement metrics measure the service. As part of the spiral development process, NMCI worked with the testing community to segment the testing effort into a local evaluation of Network Services and a higher-level assessment of other Enterprise Services. Testing was completed 15 December 2003; the Final Report is due in April.

V. Navy and Marine Corps in Transformation (*Future Readiness*)

The Chief of Naval Operations and Commandant of the Marine Corps consider the culture of transformation integral to the development of future combat capabilities. Innovative capabilities will result in profound increases in military power, maintaining the Navy and Marine Corps Team as the preeminent global Naval power. We are now at the point of delivering on many of our transformational goals.

We have embraced a vision in how Naval forces will contribute to joint warfighting in the future. This vision can only be implemented with the support of Congress. This section describes the principal components of Naval Vision 21.

Acquisition Programs

The FY 2005 Budget request supports continued funding for accelerated development of several critical technologies into the CVN 21 lead ship. This transformational 21st Century ship,

the future centerpiece of the Navy Carrier Strike Group, will bring many significant changes to the Fleet. These changes include a new electrical power generation and distribution system, the electro-magnetic aircraft launching system, a new enlarged flight deck, weapons and material handling improvements, and a crew reduction of at least 800. Construction of the CVN 21 remains on track to start in FY 2007.

Critical components of Sea Power 21 are the DD(X) and LCS. These ships, designed from the keel up to be part of a netted force, are the centerpieces of the 21st Century surface combatant family of ships. DD(X) will be a multi-mission combatant tailored for land attack. LCS is envisioned to be a fast, agile, relatively small and affordable combatant capable of operating against anti-access, asymmetric threats in the littorals. The FYDP includes \$2.76 billion to develop and procure modular mission packages to support three primary missions of mine countermeasures, anti-submarine warfare, and anti-terrorism and force protection. Detail design and construction of the first LCS is planned to begin in FY 2005.

The V-22 Osprey, a joint acquisition program, remains a top aviation acquisition priority. The V-22's increased capabilities of range, speed, payload and survivability will generate truly transformational tactical and operational opportunities. With the Osprey, Naval forces operating from the sea base will be able to take the best of long-range maneuver and strategic agility, and join it with the best of the sustainable forcible-entry capability. LRIP will continue until the Milestone III decision is made late CY 2005. We expect to move from LRIP to FRP in CY 2006.

Another important joint program with the Air Force, the JSF has just completed the 2nd year of a 10-11 year development program. The program is working to translate concept designs to produce three variants. This is a complex process requiring more initial development than we predicted. JSF development is experiencing typical challenges that affect System Development and Demonstration (SDD) program schedule and cost. LRIP was deferred and research and development increased to cover SDD challenges. The current issues are solvable within the normal process of design fluctuation, and have taken prudent steps necessary to meet these challenges.

The plan to re-capitalize the P-3 Maritime Patrol Aircraft with the MMA was further refined this past year in collaboration with the Broad Area Maritime Surveillance–Unmanned Aerial Vehicle or BAMS-UAV program. With a MMA IOC of FY 2013, we also developed a robust sustainment plan for the current P-3 that includes special structural inspections and kits that extend the platform service life by a minimum of 5,000 hours. Additionally, the Department has decided to join the Army's Aerial Common Sensor (ACS) program as the replacement platform for the aging EP-3.

In order to maintain Electronic Warfare (EW) superiority, the Department is pursuing both upgrades in current Airborne Electronic Attack (AEA) capability as well as a follow-on AEA aircraft to replace the aging EA-6B. The Navy has selected the EA-18G as its follow-on AEA aircraft and will begin to replace Navy EA-6Bs in FY 2009.

Continuing an emphasis on transformational systems, the Department has budgeted R&D funding through the FYDP for several aviation programs. The Advanced Hawkeye (previously known as E-2 Radar Modernization Program (RMP)) is funded through the FYDP with the first production aircraft in FY 2009. A fully automated digital engine control and improved generators have been incorporated into the aircraft to improve performance and reliability. Additionally, the Department has included funding to support procurement of required

capabilities in the Fleet, such as Advanced Targeting Forward Looking Infra-Red and the Joint Helmet Mounted Cueing Systems.

