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STATEMENT OF
HONORABLE GORDON R. ENGLAND
SECRETARY OF THE NAVY
BEFORE THE
SENATE ARMED SERVICES COMMITTEE
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Winning Today...While Transforming to Win Tomorrow.

I. Introduction

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today.

The Navy and Marine Corps Team continues to answer our Nation's call in the Global War on Terror (GWOT) and in the establishment of stability and security in the world's trouble spots. From combat operations in Iraq and Afghanistan to tsunami relief in Indonesia, the Navy and Marine Corps Team has proven ready to meet any task and answer any challenge. Throughout 2004, the unique capability the Naval Services brought to our joint forces was a central element of our Nation's military power.

Outstanding performance in 2004 validated the high return on your past investment in our combat readiness, people, and unique maritime warfighting capabilities. The challenge for the future is ensuring we are maintaining the proper investment balance between the needs of today and the requirements of tomorrow. Our Fiscal Year 2006 Budget request strikes that balance. It delivers the appropriate readiness posture at the right cost to win the GWOT, to support today's military needs, and to continue the transformation needed to ensure that we win tomorrow's fights as well. We are good stewards of the taxpayer's money, however, no amount of new capability and organizational reshaping will matter if we cannot hold down costs. The challenge in the coming decade is to stabilize the rising costs of new weapon systems, operations and maintenance, and personnel.

In the past four years, our country has been incredibly supportive of the Navy and Marine Corps Team. Since 2001, when I first took over as the Secretary of the Navy, the Department's budget has increased from over \$94 billion to over \$125 billion in Fiscal Year 2006. Your investment has been used to significantly increase our operational readiness, fund the research and development required to provide the foundation for several transformation programs, begin the procurement of new classes of ships and aircraft, properly price the acquisition accounts, and fairly compensate our people. The Department is eternally grateful for your confidence in your Navy and Marine Corps.

The Department has made significant progress towards achieving the transformation goals set forth in the 2001 Quadrennial Defense Review (QDR). However, we continue to face the challenge of making the Naval Team more efficient to develop an ever more effective fighting force. When realized, these efficiencies will not only free up valuable resources but also allow the Navy and Marine Corps Team to better augment the total joint force. The 2005 QDR provides an opportunity to continue to reshape the Department to meet its current and future security challenges.

Our Navy and Marine Corps are actively engaged in combat operations – we have a shared responsibility to ensure our Sailors and Marines are trained, equipped and prepared for the fights we ask them to undertake. The Fiscal Year 2006 Budget meets these requirements.

Winning Today...

II. Operations

Winning the GWOT is our number one priority. We continue to support the GWOT through naval combat forces that are capable and relevant to the missions assigned.

Global War on Terror (GWOT).

During my last testimony to this Committee, the Marine Corps was beginning preparations to send the First Marine Expeditionary Force (I MEF) to Iraq in support of Operation IRAQI FREEDOM (OIF). Currently, we have over 34,000 Marines and 3,000 Navy personnel in Iraq taking part in combat operations and providing stability and security in the Al Anbar, An Najaf, and Karbala Provinces. Their innovative pre-deployment combat skills training, rapid modifications of combat equipment to meet evolving threats, and their emphasis on cultural and language capabilities contributed to considerable accomplishments in this complex region. Marines are currently executing multiple security, urban combat, counter-insurgency, command and control, and force protection missions with great confidence and skill, in the face of an adaptable and dangerous enemy.

Naval efforts in Iraq include not only the Marine Corps but also virtually every type of deployable Naval asset in our inventory. Navy and Marine carrier-based aircraft flew over 21,000 hours, dropped over 54,000 pounds of ordnance and played a vital role in the fight for Fallujah. Last year over 1,000 active and reserve Seabees were responsible for managing construction projects throughout the I MEF area of responsibility. Naval Coastal Warfare forces provided security for Iraqi oil terminals and thwarted terrorist forces from disrupting one of the world's largest energy supplies. Finally, hundreds of Naval medical personnel deployed to Iraq in support of Marine forces. All have served with pride and compassion, providing quality medical care to wounded American and Iraqi personnel.

In Afghanistan this past spring, the Marine Corps provided, on short-notice, a regimental headquarters, an infantry battalion and a combined arms Marine Expeditionary Unit (MEU). This Marine force was a major portion of the combined joint task force assigned to counter a suspected Taliban "Spring Offensive." This force was a key element in setting the conditions for the successful election that has advanced the process of establishing a secure and stable government in Afghanistan. They continue to provide both ground and aviation forces – currently an infantry battalion, elements of two helicopter squadrons, and training teams – to protect and foster this new democracy.

Terrorist networks have a wide range of options to move personnel and cargo by sea – from containers, to merchant ships, to small dhows. The United States Naval forces are well trained to carry out the mission of deterring, delaying, and disrupting the movement of terrorists and terrorist-related material at sea. In support of the GWOT, Naval forces conducted over 2,200 boarding of merchant ships.

During the year, the Navy and Marine Corps will conduct a major rotation of our Central Command deployed forces. Many of these units have previously deployed to this

theater. We continue to aggressively adapt our training and equipment to the changing threat.

Global Presence / Flexibility.

Humanitarian Assistance and Disaster Relief. The Navy and Marine Corps Team can rapidly respond to crises around the globe, whether they are humanitarian or combat-related without impeding our ongoing commitments to combating terrorism. We continually train for humanitarian assistance missions in order to respond rapidly and efficiently to large-scale disasters.

The Navy and Marine Corps provided assistance to the governments of Indonesia, Sri Lanka, Thailand and other affected nations as they dealt with the effects of the earthquake and tsunami. At the peak of this effort, the Department of the Navy (DON) had more than 13,000 Sailors and Marines afloat providing humanitarian assistance. Led by forces from the *Abraham Lincoln* Carrier Strike Group (CSG) and the *Bonhomme Richard* Expeditionary Strike Group (ESG), the Navy and Marine Corps Team delivered over six million pounds of relief supplies to the people affected by the disaster that swept Southeast Asia on December 26th.

In addition, nine P-3C reconnaissance and surveillance aircraft supported search and rescue efforts, while the High Speed Vessel (HSV) Swift, an aluminum hulled catamaran, provided high-speed transport to the shore. USNS *Mercy* is providing a base of operations for joint United States military medical organizations and international nongovernmental and private relief operations. The hospital ship is supporting medical units ashore with internal medicine, pediatric, dental, mental health and infectious disease control. Additionally, over 400 Seabees are deployed to the region to provide a variety of disaster recovery efforts such as clearing roads, removing debris, assessing damage, performing port surveys and assisting in offloading MPF ships.

