

**STATEMENT OF SECRETARY OF DEFENSE DONALD H. RUMSFELD
FY 2006 DEPARTMENT OF DEFENSE BUDGET
SENATE ARMED SERVICES COMMITTEE**

FEBRUARY 17, 2005

I. INTRODUCTION

Mr. Chairman, Members of the Committee:

Good morning.

Somewhere in the world, as we speak, young men and women, wearing our country's uniform, are engaged in the hard work of history. Their families are concerned about their safety and making the best of their loved ones' absence. Somewhere, a Soldier, Sailor, Airman, or Marine is wounded, and determined to get back to duty. And here in our country, hundreds of thousands of dedicated military and civilian personnel are devoting long hours to America's defense.

I know that they are comforted and encouraged by the outpouring of support they receive from the American people and many of you, as you have met with the wounded in military hospitals. Their dedication is inspiring. We thank them for their valor and their sacrifice.

However, before discussing dollars, programs, and weapons, I would like to provide some context for the tasks ahead for our country.

Consider what has taken place since we met here in early 2001:

- Two newly free nations -- Afghanistan and Iraq -- now reside in two of the world's most violent regions;
- Afghan and Iraqis have held historic elections to choose moderate Muslim leadership;
- Extremists are under pressure worldwide, their false promises slowly being exposed as another cruel lie of history;
- America's national security apparatus is seeing historic changes;
- NATO is undergoing reforms in both organization and mission, expanding in size and deploying forces outside of its traditional European boundaries; and
- Some 60 nations are freshly engaged in an unprecedented multinational effort to halt the proliferation of the world's most dangerous weapons.

These issues will no doubt require the focus of U.S. security policies for the years ahead. They have and will continue to affect the Department of Defense's pace and direction.

When President Bush took office, the country was still savoring victory in the Cold War -- the culmination of a long struggle that occupied generations of Americans and leaders of both parties. There was little appetite to consider the new, lethal threats that lingered on as irritants while the country tackled other challenges. The President understood that we were entering an era of the unexpected and the unpredictable -- and was concerned that our country was not sufficiently prepared.

In altering this mindset, we confronted, and are seeking to meet, many challenges, including:

- The challenge of having to move military forces rapidly around the globe;
- The urgency of functioning as a truly joint force, as opposed to simply keeping the various military services out of each others way;
- The need to recognize we are engaged in a war and yet still functioning under peacetime constraints, regulations and requirements, against an enemy unconstrained by laws or bureaucracies; and
- The need to adjust to a world where the threat is not from one superpower, but from rogue regimes and extremist cells that can work together, share information and proliferate lethal capabilities.

The questions many of us wrestled with back then to deal with these challenges are still relevant today. For example:

- Were the Armed Services properly organized to deal with the uncertainties we face?

We realized that the Military Services' Cold War arrangements were ill-suited for the new warfare of the future.

So we set about making U.S. forces more agile and expeditionary. When a Department official says "agile" some people seem to think it means making the military "smaller." It does not. It is the shape of the forces, not the size, that is the impetus for making needed changes.

- We also asked: how do we deal with the inevitability of surprise?

While we cannot be certain who might attack our people, we can reasonably predict how they might attack -- through terrorism, cyber attack, weapons of mass destruction, and other asymmetric approaches.

- We asked: how ought we to reassess our plans, operations and force structure in light of the technological advances of the past decade?

Technological advances have allowed the military to generate considerably more combat capability with the same or, in some cases, fewer numbers of weapon platforms.

As late as 1997, the aircraft from a carrier could engage about 200 targets per day. In Operation Iraqi Freedom, this capability rose to over 600. And a B-2 bomber can now be configured to attack as many as 80 different aim points with 80 precision munitions on one sortie.

- We also asked: with the Cold War over, are our forces positioned in the smartest way to deal with the multiple new challenges?

The post Cold War environment suggested the need to conduct an audit, in a sense, of where U.S. forces were stationed across the globe. There seemed to be better ways of deterring aggression overseas than stationing heavy divisions in fixed defensive positions.

I advanced the common sense notion that our troops should be where they are needed, where they are wanted, and where they would be most usable.

In consultation with Congress and our friends and allies abroad, the Department is making long overdue changes to U.S. global basing, moving away from obsolete Cold War garrisons and placing emphasis on the ability to surge quickly to trouble spots across the globe.

- Finally, we asked: are there changes needed in the ways the Pentagon operates?

Four years ago, acquisition policies were 200 pages long on average. Today they are 34 pages. The Department has adopted an evolutionary approach to acquisitions, seeking to deliver technology as it is available, rather than waiting for entire systems to be complete.

This “spiral development” approach has allowed us, for example, to rapidly field robots to detonate roadside bombs in Iraq.

Regional command staffs spent years formulating detailed contingency plans that were mostly obsolete by the time they were finished. We now regularly review and update war plans, as well as the assumptions on which they are based, as circumstances and capabilities change.

Inefficiency is always unfortunate, but in the Department of Defense, it can be deadly. An idea ignored may be the next threat overlooked. A person performing a redundant task is not contributing to our defense. A dollar wasted is a dollar not invested in the warfighter.