The FY 2005 Budget continues to demonstrate the Department's commitment to developing, acquiring and fielding transformational UAV technologies for Intelligence, Surveillance and Reconnaissance and tactical missions. The budget includes funding for a second Joint Unmanned Combat Air System (J-UCAS) demonstrator and continues development of the BAMS. The Navy's Unmanned Combat Air Vehicle (UCAV-N) is incorporated into J-UCAS under a DoD joint program office.

Helicopters. The FY2005 Budget request includes an incremental approach to developing a replacement for the current aging Presidential helicopter. The Presidential Helicopter Replacement Aircraft (VXX) will enhance performance, survivability, communications, navigation and executive accommodations inherent in the existing fleet of Presidential airlift helicopters.

Ballistic Missile Defense. The fielding of a National Ballistic Missile Defense capability is critical to protecting the U.S. homeland against the evolving ballistic missile threat. As part of the President's Directive to accelerate the fielding of a BMD Initial Defensive Operations capability by September 2004, the Navy will deploy, on a continuous basis, a DDG to serve as a Long-Range Surveillance and Tracking (LRS&T) platform. Additionally, Aegis Ballistic Missile Defense (ABMD) continues its development and testing of the SM-3 missile in order to support deployment of a sea-based mid-course engagement capability by December 2005. Since November 2002, ABMD had two of three successful intercepts with the SM-3 Block 0 missile. The Navy is also evaluating the benefits associated with developing a Sea-based Terminal Missile Defense capability. A viable regional and terminal sea based ballistic missile defense system is important to ensure the safety of U.S. forces and the flow of U.S. forces through foreign ports and air fields when required.

FORCEnet/Navy Open Architecture/Space/C4I. FORCEnet is the operational construct and architectural framework for Naval warfare in the Information Age which integrates warriors, sensors, networks, command and control, platforms and weapons into a networked, distributed combat force, scalable across the spectrum of conflict from seabed to space and sea to land. FORCEnet is the core of Sea Power 21 and Naval Transformation, and is the USN/USMC vehicle to make Network Centric Warfare an operational reality. It is being implemented in coordination with transformation initiatives in the Army, Air Force, and Coast Guard -- enhancing efficiency, joint interoperability, and warfighting effectiveness. DD(X), LCS, CVN-21, SSGN, Virginia Class SSN's, San Antonio Class LPD's, and MMA are examples of platforms that are being designed from inception to perform in the netted environment of the future. Systems being procured and produced under the FORCEnet concept are CEC, Naval Fires Network (NFN) and Airborne/Maritime/Fixed (AMF) Joint Tactical Radio System (JTRS).

The Navy is engineering a single open architecture for all warfare systems called Navy Open Architecture. Future systems will be designed to this architecture while legacy systems will be migrated to that single architecture where it is operationally and fiscally feasible. This integrates the Command and Control and Combat systems information flow using open specifications and standards and open architecture constructs, to support FORCEnet and other global information networks. Further, this significantly reduces the development and

maintenance costs of computer programs. The Navy and its Joint Service partners continue to jointly engineer the Joint Track Manager and plan to implement it into Navy Open Architecture as the Open Architecture Track Manager. This joint focused application will be populated in all Naval warfare systems that conform to the single OA warfare system architecture.

The Navy and Marine Corps continues to pursue the maximum use of space to enhance our operational capabilities. We look to leverage existing systems and rapidly adapt emerging technology. For example, the Navy has long been the leader in ultrahigh frequency (UHF) satellite communications (SATCOM). The Navy is the executive agent for the next generation UHF SATCOM system. This program, the Mobile Users Objective System, will be the system used by all DoD components for their UHF communications needs.

Sea Basing and Strategic Sealift. Sea Basing is a transformational operating concept for projecting and sustaining Naval power and a joint force, which assures joint access by leveraging the operational maneuver of sovereign, distributed, and networked forces operating globally from the sea.

The Sea Basing concept has been endorsed by the other military services and its importance was confirmed when DoD announced a Joint Sea Basing Requirements Office will soon be established. Central to the staying power of Naval forces will be the Maritime Pre-positioned Force-Future MPF(F). The FY 2005 Budget accelerates the lead MPF (F) from FY 2008 to FY 2007 to reflect an emphasis on Sea Basing capabilities.