Homeland Security. Under the National Security Presidential Directive (NSPD-41) signed by the President this past December, we are continuing to cultivate relationships and develop capabilities to maximize the advantage that the maritime domain brings to homeland security. We are broadening our relationship with the navies of our international allies to prosecute the GWOT. We are expanding the Proliferation Security Initiative (PSI) to other countries and working bilateral boarding initiatives in all hemispheres. We are integrating intelligence and command and control systems with other governmental agencies like the United States Coast Guard (USCG) in the Department of Homeland Security (DHS) to effectively evaluate the maritime environment for anything that could adversely influence the security, safety or economy of the United States and our allies. We are developing the Navy's role in the Maritime Domain Awareness (MDA) concept to identify threats as early and as distant from our borders as possible. We are working with other parts of the Department of Defense (DoD) and with DHS to develop a comprehensive national maritime security response plan to address specific security threats and command and control relationships. Lastly, this past October, the Navy, in a cooperative agreement with the USCG, transferred four patrol craft to the USCG for use in homeland security. Everything we do in the maritime domain will take into consideration the broad implication to homeland security.

Surge Capability. The GWOT requires that the Navy operate differently in order to be ready and responsive. We continue our successful readiness transformation under the Fleet Response Plan (FRP). The goal of the FRP is to provide the Nation with five or six CSGs deployed or ready to deploy within 30 days and an additional one or two CSGs ready to go within 90 days. The FRP aims to transform the fleet into a more effective force by creating a culture of readiness; meeting new readiness and surge thresholds; changing manning, maintenance and training processes to support surge and deployment; and lengthening inter-deployment cycles.

The readiness efforts developed to support the FRP allowed the Navy to surge the USS *Bataan*, *Boxer*, and *Kearsarge* and enabled Marine forces to quickly redeploy in support of operations in Iraq. Last year's fleet surge exercise, "Summer Pulse '04", successfully demonstrated the Navy's ability to operate seven carriers simultaneously in five theaters under the FRP.

Law of the Sea Convention. Today, the Navy has undisputed command of the seas. Joining the convention will support ongoing military operations while preserving future access for the force. The CNO and I firmly support United States' accession to the Law of the Sea Convention.

III. Sailors and Marines

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 3.1 percent DoD-wide basic pay raise for all military personnel. The budget supports reduced Navy end strength resulting from the way we manage military human capital. We will accomplish all assigned missions with these reduced levels by changing our force structure, gaining efficiencies from technology, altering our workforce mix, and adopting new manning practices.

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 very best people to serve in our 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 from compensation, but also from meaningful service.

Protecting Our Sailors and Marines.

In response to growing force protection concerns in Iraq and Afghanistan the Department has expeditiously acquired technology and hardware to equip our Marines and Sailors for current wartime operations. In excess of \$600 million has been reprogrammed to support over 120 warfighting requirements including those focused on counter-fire, counter-improvised explosive devices, and counter-rocket propelled grenade technologies. Initiatives include:

Vehicle Hardening. We reprogrammed \$239 million in Fiscal Year 2004 Naval funding to support various Marine Corps vehicle-hardening programs. Throughout this effort, both the Marine Corps Systems Command and the Marine Corps Warfighting Lab have worked with the Army Developmental Test Command to test and rapidly assess various ballistic materials to include ballistic glass, armor, and ceramic materials for use in vehicle hardening. To date over 4,000 vehicles have been hardened. Other vehicle hardening initiatives include the Marine Armor Kit (MAK) for the HMMWV and the Medium Tactical Vehicle Replacement (MTVR) Armor System (MAS) and Gunner shields. MAK and MAS armor will replace the interim (first generation) and zonal (second generation) armor with an integrated, comprehensive (improved perimeter, top, and under-body) armor kit. One hundred forty-nine MAKs have been installed in support of the 26th Marine Expeditionary Unit (MEU) deployment as part of the next rotation. MAK installation in theater will begin as soon as February 2005 as the operational situation allows. MAS will begin low rate initial production in April 2005 with full rate production by June 2005. Gunner shields provide an armored turret as an additional level of protection for gunners operating in HMMWVs and MTVRs; to date over 1,600 are in service.

Counter-Improvised Explosive Device Technology and Equipment. The Department has reprogrammed over \$28.0 million for the testing, assessment and fielding of technology and equipment to counter the IED threat. Specific focus areas include robots, IED electronic countermeasures, X-Ray systems, and specialized search dogs.

Personal Protective Equipment. Every Sailor, Marine and Departmental Civilian is issued a complete set of body armor before going into Iraq or Afghanistan. To meet this requirement Marine Corps Systems Command has procured over 31,000 Armor Protection Enhancement Systems as an additional capability to augment the Outer Tactical Vest and the Small Arms Protective Insert (SAPI) plate. Over 36,000 SAPI plates have been procured. Additionally over 84,000 pairs of ballistic protective goggles have been procured. Other initiatives, such as an improved lightweight combat helmet, lower face and body armor, are in development.

Unmanned Aerial Vehicles (UAV). UAV efforts include the Dragon Eye and Scan Eagle initiatives. The Dragon Eye is a lightweight, man portable system designed to give the small unit leader a reconnaissance and surveillance capability to see over the next hill or around the next building. Thirty-three Dragon Eye UAV systems have been used in Iraq. In addition, I MEF is battle testing two Scan Eagle systems consisting of 14 aerial vehicles. The Scan Eagle provides the MEF with a persistent (24 hours a day) electro-optical Intelligence Surveillance Reconnaissance (ISR) capability.

Unmanned Ground Vehicles (UGV). In addition to the robots deployed in Iraq for counter IED operations, 12 Dragon Runner man portable UGVs used as mobile ISR systems have been fielded. The system is a low profile UGV and is being used for small unit reconnaissance and IED investigations.

Other force protection initiatives include language translation devices, counter-sniper technology, medical advancements, helicopter ballistic protection, and advancements in the tactics, techniques and procedures for urban operations.

Recruiting / Retention.

The DON continues to successfully recruit our Nation's finest young people while carefully forecasting future recruiting requirements. The Navy has met its recruiting goals in each of the last six years, while the Marine Corps has met recruiting goals for the last nine years. Coupled with higher retention rates, our recruiting success has allowed the Navy and Marine Corps to focus on critically manned ratings and Military Occupation Specialties (MOS) and on improving recruit quality.