The demands on this Department could not be met effectively until the bureaucracy was pushed, encouraged, and sometimes dragged into the 21st Century.

The changes I have outlined, and many others, were getting underway before September 11, 2001.

The military’s skillful campaigns might have been longer and less successful had our country not already begun to adopt needed reforms. Because we had begun to consider changes to U.S. global posture, we had a head start in contemplating new forward operating sites in territories closer to extremists’ centers of operation.

With many of these tasks now well underway, President Bush continues to set an ambitious course to prepare for the challenging times ahead. The United States’ overriding priority will be to continue prosecuting the war and to attack its ideological underpinnings.

After more than three years of conflict, two central realities of this war are clear.

The first is that this struggle cannot be won by military means alone. The Defense Department must continue to work with other government agencies to successfully employ all instruments of national power.

While the Defense Department has sent soldiers to distant battlefields, the Department of the Treasury has uncovered financial support lines, the Department of State has helped cultivate new alliances, the

Department of Justice has apprehended suspects within our boundaries, and the Department of Homeland Security has helped protect our ports and borders.

We can no longer think in terms of neat, clear walls between departments and agencies, or even committees of jurisdiction in Congress. The tasks ahead are far too complex to remain wedded to old divisions.

A second central reality of this new era is that the United States cannot win a global struggle alone. It will take cooperation among a great many nations to stop weapons proliferation.

It will take a great many nations working together to locate and dismantle global extremist cells. It takes a great many nations to gather and share the intelligence crucial to stopping future attacks.

Our friends and allies are increasingly aware that the danger confronting America is at their doorstep as well, as underscored by attacks in Madrid, Bali, Beslan, Casablanca, Riyadh, Istanbul, and elsewhere.

This Department encourages Congress to support a Global Peace Operations Initiative, to be managed by the State Department, that will help other, less developed countries train to send peacekeeping forces to potential crisis spots. And we ask Congress to allow the United States to offer more incentives and capabilities to friends and allies battling insurgents and who need help training and equipping their own forces.

Our success will be determined not only by the battles we fight, but by the military capability we leave to our successors and future generations.

Today, weapon platforms are more lethal and precise, but not yet flexible enough; force deployments are faster, but not yet fast enough; the Pentagon bureaucracy is more efficient, but not yet efficient enough.

In constructing a comprehensive strategy for the future, we sought to answer these difficult questions:

- What must our forces be capable of doing in the next five or ten or twenty years?
- What must be done to move us urgently in the directions that will best protect our people?
- What lessons must we have learned during the past three-plus years of warfare that can lead us to calibrate and refine our strategies against our enemies who have brains as well?

The President's FY 2006 Department of Defense budget is discussed in more detail in subsequent chapters of this testimony. At \$419.3 billion, it represents a 4.8 percent increase from last year, and a 41 percent increase overall from FY 2001. Defense spending represents 16.5 percent of total Federal spending, and 3.3 percent of gross domestic product. But more important than the raw numbers are the choices we have made and the priorities the President has set to fulfill his oath to protect this and future generations of Americans.

II. SUPPORTING THE GLOBAL WAR ON TERROR *Strengthening Capabilities, Advancing Legislative Authorities*

Ours was a dangerous world in the years leading up to September 11, even though it might have seemed otherwise.

Consider the world as it was on September 10, 2001. Terrorists trained and plotted in Afghanistan while America's sworn enemy in Iraq sought ways to expand his power and regularly fired at U.S. aircraft patrolling in the Northern and Southern No Fly Zones. And the next day, on that bright September morning, 19 men killed over 3,000 people in the Pentagon, Lower Manhattan and Pennsylvania. The extremists continue to plot to attack again. They are, at this moment, recalibrating and reorganizing. And so are we. This thinking enemy continues to adapt to new circumstances. And so must we refocus our efforts to defeat a network dispersed across the world and which lacks a fixed territory to defend. The future of this conflict is not predictable, so additional funds will have to be requested as required.

President's Strategy

The President's strategy has been to create and lead an international effort to deny terrorists the resources and support they need to operate and survive. And since, ultimately, what they need to survive is the support of those who they can indoctrinate, this is an ideological battle as well.

The strategy has three main components that require the support and coordination of all agencies of government and all aspects of national power:

First, defending the homeland: which has led to the creation of the U.S. Department of Homeland Security, the National Counter-Terrorism Center, the military's Northern Command, and this Department's homeland defense division.

Second, attacking and disrupting terrorist networks: With the help of allies and partners the U.S. has had considerable success in Afghanistan, Iraq, the Horn of Africa, Northwest Pakistan, and elsewhere. Some three-quarters of known al-Qaeda leaders have been captured or killed;

Third, countering ideological support for terrorism: This war has required not only the vigorous pursuit of known terrorists, but finding ways to stop extremists from gaining recruits and adherents. It is this ideological component, I suggest, that is the essential ingredient for victory.

This is not the task of any one department or country. We must all begin to develop new approaches. And we must increasingly think of this budget as but one component of a multi-faceted strategy -- combined with the resources allocated to other departments of the U.S. Government, plus the private sector. The old, rigid divisions between war and diplomacy, conflict and reconstruction -- the departmental roles that go with them and the division between public and private -- no longer serve us well.