Infrastructure

Prior Rounds of Base Realignment and Closure (BRAC). The Department of the Navy completed the closure and realignment of activities from the 1988, 1991, 1993 and 1995 rounds of BRAC. All that remains is to complete the environmental cleanup and property disposal on all or portions of 23 of the original 91 bases. We have had significant successes on both fronts. We are successfully using property sales as a means to expedite the disposal process as well as recover the value of the property for taxpayers. We sold 235 acres last year at the former Marine Corps Air Station, Tustin, California on the GSA internet web site for a net \$204 million. We sold 22 acres at the former Naval Air Facility Key West, Florida in January 2004 for \$15 million. The City of Long Beach, California opted to pre-pay its remaining balance on a promissory note, and gave us \$11 million to conclude its purchase of the former Naval Hospital Long Beach, California. We are applying all funds to accelerate cleanup at remaining prior BRAC locations. More property sales are planned that will be used to finance remaining prior BRAC cleanup actions. Of the original 161,000 acres planned for disposal from all four prior BRAC rounds, we expect to have less than seven percent (or about 11,000 acres) still to dispose by the end of this fiscal year.

BRAC 2005. The FY 2002 Defense Authorization Act authorized another round of BRAC in 2005. We will scrupulously follow the process laid out in the law. We will treat each base equally and fairly, whether considered for closure or realignment in the past or not. In no event will we make any recommendations concerning any closures or realignment of our bases until all the data has been collected, certified and carefully analyzed within the overall BRAC 2005 statutory framework.

BRAC 2005 gives us the opportunity to transform our infrastructure consistent with the significant changes that are, and will be, happening with the transformation of our force

structure. The Secretary of Defense is leading a process to allow the military departments and defense components to closely examine joint use opportunities. Military operations in Afghanistan and Iraq demonstrated the force multiplier benefits of joint operations. We will apply those approaches to our shore infrastructure. We will look beyond the traditional stovepipes of Navy bases and Marine Corps bases in BRAC 2005 and take a joint approach matching military requirements against capacity and capabilities across the Department of Defense.

The added benefit is the opportunity to eliminate excess capacity and seek greater efficiencies in our shore infrastructure. Continuing to operate and maintain facilities we no longer need diverts precious resources from our primary mission. Resources freed up as a result of this process will be used to re-capitalize our ships, aircraft, equipment and installations for the future.

Better Business Practices. The DoN has implemented several continuous improvement initiatives consistent with the goals of the President's Management Agenda that enable realignment of resources in order to re-capitalize.

Specific initiatives include: converging our Enterprise Resource Planning (ERP) pilots into an end-to-end operating system; incorporating proven world class efficiency methodologies such as Six Sigma and Lean concepts into our day-to-day operations; and implementing additional Multi-Ship/Multi-Option (MSMO) repair contracts and Performance Based Logistics (PBL) agreements. Of note, Lean efficiency events that concentrate on increasing velocity and productivity in our Aviation Intermediate Maintenance Departments (AIMD) were initiated on USS GEORGE WASHINGTON (CVN 73) and USS HARRY TRUMAN (CVN 75). The outcome of these events will allow us to improve our afloat AIMD processes and influence our future manning requirements on CVN 21 Class carriers. These are the first Lean events conducted on Navy warships.

These continuous improvement initiatives enable us to increase our combat capabilities with the expectation that we become more efficient, agile, flexible and reliable at a reduced cost of doing business.

VI. Our Total Force (Sailors, Marines, and Civilians)

Today more than other time in recent history our Sailors and Marines have a greater understanding and appreciation for service to country. In time of war they have shown the Nation the highest standards of military professionalism and competence. The heaviest burdens in our war on terror fall, as always, on the men and women of our Armed Forces. We are blessed as a Nation to have a 228-year legacy where magnificent men and women volunteer to protect and defend America. Sailors and Marines – along with our civilian workforce – remain the strong and steady foundation of our Naval capabilities.

Active Duty

The Navy and Marine Corps again met enlisted recruiting and accession goals in 2003, and continue to attract America's finest young men and women to national service. The Navy achieved recruiting goals for a fifth consecutive year and in February completed the 31st consecutive month of attaining goals for accessions and new contracts. The Marine Corps met its eighth year of meeting monthly and annual enlisted recruiting goals and its thirteenth year of

success in officer recruiting. Both Services are well positioned for success in meeting 2004 officer and enlisted accession requirements.