In Fiscal Year 2004, the Navy exceeded its recruiting goal and attained a 50 percent increase in recruits with college experience while at the same time increasing the number of recruits with high school diplomas. The Marine Corps also exceeded recruiting goals while at the same time 97 percent of their recruits had a high school diploma (above the goal of 95 percent). Even with the improved economic conditions and higher recruit quality standards, the Navy and Marine Corps are on track for meeting their 2005 goals.

Retaining the best and brightest Sailors and Marines has always been a core objective to our continued success. To date in Fiscal Year 2005, strong reenlistment activity has occurred along with Navy attrition rates at or near 15 year lows. The Marine Corps also continued their strong performance in this area by meeting their retention goals for the 14th consecutive year. A key to these successes has been the DON's aggressive program to enhance quality of service and quality of life through innovative programs that ensure our Sailors and Marines and their families continue to view the Navy and Marine Corps as their career of choice. Targeted and special pays continue to have the desired impact on reenlistments, while maintaining Selective Re-enlistment Bonus (SRB) funding is proving essential to sustaining retention of critical skills.

Safety.

The Navy and Marine Corps continues to aggressively pursue the Secretary of Defense's two-year goal to reduce mishaps by 50 percent, from the Fiscal Year 2002 baseline, by the end of Fiscal Year 2005. At the end of Calendar Year 2004, the Department was on track to meet the 50% reduction in over 70% of the targeted areas. For example, the Marine Corps Fiscal Year 2004 Class A aviation mishap rate was reduced by over 76 percent and Marine Corps Personal Motor Vehicle (PMV) fatalities dropped 30 percent from the Fiscal Year 2002 baseline. An aggressive return to fundamentals in order to revitalize Operational Risk Management (ORM) principles is successfully targeting our aviation mishap rates. Over \$54.5 million, across the Future Years Defense Plan (FYDP), was added in the Fiscal Year 2006 Budget for military flight operations quality assurance – a process to help refine the use of recorded flight data to reduce aircrew error and to achieve greater efficiencies in aircraft maintenance.

The Department is pursuing Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) status and has achieved significant reduction in lost workdays due to injuries at key installations. A professional safety

community and safety intern program for our civilian personnel has also been established.

The DON has embraced safety as a readiness multiplier. The Naval leadership team (Chief of Naval Operations (CNO), Commandant of the Marine Corps (CMC) and Secretary of the Navy) emphasized safety and mishap reduction as one of our published top ten 2005 objectives for the Department.

Family Support.

Housing Initiatives. Ensuring service members and their families have access to quality housing continues to be a DON top priority. The Fiscal Year 2006 Budget request continues the effort to eliminate inadequate family and bachelor housing by Fiscal Year 2007 through a three pronged strategy consisting of privatization of housing, improved housing allowances, and military construction. Additionally, housing allowances have been increased to eliminate out-of-pocket housing expenses for our military personnel. Finally, fifteen Navy and Marine Corps family housing privatization projects totaling over 26,000 homes have been awarded to date. In addition, we continue on path to provide sea duty Sailors with off-ship quarters by 2008 under the Navy's "Homeport Ashore" initiative.

Healthcare. Providing quality medical care to our Sailors, Marines, and their families is a vital part of the DoN's ability to fight the GWOT and execute our many worldwide missions. Navy medicine continues to ensure that our Sailors and Marines are physically and mentally ready for whatever challenges lie ahead. Providing outstanding medical care is a commitment we proudly make, however it is a budgetary challenge.

To meet the requirements of the GWOT, Navy Medicine has developed and improved methods to expedite care for our forward deployed forces around the world. For example:

- The ten-bed Expeditionary Medical Unit (EMU) is providing Navy medicine with new response capabilities in combat situations.
- The Forward Resuscitative Surgery Systems (FRSS) are highly mobile, six-bed emergency rooms now deployed as part of the Marine Corps' Combat Service Support Company. Through the FRSS, Navy trauma doctors are available during the "golden hour," the critical period within 60 minutes of an injury.
- Forward Deployed Preventive Medicine Units (FDPMU) have been created to provide quick, flexible and agile responses to a host of medical contingencies including weapons of mass destruction. These highly specialized units are staffed with preventive medicine physicians, industrial hygienists, hospital corpsmen, environmental and radiation health specialists, microbiologists and entomologists and have been deployed in Iraq, Haiti and other remote locations around the globe. The FDPMU's focus is on decreasing disease and non-battle injuries through health surveillance, environmental monitoring and education.
- The Disaster Preparedness, Vulnerability Analysis, Training and Exercise (DVATEX) program was developed to evaluate and test military, federal and local community responsiveness. DVATEX includes a military treatment facility,

threat vulnerability and capability assessment, and provides training in medical and operational management.

Navy medicine will continue to evolve to meet the demands of an ever-changing battlefield and deliver medical care anywhere around the world. Navy medicine is performing its critical mission to promote, protect, and restore the health of DON service members, families, and retirees, while at the same time ensuring the highest level of emergency preparedness.

Care of Injured Marines and Sailors. The DON is working closely with the DoD to develop new strategies and initiatives that improve support to our injured personnel and their families. In an effort to improve the immediate and long-term care for injured Marines and their families, the Marine Corps has created the Marine for Life – Injured Support Program. The program provides a single organization to act as the primary patient advocate to improve medical care, provide family support, eliminate seams in care, and increase transition assistance for disabled Marines. This program began limited operations in early January 2005.

The DON is developing the Injured Marines and Sailors Initiative, to formulate policies and procedures to achieve the following objectives in support of Marines and Sailors wounded in combat operations:

- Ensure every Marine and Sailor who desires to remain in the active component is provided the opportunity to do so.
- Ensure that every Marine and Sailor who desires to work within the DON or Federal / State government is provided the opportunity to do so.
- Ensure that every Marine and Sailor that desires to work in the private sector or to attend school is provided the opportunity to do so.

A survey of injured service members revealed that over ninety percent of Marines and Sailors expressed a desire to remain in service. In order to allow injured service members the opportunity to work in the Pentagon, the DoD initiated Operation Warfighter. This program seeks to reintroduce severely injured service members back into the workforce. Additionally, the DON in cooperation with the DoD Joint Severely Injured Operations Center and the Marine For Life - Injured Support Program is reaching-back to discharged and separated Marines and Sailors to render employment assistance, family counseling, and transition assistance through Veterans Administration and other government agencies.

Family Programs. In support of the GWOT, the Navy established “Extended Hours” child care centers for watch-standers and shift workers, ensuring our Sailors are mission ready around the clock. These successful, 24/7 centers, located in Norfolk and Honolulu, have decreased missed man-hours and provided piece of mind to our Sailors as they perform their duties in support of our Nation.