The Goldwater-Nichols legislation crafted by this Committee transformed the U.S. Armed Forces. I believe our entire federal government needs a similarly transformative cultural, if not institutional shift. And in

this complex struggle, the President must have the flexibility to choose which instrument of national power is best suited for a given situation.

Partner Capacity

As we deal with these new challenges, we must consider that most of our enemies are present in countries with whom we are not at war. Indeed, extremists have infiltrated our own borders and those of our closest allies.

Extremists are foes of moderation and political freedom. Fighting for such qualities is what binds many nations of varying ethnicities, religions and histories together in this struggle.

So we must lend support to those governments who need it in their efforts against extremists in their own countries -- particularly to counter the enemy's sources of ideological support. This is not a matter of foreign aid as it has been commonly understood.

Indeed, one thing we have learned since September 11 and our operations in Afghanistan, Iraq and elsewhere, is that in most cases, the capacities of our partners and allies are every bit as important as our own military forces. As is the ability -- and proclivity -- of our partners to curb the spread and appeal of that poisonous ideology in their education systems, news media and religious and political institutions.

Iraq

Nowhere is this more critical than in the heart of the Middle East. In Iraq, a regime that attacked its neighbors, and used chemical weapons on its own people, is today on a new moderate course.

The Iraqi people have just taken part in historic elections. Those who say Iraqis don't support the effort for democracy need to consider what has just taken place: Some 8.5 million people -- Sunnis, Shiias, Kurds, and other groups -- have braved threats and violent intimidation to vote for slates of candidates to lead their country. Iraqis bravely and patiently stood in line even though they knew that the penalty for the simple act of voting might well be their life.

The elections should remove doubt about what is really happening in Iraq. The campaign of violence and intimidation can no longer pretend to be a nationalistic resistance to foreign occupation.

Quite the contrary, now the government the terrorists seek to undermine and overthrow is not foreign or even a provisional government appointed by the United Nations. Rather, it is an Iraqi government, elected by the Iraqi people, to serve the Iraqi people. Iraq is on the path to democracy. And we will not abandon them to the dark forces that seek to turn them back to a world of terrorism, violence and beheadings.

Afghanistan

In Afghanistan, the world saw 8 million newly liberated people -- over 40 percent of them women -- overcome threats and violence and intimidation to elect a moderate Muslim leader who is now a partner in the global war against extremism.

As the challenges in Afghanistan and Iraq continue, extremists continue to plot and attack. They are, at this moment, recalibrating and reorganizing to undermine what the liberated people in those countries have already achieved.

Iraq Security Forces

The President's goal for Iraq is to empower the Iraqi people to take the fight to the extremists, and to help Iraqi security forces take control of their own security needs.

Indeed, with a new Iraqi government in place and a new phase of our partnership about to begin, the Congress and the American people should expect that our Coalition will change. Some countries will have completed their missions and others will take on new responsibilities in terms of training and equipping Iraqi forces.

The performance of Iraqi security forces has been improving steadily -- but the capabilities being created through this training and equipping process, while improving at a good clip, can be further accelerated.

There have been many unreported cases where Iraqi security forces have performed well -- for example in the liberation of Fallujah, in direct combat in Najaf and in counter-terrorism operations in Mosul. And thousands continue to volunteer to join the Iraqi military despite constant threats and assassinations.

At several stages we have re-assessed the performance and progress of their efforts.

We have gone from no trained and equipped Iraqi security personnel in 2003 (police, border officers, military forces, etc.) to about 136,000 today. There are an additional 74,000 site protection forces that are on duty but not considered part of the 136,000, since they do not report to the Ministers of Defense or Interior.

But capability is every bit as important as numbers. Capability is a function partly of numbers, partly of training, partly of equipment, but also of leadership and experience.

No one should expect that Iraqi security forces are going to come out of their training pipelines and be battle-hardened veterans like the fine men and women of the U.S. military. Most have not yet had much combat experience, but they are improving daily.

Coalitions and Alliances

As it stands some 28 countries have troops in Iraq, with 36 working together to stabilize and reconstruct Afghanistan.

But being an ally in this global effort means much more than having boots on the ground in a particular country. Some 90 countries work with the United States to break up terrorist plots, reduce terrorist funding and capture or kill terrorist leaders and operatives.

Moving forward, our alliances must be capable, sustainable and affordable.

NATO, which helped keep the peace for nearly a half-century, is adjusting to the challenges of this new century. The Alliance is shedding redundant headquarters and creating a new Rapid Response Force. Significantly, NATO forces have deployed outside traditional geographic boundaries to help to take responsibility for stabilization operations in Afghanistan and a training and equipping mission in Iraq. However, restrictions or “caveats” on the participation of a number of member nations in particular missions and locations continues to be a serious challenge, which we are working to overcome.

In addition, we are building upon relatively new or maturing relationships with countries such as India, Pakistan, Uzbekistan, Kazakhstan, Georgia and Yemen. Growing military to military training and initiatives with India over the past few years reflects the transformation of our bilateral relationship since President Bush took office. Pakistan has taken the fight to the extremists who had taken refuge in their previously ungoverned Northwest Province.