During 2003, the Navy implemented a policy requiring 94 percent of new recruits be high school diploma graduates (HSDG), and Navy recruiters succeeded by recruiting 94.3 percent HSDG. Navy Recruiting continued to seek the best and brightest young men and women by requiring that 62 percent of recruits score above 50 on the AFQT; Navy recruiters excelled with a rate of 65.7 percent. Navy recruiting also sought to increase the number of recruits with college experience in FY 2003, recruiting more than 3,200 applicants with at least 12 semester hours of college.

The Marine Corps accessed 97.1 percent High School Diploma Graduates in FY 2003, exceeding their annual goal of 95 percent and ensured the Marine Corps recruited the highest quality young men and women with 70.3 percent of Marine Corps recruits scoring over 50 on the AFQT. This achievement exceeded their annual goal of 60 percent of accessions scoring above 50 on the AFQT. The Marine Corps began FY 2004 with a 58.8 percent starting pool in the Delayed Entry Program and has continued to achieve its monthly recruiting goals during the second quarter of FY 2004. The Marine Corps Reserve achieved FY 2003 recruiting goals, assessing 6,174 Non-Prior Service Marines and 2,663 Prior Service Marines. Navy Recruiting was also successful in Naval Reserve recruiting by exceeding the enlisted goal of 12,000 recruits for FY 2003.

Retention. Retaining the best and brightest is as important as recruiting them. Military compensation that is competitive with the private sector provides the flexibility required to meet that challenge.

The Marine Corps has achieved first-term reenlistment goals over the past nine years. They have already achieved 79.8 percent of their first term retention goal and 59.8 percent of second tour and beyond goals. Officer retention is at a 19 year-high.

Retention in the Navy has never been better. For the third straight year, we experienced the highest retention in history. Retention goals for all categories were exceeded. As a result, at-sea personnel readiness is exceptional and enlisted gaps at sea are at an all-time low.

Notwithstanding our current success in retention, we are constantly on alert for indicators; trends and developments that might affect our ability to attract and retain a capable, trained and talented workforce. We are aware that we need to compete for the best, and ensure continuing readiness, through a variety of means including effective compensation and bonus programs.

The Selective Reenlistment Bonus (SRB) remains the primary tool available to the Navy and Marine Corps for retaining our best and brightest enlisted personnel. SRB represents an investment in the future of our Navy and Marine Corps. The Department of the Navy has a proven track record in the judicious management of this program and other continuation pays used to keep the right force mix to meet the nations requirements. Your continued support of the SRB program as a proven and highly effective tool is important and appreciated.

Attrition. Navy leaders reduced attrition 10 percent from a year ago and 33 percent from FY 2000, while Marine Corps First-Term Post Boot Camp attrition continues the favorable downward trend begun in FY 1999. For the Marine Corps, FY 2003 attrition was at a historical low, down 1,773 from the previous year. This drop is due largely to a reduction in misconduct and incidents of desertion.

The Department's "Zero Tolerance" drug-use policy continues to be strictly enforced, widely disseminated, and supported throughout the leadership. Through a comprehensive random drug testing program, educational programs, and Command support, the Navy and Marine Corps Team achieved an 18 percent reduction in attrition even while testing rates increased.

Training. The Navy and Marine Corps have defined their respective strategies for advancing into the future as part of a Joint Force. The Services have developed strategies that clearly define how Navy and Marine forces of the 21st Century will be equipped, trained, educated, organized and used in our continued efforts to control the seas, to project American military influence abroad, and to protect our borders.

Marine Corps' Strategy 21 defines as its vision and goal the development of enhanced strategic agility, operational reach and tactical flexibility and enabled joint, allied and coalition operations.

Navy's Sea Power 21 defines its commitment to the growth and development of its Service members. Sea Warrior is the "people" part of Sea Power 21. Its focus is on growing individuals from the moment they walk into a recruiting office through their assignments as Master Chiefs or Flag Officers, using a career continuum of training and education that gives them the tools they need to operate in an increasingly demanding and dynamic environment. Transformation for the future, leveraging technology and tapping into the genius of our people to make them more efficient and effective -- creating a single business process for the range of human resource management activities is exactly what Sea Warrior is all about. Our goal remains attracting, developing, and retaining the more highly skilled and educated workforce of warriors that will lead the 21st Century Navy.