IV. Equipment

The Naval Services are rotational and expeditionary, requiring additional funding

not in the baseline budget for long and extensive contingency operations. The Fiscal Year 2005 supplemental will request funding for incremental war related costs not included in the baseline budget. This request includes essential warfighting and force protection equipment, replacement of destroyed equipment, anticipated attrition repair costs due to accelerated usage and replenishment of ammunition. These funds will help sustain the fighting force and enable recovery from the accumulated demands on our material assets.

... While Transforming to Win Tomorrow

V. Shaping Our 21st Century Manpower

At the heart of our combat capability and the future transformation outlined in *Naval Power 21* are people who are well trained, well led, and adequately compensated. America's Naval forces are combat ready due to the dedication and motivation of individual Sailors, Marines, and civilians. We will continue to dedicate resources on four fronts: recruiting the right people, retaining the right people, reducing attrition, and training our people to meet the challenges of the 21st century.

Human Capital Strategy.

The DON is developing the Human Capital Strategy (HCS) that will provide a new framework to assess, train, develop and distribute our manpower. The Department faces a number of significant challenges as it continues its transformation to a more agile and technology-based force. Our strategy envisions a new human capital management system that leverages technology to allow each individual to maximize their capability to make valuable contributions toward achieving our mission. Central to the strategy is the need to fully understand the manpower requirement of our future force. This will allow us to tailor our total manpower needs, expanding or contracting where it is required. Our strategy is aligned with DoD's Human Capital Initiative and responds to the President's Management Agenda (PMA) and the priorities of the Secretary of Defense. The HCS represents the first step in what will be a complex process to meet the challenges of the 21st century. The HCS goals include:

- Implement the National Security Personnel System for the Department's civilian force.
- Transform our military personnel force by creating a modern human capital management system to replace the Department's legacy human resources systems and achieve the objectives of *Naval Power 21*.
- Achieve active / reserve integration by rebalancing requirements and capabilities.

A key component of HCS is the Sea Warrior program, which is the Navy's initiative to develop 21st century Sailors and is the "people" part of *Sea Power 21*. This initiative takes into account new platforms, technologies, and rotational crewing concepts (Sea Swap) that will revolutionize crew sizing, and provide interactive computer based tools and training techniques. The goals of Sea Warrior include:

- A mission-centric force that is effective and efficient.
- A Navy that maximizes the value of service for all of our Sailors and civilians.
- A more effective work distribution across the work force.
- A work and life balance.
- Recruitment and retention of a diverse range of Sailors and civilians possessing a wide scope of knowledge, skills and experience.

The Sea Warrior concept and other manpower initiatives such as more efficient infrastructure manning, improved training techniques and the decommissioning of older, manpower intensive platforms will allow the Navy to reduce active end strength from 373,197 in Fiscal Year 2004 to 352,700 in Fiscal Year 2006.

Military-to-Civilian Conversions.

Military-to-Civilian conversions are progressing as planned. The programmed conversions target non-warfighting functions currently staffed and performed by military personnel. Because the military-to-civilian conversions are a key component of the Department's objective to reduce military authorizations, we have intentionally exceeded the established DoD targets. The Navy is scheduled to convert over 2,000 military billets to civilian positions this fiscal year. The Marine Corps is programmed to convert over 1,700 billets in Fiscal Year 2005. While the Navy is principally using this tool to drawdown end strength, the Marine Corps is using the military-to-civilian conversions to help realign Marines into high-demand specialties and create additional warfighting capabilities, such as two additional infantry battalions. As part of the Competitive Sourcing Initiative in the President's Management Agenda, DoD receives credit for converting military members now doing commercial functions into war-fighters and other core defense functions.

Active Reserve Integration.

The Reserve Component remains an integral part of our Navy and Marine Corps Team. Since September 11, 2001, the Navy has mobilized over 25,000 reserve personnel (2,000 of these twice), with approximately 3,600 currently mobilized. This is from a drilling reservist population of just over 69,000. The Marine Corps has mobilized 32,000 reserve personnel from an authorized Selected Reserve end strength of 39,600 and just over 4,100 from the Individual Ready Reserve. Currently over 13,000 reserve Marines are on active duty.

The Navy's Zero Based Review is validating the Navy Reserve mission requirements and associated billet structure, creating efficiencies, and allowing resources to be more effectively integrated into Navy operations. Our vision is to create one fully integrated Navy Team and the Navy's active reserve integration is the cornerstone of that effort. We are aligning organizations, training together, consolidating resources and assets, and financially planning as one, so we can better operate as one team and "train like we fight."

The Navy and Marine Corps will continually measure its reserve billet structure and capabilities against evolving warfighting requirements to fill critical billets when needed. Early responsiveness, relieving stressed career fields, and employing innovative management practices will continually be addressed by both services. The Navy and

Marine Corps reserve mobilization is a requirements-driven process and reservists, trained and ready, are making significant contributions. While the numbers of mobilized reserves can fluctuate as GWOT requirements dictate, our objective is use the efforts stated above to keep the number of mobilized personnel at a minimum.

Strategically Focus Naval Education and Training.

Education and training of our Sailors and Marines is critical to implementing the *Naval Power 21* transformation and ensuring our continued combat effectiveness. To more effectively and efficiently train our forces the Department is transitioning its training concepts and methods from the traditional schoolhouse classroom approach to processes that involve the use of simulators, trainers, and other computer-based interactive training curriculums. The pace at which technology is changing tests our Sailor's and Marine's abilities to innovate and adapt, as well as to apply knowledge and experience to new and dynamic situations. Old paradigms governing training and education must change to meet future technological challenges. It is essential that our Sailors and Marines remain on the cutting edge and for our leadership to commit to a lifelong educational program. The future demands a more highly educated Naval Service capable of operating in an environment of ever increasing technical complexity. We intend to meet that demand by providing increased opportunity for all Sailors and Marines to commit to life-long learning.

National Security Personnel System (NSPS).

The Fiscal Year 2004 National Defense Authorization Act allowed the DoD to establish a new human resource management system for DoD civilians known as the National Security Personnel System (NSPS). This legislation provides flexibility in the hiring and management of civilian workers and links pay to mission accomplishment and performance. The NSPS reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation that is competitive with the private sector, and reward outstanding service. Properly executed, these changes will also assist us in better utilizing the active duty force by making it easier to employ civilians in jobs currently filled by uniformed military personnel.