To enable us to assist our partners in battling extremists within their borders, the FY 2006 budget requests key legislative authorities to:

- Provide up to \$750 Million to build partner nation security capacity: This assistance will be directed to military or security forces in Iraq, Afghanistan and other friendly nations to improve their ability to fight in the Global War on Terror and to meet common threats. This proposal would expand authority provided in the FY 2005 National Defense Authorization Act (NDAA).
- Provide funds through the Commander’s Emergency Response Program (CERP) to enable military commanders engaged in foreign contingency operations to respond immediately to urgent humanitarian or reconstruction needs.
- Provide Logistical Support, including airlift and sealift, to foreign forces supporting operations in Iraq and Afghanistan and other operations to combat terrorism. This proposal would make permanent the authority that was previously approved and used to enable our Coalition partners help reduce cost to the United States and reduce stress on U.S. forces.

Special Operations Forces (SOF)

The President’s budget takes into account the many successful improvements in the Special Operations Command (SOCOM). This Command has been given the power to plan and conduct operations, where previously it had only supported other Commands.

We have come a long way from the time when, as Army Chief of Staff General Peter Schoomaker once said, the Special Forces were like: “A sports car nobody wanted to drive for fear of denting the fender.”

The number of these highly trained SOCOM active personnel has increased from:

- 28,700 in 2001 to 33,100 in FY 2005,

- They will grow by another 1,200 troops and 200 civilians in FY 2006, including four additional SEAL platoons.

The FY 2006 budget of \$4.1 billion for Special Operations (plus \$50 million for programs to boost SOF retention) is up from \$2.4 billion in FY 2001.

Supplemental Appropriations

Thanks to your support, the Department continues to fund operations in Afghanistan, Iraq and other theaters in the Global War on Terror through supplemental appropriations.

The fiscal year 2005 DoD Appropriations Act provided \$25 billion for war-related costs.

The President's FY 2005 Supplemental Appropriations request for an additional \$82 billion, with \$75 billion for the Department of Defense, has been sent to Congress to cover incremental costs of operations in the Global War on Terror.

Force Protection

The supplementals cover an array of investments in force protection.

Our forces must have the equipment they need, and the Services are working hard to ensure they get it. For example, since our forces first began to face the improvised explosive device threat in the summer of 2003, the Army has ramped up production of armored Humvees by over 1000 percent, from 35 per month to 450. In April that rate will rise to 550 per month. According to Army Chief of Staff General Schoomaker, there were some 500 tactical wheeled vehicles with armor in the Army inventory when operations in Iraq began. Now, there are about 26,000.

To date, the Department is on track to meet the Central Command's requests during the current fiscal year of 8,275 up-armored Humvees in March 2005.

In addition, since March 2003, the military has produced in excess of 400,000 sets of body armor -- up from 1,200 sets per month to over 25,000 per month.

I am told that by this week, with minor exceptions, U.S. military vehicles in Iraq carrying American troops outside of protected areas will have an appropriate level of armor to protect against the most likely threats. Note that not every vehicle requires armor at all times, such as those confined to military bases.

Further, U.S. forces are finding and destroying bomb-making production facilities, developing technical counter-measures which either reveal IEDs or disable them, and changing their tactics to minimize the effectiveness of such bombs -- including the fielding of 50 robots and a technology developed in a matter of weeks to counter cell-phone activation of these bombs.

U.S. forces are now discovering and destroying more than one third of IEDs before they can detonate. We have every reason to believe that this will improve.

III. ENSURING WELL BEING OF TROOPS: *Personnel & Readiness*

We have made significant investments in pay, bonuses, recruiting and retention programs to ensure that we continue to have the capable forces our nation needs.

The FY 2006 budget includes a pay raise request of 3.1 percent for the military. It is important to close the gap between mid grade NCOs and private sector pay for comparable talent.

Army Strength

The past few years have brought stress on our forces. The ground forces, in particular, have faced a transition from being largely a garrison force to an expeditionary force -- from being fundamentally a peacetime army preparing for a major conventional conflict to an army in active combat against dispersed and dangerous enemies.

The Army is expanding to 511,800 soldiers by September 30, 2005, nearly 30,000 troops more than its end strength four years ago. The increases are being budgeted in the supplemental requests.

Even with these increased troop levels ground forces are stressed. That has produced many calls for increases in so-called "permanent standby end strength" -- the force strength *required* by law. But consider this: The U.S. Army has over 1 million troops total in its active and Reserve Components. About 150,000 soldiers are currently deployed in Iraq, Afghanistan, and other overseas theaters of the global war on terror.

The problem is less the number of soldiers in the Army and more that the Army was poorly organized and has been unable to draw on all forces it has for missions abroad. One of many ways the Army is rectifying this situation is by creating additional combat units and manning them with a combination of new recruits and existing soldiers drawn from other parts of the Army. In short, the Army has been aggressively improving its tooth to tail ratio, as it must.

Military to Civilian Conversion

To increase the pool of usable and deployable troops, thousands of positions currently held by uniformed military -- mostly administrative or facilities related -- are being converted to civilian positions, with tens of thousands more to follow in the immediate future.