Reserves

Reserves remain an integral part of our Navy and Marine Corps Team. The Department of Defense is undergoing a transformation to a more responsive, lethal and agile force based on capabilities analysis rather than threat analysis. Last July, Secretary Rumsfeld issued a memorandum, *Rebalancing Forces*, in which he directed the Services to promote judicious and prudent use of rebalancing to improve readiness of the force and to help ease stress on units and individuals. Three areas of focus of the Services are:

- Enhance early responsiveness.
- Resolve stressed career fields.
- Employ innovative management practices.

The Navy recently completed a study focused on redesigning the Naval Reserve so that it is better aligned with, and operationally relevant to, active forces. Working groups have been chartered to implement key points of the study. Implementation has commenced and will continue through this year and next. The three main areas of focus are Personnel Management, Readiness and Training, and Organizational Alignment. The Navy is transforming the Naval Reserve so that it is fully integrated with active forces. Reservists are shifting away from thinking of "Naval Reserve requirements" to "Navy requirements" - a shift that includes goals, capabilities and equipment. The Navy mission is the Naval Reserve mission. One Navy, one team, is the message.

Naval and Marine Corps reservists are filling critical joint and internal billets along with their active counterparts. Naval and Marine Corps Reserve mobilization is a requirements-driven evolution and reservists, trained and ready, are making significant contributions. While the numbers of mobilized reservists can fluctuate as GWOT requirements dictate, our objective is to keep the number of mobilized personnel at a minimum.

Since September 11, 2001, the Navy has mobilized over 22,000 reservists with a peak of just over 12,000 during OIF. This is from a Selected Reserve population of just over 87,000. Mobilized commissioned Naval units include Coastal Warfare, Construction Battalion and Aviation communities, while individuals were mobilized primarily from Security Group, Naval Intelligence, Law Enforcement and Physical Security augment units. We anticipate a steady state of approximately 2,500 mobilized Naval Reservists this year.

The Marine Corps has mobilized over 22,000 reservists from an authorized Selected Reserve end strength of 39,600 and just over 3,500 from the Individual Ready Reserve. Currently mobilized reservists number just under 6,500. With OIF II requirements, the number of mobilized Marine Reservists is expected to increase by approximately 7,000. OIF II Marines will deploy in two rotations of approximately seven months each, augmenting Marine Corps capabilities in Infantry, Armor, Aviation, Command, Control, Computers and Intelligence, Military Police and Civil Affairs.

Civilian Personnel

A large part of the credit for the Navy's outstanding performance goes to our civilian workforce. These experienced and dedicated craftspeople, researchers, supply and maintenance specialists, computer experts, service providers and their managers are an essential part of our total Naval force concept.

In the past, our ability to utilize these skilled human resources to accomplish the complex and fast-developing missions of the 21st Century has been limited by the requirements of a 19th Century personnel system. The FY 2004 Defense Authorization Bill now allows DoD to significantly redesign a National Security Personnel System (NSPS) for the civilian workforce. This change represents the most significant improvement to civilian personnel management since the 1978 Civil Service Reform Act.

The DoN has volunteered to be in the first wave of conversions to NSPS later this year. The Department expects to transition as many as 150,000 of our dedicated, hard-working civilians to the new system this year. We will work closely with DoD to ensure we meet this aggressive timeline. We are also working Defense Acquisition Workforce Improvement Act streamlining initiatives alongside NSPS to ensure we use these tools to produce a robust and capable workforce.

The reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service. It will build greater pride in the civilian workforce and attract a new generation of civilians to public service. Properly executed, these changes also will assist us in better utilizing the active duty force by making it easier to employ civilians in jobs currently filled by uniformed military personnel.

NSPS legislation will have a transformational effect on organizational design across the Department. NSPS will improve alignment of the human resources system with mission objectives, increase agility to respond to new business and strategic needs, and reduce administrative burden. The NSPS Act authorizes a more flexible civilian personnel management

system that allows us to be a more competitive and progressive employer at a time when our national security demands a highly responsive system of civilian personnel management. The legislation also ensures merit systems principles govern changes in personnel management, whistleblowers are protected, discrimination remains illegal, and veterans' preference is protected. The process for the design of NSPS is specified by statute and covers the following areas: job classification, pay banding, staffing flexibilities, and pay for performance.