Workers will be converted to the new system in three spirals. Spiral One will include approximately 300,000 Army, Navy, Marine Corps, Air Force, and other DoD civilian employees and will be rolled out in three phases over an 18-month period beginning in July 2005. Spiral One includes over 80,000 DON civilian employees. Spiral Two will comprise the remainder of the eligible workforce and will be initiated following an assessment of Spiral One and after the Secretary of Defense certifies the Department's performance management system. Spiral Three would comprise the personnel at DoD labs, if current legislative restrictions are eliminated.

VI. Improving Business Practices

Throughout my time as Secretary of the Navy, we have been faced with the challenge of making the Naval Team more efficient in order to develop a more effective fighting force. These efficiencies will not only free up valuable resources but also allow the Navy and Marine Corps Team to better augment the total joint force. Our recent

performance indicates the business initiatives we are pursuing are on the right track. Highlights of our business initiatives are discussed below.

Enterprise Resource Planning (ERP) Program.

The DON ERP initiative has created the framework that will enable the transformation of key acquisition, logistics, and financial business activities into an integrated network of decision-making processes. This past August the Joint Requirements Oversight Council (JROC) approved the Navy ERP Operational Requirements Document (ORD) and cleared the way for the Navy to purchase ERP software and hire an integration contractor. With the Fiscal Year 2006 Budget, the Navy will continue to capitalize on demonstrated ERP technology advances in creating and disseminating decision-making information. The ERP program is expected to continue to improve integration, leverage economy-of-scale, consolidate legacy systems and software using the best business and commercial practices available. The first release is scheduled for initial deployment in Fiscal Year 2006.

Sea Enterprise.

Sea Enterprise will improve organizational alignment, refine requirements and invest resources to re-capitalize, transform, and increase the combat capability of our Naval force. To improve efficiency, Sea Enterprise has begun initiatives to improve productivity and cost effectiveness, reduce manpower investments, streamline processes and organizations, and leverage technology. Together these initiatives will produce tens of billions in savings for the Department.

Continuous Improvement.

The Navy and Marine Corps Team continues to implement continuous improvement initiatives consistent with the goals of the PMA that enable realignment of resources to increase our output and re-capitalize our force. The cornerstone of our continuous improvement effort is the implementation of industry proven Lean and Six Sigma efficiency methodologies in our day-to-day operations. Our industrial activities are all institutionalizing closed loop continuous improvement practices. These 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.

Commander Navy Installations (CNI).

Since the establishment of CNI, we have begun to align shore assets in support of Navy requirements, to find efficiencies for Navy recapitalization and to provide consistent shore installation services in order to allow the operational commanders and major claimants to focus on primary missions. CNI is the single responsible office for Navy shore installations and the services they provide. It includes sixteen Navy regions and 98 installations. CNI is providing operating forces support, community support, base support and mission support to enhance the Navy's combat power. We are providing product and services at the right place, at the right time, at the right levels and at the right cost to achieve the right fleet readiness.

Acquisition Excellence.

We have substantially streamlined our business practices to work toward a more efficient Navy and Marine Corps. By emulating smart business practices from commercial industry, we have made management teams more product-oriented, and have pushed responsibility, authority and accountability down to the operational unit(s) or activities wherever possible. We are developing leaders with a better understanding of business strategies, cost control, program risk and rapid flexible design. In 2004, we worked with industry to identify effective ways, including the use of appropriate profit and incentive arrangements, to encourage improved performance under Navy and Marine Corps contracts.

Naval Acquisition Integrity Office.

To help guard against the ever-present danger of procurement fraud, the DON is establishing a new Naval Acquisition Integrity Office. This office will coordinate all parts of the procurement fraud program, provide training and guidance on procurement fraud matters, serve as the DON's central point of contact on this issue, establish and maintain a centralized data base for monitoring procurement fraud, and interact with other DoD procurement fraud programs. This organization will provide the necessary deterrent, detection, protection, and recovery functions through increased awareness, a streamlined reporting process, internal consistency, and improved communication among all the stakeholders.

Maintenance Initiatives.

SHIPMAIN. SHIPMAIN is a fleet wide initiative designed to improve the efficiency of ship maintenance and modernization. The primary mission of SHIPMAIN is to generate savings through improvements in the surface ship maintenance and modernization planning processes. SHIPMAIN is developing a single process that ensures that the right maintenance is identified and that it is performed at the right maintenance level at the right time.

One Shipyard Concept. The One Shipyard Concept is designed to best utilize the Nation's four public and two private nuclear shipyards and contractor support. Initially established to build commonality and leverage best practices across the nuclear capable shipyards, it has gained influence across the entire ship repair enterprise. One Nuclear Shipyard concept provides the Navy the flexibility to handle maintenance surge, emergent, and other ship work with minimal impact to ongoing projects across the public and private nuclear shipyard industrial base. Illustrative of the One Shipyard Concept in action was the post-sea trial work for USS *Virginia*. When a dry dock was not available at the Groton, Connecticut facilities of General Dynamics, the Norfolk Naval Shipyard provided a dry dock for USS *Virginia* and support facilities for 250 Electric Boat employees.

Regional Maintenance Centers (RMCs). RMCs were established to consolidate multiple commands with overlapping responsibilities for ship maintenance and modernization within the seven major fleet concentration areas. Each RMC provides a

fleet concentration area single point of contact for all ship maintenance and modernization issues. This consolidation was undertaken to gain efficiencies to support Navy recapitalization requirements. These savings are being realized through a long list of efforts: reduction of overhead positions, increased production efficiencies gained by the synergistic effect of aligning highly skilled former Fleet Technical Support Center personnel with production personnel, reduction of waste and inefficiencies, and implementation of improved ship maintenance business processes being developed under the SHIPMAIN initiative.

Naval Aviation Enterprise (NAE). NAE is improving the readiness of Naval Air Forces by defining and executing changes that will sustain near and long term aviation readiness goals, including those relative to aircraft readiness, financial management, and human capital. The aircraft readiness component of NAE is the Naval Aviation Readiness Integrated Improvement Program (NAVRIIP), a comprehensive approach that changes the way the Navy provides manpower, equipment and training in Naval Aviation commands. NAVRIIP integrates best business practices, which includes Theory of Constraints, Lean and Six Sigma, into maintenance, supply, and administrative processes. Current results include the reduction of turnaround time for production of T700 power turbines at AIMD North Island from 23 to 1.5 days. By institutionalizing this way of doing business through a single process owner who integrates the efforts of all levels of maintenance, NAVRIIP will enable significant productivity improvements and cost-wise readiness throughout the NAE.