In FY 2004, the Department converted over 7,600 military billets to DoD civilian or contractor performance. The Department currently has plans to convert over 16,000 additional billets in FY 2005 and some 6,400 billets in FY 2006. This means the number of troops available for the operational military have will increased by a cumulative 23,600 by October 1 of this year.

Families Stability -- Unit Cohesion

Under the Army's new home basing plan, soldiers will remain with units for up to seven years, instead of rotating every two to three years, or in the case of Korea, every year.

Changes to the U.S. global posture over the next few years will bring 70,000 troops and 100,000 family members and civilian employees back to American soil. With shorter deployments overseas and longer assignments at home bases, military families will experience considerably less disruption in their lives, substantial savings from fewer permanent changes of station, and greater stability due to less time in transit and transition.

As explained by the Army Chief of Staff, on any given day, the Army has 63,000 in the active force that were in motion -- either in transit, just arrived, preparing to leave a post or in a training school. In turning to the home basing system and reducing our troops presence in Korea, the Army will significantly reduce the numbers of permanent changes of station. This means that thousands more troops will be available to deployable units. With all of these important steps underway, it would be a serious and expensive mistake to arbitrarily increase our statute end strength before we can achieve these efficiencies and determine our actual needs. For the present, we have all of the flexibility we need to manage the force under the emergency authority provided by Congress. I urge you not to impose additional costs on the Department by increasing the Army's statutory end strength until we can measure the effects from the above efficiencies.

Stress on Reserve Component

Due to decisions made decades ago, much of the logistical and administrative support essential to going to war was in the Army's Reserve Components. That has meant that, as we have seen, every significant military operation has required extensive mobilization of reservists and guardsmen. That imbalance is now being corrected.

Since September 11, some 418,000 members -- or 36 percent -- of the military's Reserve Component, have served in the war on terrorism. It is worth noting that in the past 15 years, approximately four percent of the Reserve Component have been mobilized more than once.

In the Army:

- There are a total of 205,000 troops authorized for the Army Reserve -- of those 47,000 are currently mobilized or deployed;
- There are 350,000 troops authorized for the Army National Guard -- of those 113,000 are currently on active duty.

Despite the increased demands placed on the ground forces, most Army reservists and guardsmen -- some 55 percent -- have not been mobilized at all since September 11, while others in heavily needed skills face certain activation, and if they volunteer, repeated deployments.

For example, in the Army, we have called up:

- 68% of enlisted motor transport operators;
- 65% of enlisted law enforcement forces;
- 65% of enlisted construction equipment operators;
- 62% of enlisted general combat engineering forces; and
- 66% of civil affairs officers;

One of the Army's many responses to relieve this stress is to enlarge the pool of usable and deployable soldiers and units, so that individual reservists and guardsmen in those high demand specialties can be mobilized less often, for shorter periods of time and with more notice and predictability. The Army is working to restructure its force to more effectively meet high demands on certain skills. For example, the Army is reducing artillery and air defense units and adding military police, transportation, and Special Forces units. Specifically, the Army is retraining relatively under-used artillerymen to form 18 provisional military police companies. Overall, the Department's "rebalancing" has affected about 30,000 military billets from FY 2003 to FY 2004, with another 20,000 to be converted by October 1, 2005, and an additional 50,000, mostly Army, planned over the next six fiscal years.

To take better care of Army reservists and to encourage them to continue their military service, the Department is moving forward to implement recent health benefit enhancements, which offers coverage 90 days prior to activation and 180 days after mobilization. We will also launch, by April 2005, the premium based TRICARE Reserve Select program, offering coverage to reservists and their families who have participated in contingency operations since September 11 and who commit to continued service in the Selected Reserve.

The use of Reserve Component of the Army has been a source of some commentary and criticism. The discussions go to the heart of what it means to volunteer for military service in general, and what it means to volunteer for the Reserves in particular.

The taxpayers spend billions of dollars every year on training, pay and benefits in the Reserve Components for the purpose of having the Reserves available for mobilization in the case of war or for some other state or national emergency. That is why they have volunteered to serve.

Current Departmental policy, which is consistent with the sense of Congress, is that no reservist may be involuntarily called-up for more than 24 cumulative months, under the current legal authority, for current operations

The objective of the important and transformational reforms described earlier is to limit involuntary Reserve mobilization to reasonable and sustainable rates, ideally no more than one year of involuntary mobilized duty in any six years of Guard or Reserve service. This goal has not yet been reached.

Air Force

The U.S. Air Force's active requested end strength is 357,400, approximately 2,300 fewer than last year.

Navy

The FY 2006 Budget supports an active end strength of 352,700 for the Navy -- 13,200 fewer than the FY 2005 level.

Maine Corps

Under the Emergency Authority the Marines have temporarily increased strength by nearly 3,000 above their base of 175,000 through a combination of supplemental appropriations and military to civilian conversions. Additional conversions in FY 2006 of 2,394 slots will place more Marines in deployable status and reduce stress on individual units and Marines.

The Corps is transferring Marines and units with high-demand specialties like explosive ordnance disposal, civil affairs, psychological operations and aviation support and communications from the Reserve to the Active Component.