The foundation for NSPS is a more rigorous tie between performance and monetary awards for employees and managers. Basic pay and performance incentives should be tied directly to the performance measurement process -- supervisory personnel are also rewarded for successfully performing managerial duties. Implementation of this system will be a significant step forward by linking employees' performance to mission accomplishment and enabling better management of scarce resources throughout the DoN.

We are faced with a monumental change in how we will do business and an even larger cultural change from one of entitlement to one that has a performance-based compensation. This will be a huge effort and we are determined to ensure successful implementation. We will continue to scrutinize our human resource business methods. As we implement the bold initiatives in NSPS, we will take a hard look at our administrative policies with a specific eye on those that are burdensome or add no value.

Quality of Service

We will continue to provide an environment where our Sailors and Marines, and their families have confidence in themselves, in each other, in their equipment and weapons, and in the institution they have chosen to serve. This year, with your help, we continued the significant advances in compensation, in building the structure to realize the promise of the revolution in training, in improving bachelor and family housing, and in strengthening our partnership with Navy and Marine families.

The Department remains committed to improving living conditions for Sailors and Marines, and their families. Our policy is to rely first on the private sector to house military families. As a result, along with the initiative to increase Basic Allowance for Housing (BAH), the need and consequently the inventory for military family housing is going down. Additionally, we are partnering with the private sector in Public/Private Ventures (PPV) to eliminate inadequate housing.

At the top of nearly any list put together in our partnership is the promise of medical care for Sailors, Marines, and their families. Naval medicine is a force multiplier, ensuring our troops are physically and mentally ready to whatever challenges lie ahead. High quality care and health protection are a vital part of our ability to fight the Global War on Terrorism and execute other worldwide mission. Naval medicine today is focused on supporting the deployment readiness of the uniformed services and promoting, protecting and maintaining the health of all those entrusted to Naval Medicine care – anytime, anywhere.

Safety

The Navy and Marine Corps are working to meet the Secretary of Defense's goal of reducing mishaps by 50 percent from FY 2002 to the end of FY 2005. We have many initiatives in place and planned for the near future. We have seen real progress in reducing private motor vehicle fatalities, which are down 20 percent from the FY 2002 baseline. We have begun applying technologies now used in commercial aviation to provide a visual and quantitative

feedback loop to pilots and mechanics when either the pilot or aircraft has exceeded specific safety of flight parameters. We will continue to press forward with safety both to take care of people, our most precious asset, and to allow us to invest elsewhere.

Shaping the Force

The Navy is making an effort to reduce its active duty manpower as part of the DoN transformation program. This is the first step and an integral part of our strategy to properly shape both the officer and enlisted force. Today, as the Navy moves to a more efficient and surge-ready force, maintaining the correct skill sets is more important than ever. We are convinced we can get the job done with fewer people; by eliminating excess manpower we can focus better on developing and rewarding our high-performing forces. Additionally, reducing manpower gradually today will ensure the Navy is properly manned when a new generation of optimally manned ships joins our force, with completely revised maintenance, training, and war-fighting requirements. We will ensure any manpower reductions will be preceded by reductions in functions.

VII. Summary

Naval forces remain a critical and unique element of our national security strategy. The Navy and Marine Corps Team answers the President's call to duty by being the first on station -- with staying power. Our forces exploit the open oceans and provide the Combatant Commander with persistent sovereign combat Naval forces. This is the value that credible forward deployed Naval forces provide our Nation.

The FY 2005 Budget unifies many of our innovative and transformational technologies with Naval Power 21. Sustaining investment in Naval forces continues to protect and promote American interests by allowing the forward deployed Navy and Marine Corps Team to shape the international security environment and to respond to the full spectrum of current and future crises.

With our FY 2005 Budget request we focus on people, combat capability, technology insertion, and improved business practices. Additionally, we continue to work with our Joint Service partners in organizing, equipping and training to fight jointly. With continued Congressional support the Department of the Navy will position the Navy and Marine Corps Team as part of the most formidable military force in the 21st Century.