Marine Corps Equipment. Due to continuous combat operations in support of the GWOT, the Marine Corps ground equipment usage rate is eight times greater than normal peacetime usage. The high usage rate in harsh environments, coupled with added weight of armor and unavoidable delays in scheduled maintenance due to combat, is degrading equipment at an accelerated rate. To improve equipment readiness, the Marine Corps has created a limited aircraft depot maintenance capability, coordinated with the Army to leverage their ground depot maintenance capability, and established a pool of ground equipment to expedite the replacement of damaged major items. Of note, the Marine Corps is using pre-positioned stocks to ensure the sustained readiness of deployed ground units.

Delegation of Authority / Assignment of Responsibilities.

My goal is to allow all organizations within the DON the latitude to lead their activities without intrusion from above. As we delegate responsibility and authority, we will unshackle organizations from undue administrative processes. By streamlining our organization, we are empowering activities to publish details regarding requirements and procedures at their level. The ultimate objective is to provide an environment for our people to innovate and excel in whatever job responsibility they have.

Environmental.

For the last three years, Congress has addressed critical Navy needs regarding encroachment and future training challenges. Readiness-specific changes to the Marine Mammal Protection Act (MMPA), Endangered Species Act, and Migratory Bird Treaty

Act have helped the Navy meet training and operational challenges. 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 committed to fully 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 continue to meet future challenges for military readiness, during the reauthorization debate, Congressional support is necessary to preserve the proper balance between environmental protection and military readiness previously authorized by Congress.

Information Technology.

Implementing Navy and Marine Corps Internet (NMCI) has enabled the DON to increase the security posture of our networks and has allowed unprecedented visibility into Information Technology (IT) costs and capabilities. The budget supports total NMCI-specific costs for Fiscal Year 2006 of \$1.6 billion and implementation of approximately 346,000 seats. To date, we have ordered 338,000 of the expected 380,000 seats and cutover approximately 237,000 seats. We have reduced the number of legacy applications in the Navy's inventory from 67,000 to around 8,000 – an 88 percent reduction. This reduction of applications will continue as we proceed with complete migration to NMCI throughout the Department. Additionally, we anticipate other opportunities for progress in areas such as enterprise voice, wireless connectivity, broadband remote access service for laptop computers, anti-SPAM services for all e-mail accounts, and revised focus on many customer satisfaction issues.

The DON leads a robust Information Assurance (IA) program to preserve the confidentiality, integrity, availability, authorization and non-repudiation of information on DON IT systems. The DON IA program provides the warfighter and warfighter support current IA guidance to reduce risk and vulnerabilities and enhance the security posture of the DON network/systems.

Base Realignment and Closure (BRAC).

The Fiscal Year 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 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. The goal of BRAC is to reconfigure our current infrastructure to maximize our warfighting capability. By eliminating excess infrastructure, we optimize readiness and realize significant savings. Resources freed up by this process will be used to re-capitalize our ships, aircraft, equipment and installations for the future.

Prior Rounds of BRAC. The DON 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 17 of the original 91 bases. We made significant successes on both fronts. We are using property sales as a means to expedite the disposal process as well as recover the value of the property for taxpayers. For example, we sold 235 acres in 2003 at the former Marine Corps Air Station, Tustin, California 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 public sale of the former San Pedro housing site in Los Angeles and the sale of the former Marine Corps Air Station El Toro are now underway.

We are accelerating cleanup at remaining prior BRAC locations. Of the original 161,000 acres planned for disposal from all four prior BRAC rounds, we expect to have less than five percent (or about 8,000 acres) still to dispose by the end of this fiscal year. Additionally, in 2006 we expect to dispose of property at the former Naval Station Roosevelt Roads, Puerto Rico, as directed in the Fiscal Year 2004 Defense Appropriations Act.

VII. Changing the Way We Fight

The hallmark of the Navy and Marine Corps Team has been the ability to change, adapt, and transform to meet new threats to America. The Navy and Marine Corps Team has embraced a culture of transformation that will enable us to develop new weapons systems, realign infrastructure, establish new concepts of operations, and streamline our business practices. The realization of this transformation process will ensure that we continue to contribute to joint warfighting in the future and will ensure our place as the preeminent global naval power. We appreciate the support of Congress in enabling this transformation.

Joint Concepts and Operations.

TACAIR Integration. The CNO and the CMC approved a plan in 2002 to integrate the Navy and Marine Corps tactical aviation (TACAIR) mission using fewer units of more capable aircraft. Navy and Marine Corps TACAIR integration optimizes core combat capability to meet national security requirements with fiscal efficiency. With the implementation of the FRP, the Navy and Marine Corps continue to work together to fully integrate Marine Corps squadrons into carrier air wings and Navy squadrons into the Marine Corps' Unit Deployment Plan (UDP). Highlights of the plan include:

- The TACAIR integration plan reduces the services' tactical aviation force structure by disestablishing five squadrons and reducing the total number of aircraft we plan to buy to 1,296.
- On September 12, 2004, Navy Hornet Strike Fighter Squadron 97 (VFA 97), the Warhawks, deployed to Marine Corps Air Station Iwakuni, Japan, as the first Navy squadron to deploy in support of the UDP. The Navy squadron will spend six months supporting Marine Aircraft Group (MAG) 12 before returning to Naval Air Station Lemoore, California.

Sea Basing. Central to *Naval Power 21* success is the full maturation of the Joint Sea Basing concept. When realized, Sea Basing will provide a national capability for projecting and sustaining naval power and joint forces from a base at sea, without the need to establish an intermediate land base. Sea Basing will strengthen force protection, free airlift and sealift assets to support missions ashore, and provide a foundation for projecting offensive and defensive fires. As the proliferation of weapons of mass destruction grows and the access to overseas bases declines, it is militarily and politically vital to reduce the vulnerability of our forces through the use of secure, mobile, and networked sea bases.

This year the Sea Basing Joint Integrating Concept (JIC) is in development and being worked with the Joint Chiefs of Staff and the Joint Requirements Oversight Council (JROC). Sea Basing will provide the Joint Task Force Commander with the capability to dissuade a potential adversary and, if necessary, project joint combat power within reduced timelines. This will enable persistent combat operations wherever and whenever required with operational independence of host nation or coalition nation support.