Approximately 10,300 Marine reservists are currently on active duty. In FY 2006 the USMC Reserve will create new units including:

- 1 Intel support battalion;
- 1 Security / Anti-terrorism battalion; and
- 2 Light armored recon companies.

Recruiting and Retention

The FY 2006 budget requests \$2.6 billion for recruiting and retention. It is notable and encouraging that all active Services continue to meet or exceed their recruiting targets, despite the known sacrifices of military service.

We are concerned about the Reserve Component's ability to meet its recruiting and retention targets. Achieving these goals has proven difficult because more people are joining and staying in the Active Army, which competes for the same pool of talent. The Department is watching and tracking this closely, and has initiated a range of programs and incentives -- including bonuses and the hiring of new recruiters -- to support recruiting and retention in the Army Guard and Reserves.

It is also encouraging that most of the Army divisions that have experienced the dangers of combat in Iraq and Afghanistan actually have had higher than average reenlistment rates. It says a great deal about these very special and courageous young men and women.

For example:

- The 1st Infantry Division, located in Samarra and Fallujah, is at 134 percent of target;
- The 4th Infantry Division, that tracked down Saddam Hussein and pulled him from his spider hole, is at 127 percent of target;

- The 10th Mountain Division, that fought Taliban and Al Qaeda in Operation Anaconda and elsewhere in Afghanistan, is at 120 percent.

Housing

The FY 2006 budget keeps the Department on track to eliminate all inadequate military family housing units by FY 2007. This budget also continues the Department's extensive use of privatization to improve military housing and get maximum benefit from its housing budget. By the end of FY 2005, privatization will have produced nearly 142,000 high-quality family housing units since this initiative began. This is an impressive accomplishment. And, by the end of FY 2006, the total should exceed 172,000 units. Privatization has been a most successful program of great benefit to the quality of life of our forces. They well deserve it.

Supporting Injured Troops

The American people's support for our troops, and in particular injured troops, has been heartwarming. Walter Reed Army Medical Center, for example, has been deluged with gifts for recovering troops. Many of those troops return to duty after recovering from their wounds, but for some the convalescence period is much longer and much more difficult. It is over the long term, where often attention from the media has waned, that the Department has paid and needs to pay special attention.

That is why we are standing up a Severely Injured Family Assistance Center to complement the military Services' efforts to reach out to their gravely wounded and give them longer-term support, wherever they live. The \$21.5 million is included in the Fiscal Year 2005 supplemental request.

IV. TRANSFORMING MILITARY CAPABILITIES

In the past the Department's budget process for procurement has too often resembled a "shopping list" for traditional bureaucratic, economic and political constituencies, rather than a rational strategy to meet real and likely threats. And instead of assessing actual capabilities, many tended to measure military strength simply by counting the number of pieces of hardware or numbers of troops. In the 21st Century we must measure capability as well as quantity.

To reflect new realities, on occasion we have made difficult and controversial choices, such as the cancellations of the Crusader Artillery and Comanche Helicopter programs, freeing up tens of billions of dollars for other operations and programs. These were state-of-the-art weapons systems that nonetheless were designed to defeat a conventional mechanized force that either no longer existed or remained a tenuous threat. Tight budgets, like war, concentrate the mind, force one to rethink priorities, and to make necessary changes that otherwise would be considered too controversial.

Army

The Army is expanding and restructuring to provide more combat power by reconfiguring its forces to be more agile, flexible, responsive and by providing more of them. The new "modular" Brigade Combat Teams can deploy quickly to trouble spots, but, unlike today's light, Airborne, or Air Assault units, will

have greater firepower, armor and administrative and logistics support “built in” to operate over a sustained period of time. This builds on what has traditionally been one of the U.S. military’s greatest strengths compared to other armed forces -- moving resources, authority and decision making down to the lowest possible level.

In the next two years the Army will increase its deployable combat power significantly by expanding from 33 maneuver brigades in FY 2003 to 43 modular Brigade Combat Teams by the end of FY 2007, with a possible later expansion to 48. The Army National Guard will begin converting its force structure in FY 2005, and will convert into 34 Brigade Combat Teams by FY 2010.

The Department has made a major commitment to restructuring the Army -- adding \$35 billion over 7 years, which is in addition to the \$13 billion in the Army baseline budget. Costs include procurement of equipment plus added facilities and infrastructure. In FY 2005 and FY 2006, the Department proposes to fund Army restructuring primarily through supplemental appropriations, and then in the baseline Army budget beginning in FY 2007.

The Army’s Future Combat System (FCS) program anticipates a family of advanced, networked air and ground systems -- for both combat and support, both manned and unmanned. Of the 18 new systems that the Army is planning, 10 are to be unmanned and should allow the Army to “shoot first” with less risk to U.S. forces. The budget includes \$3.4 billion for FCS in FY 2006.

Marine Corps

The Corps is working towards the creation of additional units, including:

- Two infantry battalions;
- Three light armored recon companies.

Air Force

At the core of the Air Force’s restructuring and modernization are 10 Air and Space Expeditionary Forces (AEFs), which can rapidly provide a full range of capabilities -- from humanitarian relief to full-scale warfighting -- to U.S. Combatant Commands across the globe.