Missile Defense. A viable regional and terminal sea based ballistic missile defense system is important to ensure the safety of United States forces and the flow through foreign ports and airfields when required. Sea based missile defense can also allow us to assist allies and friends while at the same time deterring coercion and threats. During the past year, USS *Curtis Wilbur* became the first ship capable of conducting Long-Range Surveillance and Tracking (LRST) in support of homeland missile defense. In addition, during Fiscal Year 2005 the Standard Missile (SM-3) ballistic missile defense mission capability will be available for deployment onboard USS *Lake Erie* and USS *Port Royal*. Programming is in place to modify fifteen DDGs and three CGs to add the LRST and SM-3 mission capability

Sea Swap. Sea Swap is a promising initiative designed to increase forward naval presence by keeping a ship continuously deployed in a given theatre of operation, while replacing entire crews at six-month intervals. The primary objective of Sea Swap is to effectively and efficiently increase forward Naval presence without increasing operating costs. By leaving the ship in theatre and moving only the crews, the Navy saves on ship transit time and fuel costs, while at the same time increasing the ships on station time. Sea Swap has the potential to reduce force structure requirements in the long term. Consequently, the Navy is studying Sea Swap to determine the future impact on force structure.

Force Structure / Capability.

Our Department is embarked on a transformation that requires us to continuously balance force structure and capability. The transformation is driven by technology that is significantly increasing capabilities of naval systems. New operating concepts such as the Fleet Response Plan have already altered the employment and make-up of naval forces. Today's 290 ship Navy is much more capable than the more than double the size

Navy of the late 1980s. Numbers still matter, but only when carefully balanced with capabilities.

This year's budget reflects the increasing capabilities and evolving operational concepts of our forces. After careful and lengthy analysis, we decided to retire an aircraft carrier. Our assessment is that we have developed the operational flexibility and increased capability, to retire an older carrier without risk to national security. The cost avoidance of this action will allow additional investment in transformational programs that further increase our capabilities.

Our budget request increases investment accounts (Research, Development Testing and Evaluation (RDT&E), procurement, and Military Construction (MILCON)) from approximately \$49 billion in Fiscal Year 2005 to about \$52 billion in Fiscal Year 2006. Due to a confluence of numerous programs, a peak year for Navy RDT&E funding for the JSF, increased aircraft procurement, and our investments in transformational ships, we are limiting new construction to four ships in Fiscal Year 2006. In Fiscal Year 2006, we are also investing over \$1 billion in RDT&E and over \$700 million in Shipbuilding and Conversion, Navy (SCN) funding toward the first DD(X) as well as over \$1 billion in a CVN Refueling Complex Overhaul.

New Construction Ships and Submarines. Fiscal Year 2006 will be a transformational year as the Department continues the shift to next generation warships. New construction is limited to four ships as we focus on shifting to next generation surface combatants and sea basing capabilities. The total number of new ships procured over the FYDP is 49, averaging 8.2 ships per year, including the *Virginia* Class SSN, *San Antonio* Class LPD, Littoral Combat Ship (LCS), T-AKE, CVN-21, DD(X), LHA(R), CG(X), Maritime Preposition Force (Future) (MPF(F)), and the T-AOE(X). For Fiscal Year 2006, our shipbuilding programs are limited by their place in the development and initial construction phase.

In 2004, the Department delivered and commissioned the lead ship of our newest class of submarines, the USS *Virginia*, initiating a new era of undersea capabilities that are aligned to the littoral regions. The lessons learned in constructing and testing the first submarine in more than six years are being applied to the follow-on ships. The USS *Jimmy Carter* was delivered to the Navy at the end of 2004 and will be commissioned in early 2005. The Navy also commissioned five DDGs in 2004 and laid the keels for the eighth ship of the LHD Class, the first *Lewis and Clark* Auxiliary Dry Cargo Ammunition Ship (T-AKE), and the third and fourth *Virginia* Class Submarines. In Calendar Year 2004, the Navy completed three Engineered Refueling Overhauls of SSN 688 Class Submarines.

Virginia Class SSN. The Fiscal Year 2006 Budget continues the strong support for the *Virginia* submarine program and provides the funding for the eighth submarine of the Class. In addition, funds for economic order quantity and advanced procurement for the ninth and tenth submarines are requested. These ships will continue to be built using the teaming approach adopted by Congress in 1998, which maintains two nuclear capable submarine shipbuilders. The Navy is procuring one submarine per year through the FYDP.

San Antonio Class LPD. The LPD-17 is an amphibious transport dock ship optimized for operational flexibility and designed to meet Marine Air-Ground Task Force lift requirements. In 2005, the first LPD-17, *San Antonio*, will be delivered. The Fiscal Year 2006 Budget provides full funding for LPD-24, the eighth ship of the LPD-17 class.

Littoral Combat Ship. A critical component of Sea Shield is the LCS, which is envisioned to be fast, agile, stealthy, relatively small and affordable. Primary missions for the ship will include small boat prosecution, mine warfare, shallow water anti-submarine warfare, intelligence, surveillance, and reconnaissance. It will operate in environments where it is impractical to employ larger ships. LCS final system design contracts were competitively awarded to two teams in Fiscal Year 2004. The detail design and construction of the first LCS flight 0 ship is underway. Detail design for the second ship is ongoing with construction starting in Fiscal Year 2006. Procurement of the three mission packages is also planned in Fiscal Year 2006.

Lewis and Clark Class T-AKE. The Fiscal Year 2006 Budget request includes funding for the ninth ship of the class. The first eight ships have been authorized and appropriated and are under contract for construction. Lead ship construction commenced in September 2003, with a projected delivery date of January 2006. Projected delivery date for the first follow on ship is September 2006 with remaining ship deliveries at three to six month intervals.

CVN-21. CVN-21 will be the centerpiece of tomorrow's CSGs and contribute to every capability pillar envisioned in *Sea Power 21*. CVN-21 will provide the United States the capability to quickly project combat power anywhere in the world, independent of land based support. CVN-21 will increase sortie generation rate and increase survivability to better handle future threats. The new design nuclear propulsion plant and improved electric plant together provide three times the electrical generation capacity of a *Nimitz* Class carrier. This capacity allows the introduction of new systems such as Electromagnetic Aircraft Launching System, Advanced Arresting Gear, and a new integrated warfare system that will leverage advances in open systems architecture to be affordably upgraded. The Fiscal Year 2006 Budget request includes advance procurement funding for the continued development of CVN-21. The construction contract is scheduled for award in Fiscal Year 2008, with ship delivery in 2015.