The FY 2006 budget supports the acquisition of advanced aircraft to increase U.S. capabilities and replace aging systems, including:

- F-22 Raptor: \$4.3 billion for 25 of this next-generation aircraft, designed to penetrate enemy air-space, achieve first look and first kill capability against multiple targets, and conduct ground attacks. Under current plans, the Air Force is scheduled to buy 179 F-22s by FY 2008.

The Raptor was originally designed to penetrate Soviet radar without detection and shoot down Soviet jets. The F-22 is a critical component for ensuring American air supremacy well into the 21st Century. The issue is not *whether* to build the Raptor, as was the case with some other weapons systems; but

rather *how many* will be needed to meet realistic and likely future threats to U.S. air dominance. The Department will be addressing that issue in the Quadrennial Defense Review.

- Joint Strike Fighter (JSF): \$5.0 billion for this multi-purpose strike fighter for the Air Force, Marine Corps, Navy and also for several U.S. allies who are contributing some \$4 billion to the design phase. The JSF will replace several existing aircraft: Air Force F-16s, Marine Corps AV-8Bs, and Navy and Marine F/A-18C and Ds. The Department currently plans to procure 2,443 aircraft.

As a highly capable, multi-purpose aircraft that can support many variants from a common platform produced in conjunction with our closest allies, the JSF, still in the early stages, could become a model for future weapons development.

- F/A-18 E/F Hornet: \$2.9 billion to build 38 of these multi-mission aircraft for the U.S. Navy and Marine Corps, which has improved range, payload and survivability compared to earlier models.
- C-17: \$3.7 billion to continue fielding 15 of these cargo workhorses, including \$227.5 million to protect the option of procuring additional aircraft. The Department will decide soon, based on the impending results of our Mobility Capabilities Study, whether to buy more than the 180 aircraft currently funded.
- Tanker replacement: The Department is awaiting the results of the comprehensive Mobility Capabilities Study. If recommendations call for tanker replacements of some sort, the Department would initiate a competitive acquisition process to replace its KC-135 aircraft.
- C-130J: The FY 2006 budget currently proposes to end production of the Air Force's C-130J at 53, rather than the 168 originally projected. At \$66.5 million, this aircraft has become increasingly expensive to build and to maintain, especially given the ability to modernize existing C-130s. However, as additional information has come forward, the Department is still considering whether to complete the multi-year buy.

Unmanned Systems: \$1.7 billion overall, including \$900 million for the purchase of five Global Hawks and nine Predators.

Navy

The U.S. Navy must no longer prepare to keep sea lanes open against a 700-ship Soviet fleet. Nor must they track Soviet ballistic missile submarines off America's shores capable of launching a nuclear attack at a moment's notice. Potential foes today have fleets with regional, not international, reach. The new challenge is to project concentrated naval power more quickly to confront unexpected threats.

The Navy continues to develop the joint sea basing concept that will allow expeditionary strike forces to project power quickly from floating littorals without relying on land bases.

The Navy will increasingly "rotate crews, not ships." With this approach, already used on specialized vessels today, ships can remain overseas 18 to 24 months; crews are rotated in and out conserving the significant time that has historically been wasted in transoceanic travel. This represents a significant

transformational increase in capability. In addition, the Navy has greatly reduced the time spent preparing for and recovering from deployments.

The FY 2006 budget contains \$6.2 billion -- and \$73.5 billion over the next six fiscal years -- in new construction (and \$9.4 billion in FY 2006 shipbuilding overall) to continue the Navy's transformation and its shift to a new generation of warships. The Navy has been able to reduce its shipbuilding investments because of its success in transforming to a new class of ships, which have greater capabilities, but are less manpower-intensive.

The SSGN submarine, also funded in this year's budget, is a classic example of mating new technology to a conventional platform in an innovative way to meet current and future threats. Four of the Navy's 20+-year old Trident ballistic missile submarines are being adapted to carry Special Forces commandoes and be capable of launching both cruise missiles and unmanned aerial vehicles. An Ohio-class SSGN will be put to sea and prepare to conduct operations this calendar year.

Over the next six fiscal years, the Navy is scheduled to buy and build 49 new ships. The Navy has concluded that procuring ships with increased capability should be a higher-priority than continuing production of older models.

Key programs include:

- CVN-21 Aircraft Carrier: \$565 million for this ship that will have a new electrical system, a larger flight deck, and a smaller crew (by at least 500) than the aircraft carriers it will replace. Construction is schedule to start in FY 2008.

The FY 2006 budget calls for the retiring of an aircraft carrier without a scheduled replacement. The tremendous advances in carrier capability that have been achieved in recent years should be noted. Carriers today, for example, can now engage up to 10 times as many targets per day as older models. The Navy now talks of "targets per sortie" rather than "sorties per target," as was the case as late as Desert Storm in 1991.

In addition, with the impressive and transformational new Fleet Response Plan, the Navy maintains the capability to surge five or six carrier strike groups in 30 days, with the ability to deploy two more in 90 days -- a significant improvement over previous capabilities.

- DD(X): \$716 million for advance procurement of this multi-mission destroyer. It should be noted that it will have a crew of only 150 (versus about 380 for the latest destroyer model) and provide precision and high-volume fires, at sea and in support of forces ashore. The lead ship is scheduled to be funded in FY 2007, and another 4 funded through FY 2011.

- Littoral Combat Ship: \$613 million to support construction of a ship envisioned as a fast, agile, stealthy, relatively small and more affordable surface combatant capable of operating in shallow water close to shore. Plans include 21 ships over FY 2006-2011.

- Virginia Class Submarines: \$2.4 billion for one attack submarine in FY 2006. Procurement is schedule to remain at one ship per year through FY 2011.

Missile Defense

The budget for missile defense is \$1 billion less than projected in last year's budget. It slows the Kinetic Energy Interceptor program by one year, and slows the fielding of ground-based interceptors in Europe. The program's core elements are unaffected and on track. By the end of FY2006 up to 21 ground-based interceptors are proposed to be deployed.

A FY 2006 request of \$7.8 billion for the Missile Defense Agency (and \$1 billion for related programs) supports the development of an integrated system by maintaining a strenuous test program, while moving ahead to field additional interceptors and sea-based X-band radar. A forward-based radar should be ready for deployment in Japan, one of several allies with whom we have built missile defense partnerships.

The missile defense program remains an important priority, particularly as regimes in places such as Iran and North Korea continue to develop ballistic missiles of increasingly greater range in conjunction with their nuclear programs.

Chemical Biological Defense

The FY 2006 budget includes \$1.6 billion to develop and field capabilities to enable U.S. forces to survive, fight, and win when facing chemical or biological threats. Reflecting the importance of this threat, the budget proposal added \$220 million to the Program for FY 2006 and \$2.1 billion for FY 2006 through FY 2011.

Intelligence & Communications

The FY 2006 budget includes billions of dollars for advanced intelligence and communications systems such the Transformational Satellite Communications, or TSAT (\$836 million); Advanced Extremely High Frequency (AEHF) Satellite Communication System (\$1.2 billion) and other key programs such as Space Based Radar, Space Based Infrared System High, Joint Tactical Radio System and Aerial Common Sensor aircraft.

V. TRANSFORMING DoD MANAGEMENT

Perhaps most important, more than any particular line item or program, is that the culture of the Department and the uniformed military is changing from one of risk avoidance to a climate that rewards achievement and innovation.

NSPS – National Security Personnel System

In consultation with the Congress, the Department is revamping human resources policies from the industrial era and beginning to implement the new National Security Personnel System will expedite and improve flexibility in the hiring and assignment of civilian employees -- making it easier to recognize outstanding performance with rewards and merit-based promotions. While some continue to oppose the

idea of rewarding performance, we are convinced it will significantly improve the Department's performance.

About 60,000 DoD employees, the first spiral in a wave of over 300,000, shall transition into the NSPS system as early as July 2005. The NSPS will provide the Department with flexibilities and make it easier to convert military billets to civilian ones, freeing up more troops for important military operations and missions.

Pay Raises

This budget includes a 2.3 percent raise for civilian employees. With implementation of NSPS, the Department is moving to a compensation system based on performance, not longevity. Raises will therefore vary by position and person. We are working with our Unions to ensure that this is done fairly and equitably.

The Department believes increases in civilian pay should be linked to increases for other federal civilian employees, as determined by the President, and not tied directly to military raises, given their notably different circumstances.

Global Posture

While the world has changed dramatically since the end of the Cold War, until recently, the positioning of America's forces overseas had not. We still had heavy forces defending the German and South Korean borders. In the next decade, those garrisons will be replaced by logistical and training facilities that can be accessed quickly and without extensive negotiation or legal constraints.

BRAC -- Base Re-alignment and Closures

The new global security environment drives our approach to our *domestic* force posture as well. The Department continues to maintain far more military bases and facilities than we actually need -- consuming and diverting valuable personnel and resources from the warfighters and those that support them. We owe the American taxpayer and our troops much better.

The President's budget includes funds to cover implementation of decisions from the 2005 BRAC Commission, beginning with \$1.9 billion in FY 2006 and \$5.7 billion in FY 2007. The Department will make its recommendations to the Commission by mid-May, and the Commission must complete its decisions by early September, 2005.

Previous BRAC rounds eliminated about 21 percent of DoD infrastructure and have generated savings of about \$7 billion per year. Reduction in infrastructure from the BRAC 2005 should produce substantial savings as well.

Business Management

The department will continue to streamline, standardize and integrate business processes and systems through our top priority business transformation initiative -- the Business Management Modernization Program (BMMP). The new budget includes \$174 million to improve business operations for the warfighter by enabling accelerated implementation and continued integration of business systems capabilities.

VI. CONCLUSION

These are historic times. The Cold War has passed into history. The world and key institutions continue to require change.

So today we are reshaping our approaches to fit the times. These reforms and initiatives are essential because of the ruthlessness and resourcefulness of the enemies we face.

Terrorists have brains and use them. They adapt and improvise quickly. Despite the size of our bureaucracies, we must learn to be equally agile.

Our enemies are nimble and media savvy, and through networks like Al Jazeera deliver their message undiluted to their target audiences. Victory in this global struggle will require a military configured and funded to defend against the security threats of this century, not the conventional battles or the conventional wisdom of the last.

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