DD(X). DD(X) will be a multi-mission surface combatant designed to provide precision strike, volume fires, and littoral area air defense. It will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces. Its offensive fires capability will be a critical element of our future Sea Strike and Sea Shield capabilities. The Fiscal Year 2006 Budget request includes RDT&E funds for continued technology development and advance procurement for lead ship detail design and construction. The Navy is three years into the competitively awarded DD(X) design and technology development effort. Planned technologies such as an integrated power system and total ship computing environment in an open architecture, will provide more affordable future ship classes in terms of both construction and operation. DD(X) will be the first forward fit open architecture combat

system. This investment will pay dividends to other surface ship procurements, including CVN-21 and the LHA Replacement Ship.

LHA Replacement Ship (LHA(R)). The Fiscal Year 2006 Budget request includes advance procurement funding for the LHA(R). The Navy's objective for the LHA(R) program is to replace the capability of the LHA-1 Class to provide required amphibious lift and presence capability. The Fiscal Year 2007 Flight Zero ship features improved aviation capabilities. With the addition of advance procurement in Fiscal Year 2006, construction of the LHA(R) has been accelerated to start in Fiscal Year 2007.

Maritime Preposition Force (Future) (MPF(F)). Most prominent in highlighting the value and power of the nation's naval expeditionary capability was the Marine Corps' participation in OIF. Success in this operation was due to our naval dominance, our expeditionary nature, and our flexibility and adaptability to defeat the challenges posed by enemy threats. Among other naval assets, eleven strategically located Maritime Prepositioning Ships (MPS) were unloaded in 16 days to provide the equipment and sustainment required for two Marine Expeditionary Brigades. Exploiting the operational speed, reach, and inherent flexibility of seapower, the Navy and Marine Corps Team achieved a rapid buildup of sustained warfighting power that was combat ready to support United States Central Command. The current MPS ships are essentially forward-located floating warehouses with limited sea-based logistics support capabilities. They can only off-load pier-side, or in-stream close to shore under favorable weather and sea conditions, or in a protected harbor. They have a very limited ability to facilitate rapid force closure due to limited ship transit speeds and extended periods for off-load, assembly and distribution. Equipment must be off-loaded from the existing ships, made ready for combat, and married up with the troops ashore prior to beginning combat operations. The MPF(F) will eliminate these limitations and provide for a greatly expanded joint military capability including decking for strike aircraft.

T-AOE(X). The next generation fast combat support ship is being studied and may eventually replace the *Sacramento* Class of fleet auxiliaries. The T-AOE(X) is envisioned to provide rapid replenishment at sea of petroleum, munitions, provisions, and fleet freight. Acquisition is currently scheduled to start in Fiscal Year 2009.

Ship / Submarine Conversions and Modernizations.

SSGN. The Fiscal Year 2006 Budget provides the funding to convert the last of four SSBNs to SSGNs. When complete, the SSGN will be a covert conventional strike platform capable of carrying up to 154 Tomahawk missiles and supporting deployed special operating forces.

Cruiser (CG) Modernization. The CG Modernization program was restructured in Fiscal Year 2006 in accordance with Congressional direction. Under the restructured plan, the older Baseline 2 and 3 ships will be modernized first. Funding begins in Fiscal Year 2006 for long lead-time procurements for a Fiscal Year 2008 Baseline 2 modernization availability. This modernization will reduce combat system and computer

maintenance costs, replace obsolete combat systems, and extend service life. It will also incorporate manpower reduction improvements and quality of service enhancements from the smart-ship program.

CVN-70. The Fiscal Year 2006 budget provides funds for the first increment of the CVN-70 Refueling Complex Overhaul (RCOH). The planned schedule will have the CVN-70 available to the Fleet in late 2009, after both RCOH and subsequent work-ups.

SSBN Extended Refueling Overhaul. The refueling and overhaul of the USS *Alabama* is budgeted in Fiscal Year 2006. This is the second SSBN ERO that will sustain our strategic forces well into the future.

Mine Warfare. The Fiscal Year 2006 Budget includes funding to support the Navy's goal of an organic mine countermeasures capability while upgrading the dedicated mine countermeasure force. The budget continues the development and integration of five organic systems for the MH-60S platform to be deployed from the LCS: the AQS-20A Minehunting System, the Airborne Laser Mine Detection System, the Airborne Mine Neutralization System, the Rapid Airborne Mine Clearance System, and the Organic Airborne and Surface Influence Sweep System. The Fiscal Year 2006 Budget request also supports the development and procurement of the Remote Minehunting System integrated into DDG-51 hulls 91-96 as well as for deployment from the LCS. In Fiscal Year 2006, 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 requested resources to replace our maintenance-intensive mine neutralization system (AN/SLQ-48) with an expendable mine neutralization system. For the Marine Corps, the budget continues to support the Assault Breaching System, that, when fielded, will counter the mine and obstacle threat in the beach and surf zones.

Aircraft. The Department's Fiscal Year 2006 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. Including the aircraft funded with RDT&E, the number of aircraft requested increases from 115 in Fiscal Year 2005 to 138 in Fiscal Year 2006. This includes the first four EA-18G aircraft, five VXX helicopters and three Firescout unmanned aerial vehicles (UAV). 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 and EA-18G, the E-2C, and the MH-60S programs.

F-35 Joint Strike Fighter (JSF). Our recapitalization plan includes the JSF, a stealthy, multi-role fighter aircraft designed jointly to be an enabler for Sea Strike and Sea Shield. The Fiscal Year 2006 Budget contains funding for the continuation of System Development and Demonstration (SDD) on the JSF. The JSF will enhance the DON's precision strike capability with unprecedented stealth, range, sensor fusion, radar

performance, combat identification and electronic attack capabilities. Carrier based JSF will complement the F/A-18E/F and EA-18G in providing long range strike capability and much improved persistence over the battlefield. The Short Take Off / Vertical Landing (STOVL) JSF combines the multi-role versatility of the F/A-18 and the basing flexibility of the AV-8B. The commonality designed into the JSF program will reduce acquisition and operating costs and allow enhanced interoperability with our Allies and sister Services. The JSF continues working to translate concept designs to three producible variants. Manufacture and assembly of the first flight test Conventional Take Off and Landing (CTOL) aircraft is underway, with assembly times much less than planned. Detailed design work continues for the CTOL and STOVL variants. The first flight is scheduled for 2006. The JSF program has aggressively addressed weight and airframe design issues identified last year. All three variants are projected to meet key performance parameter requirements. The JSF program is completing a re-plan effort that began approximately a year ago. The Fiscal Year 2006 Budget reflects the revised SDD and production schedule.

F/A-18E/F and EA-18G. The F/A-18E/F continues to be the centerpiece of Navy combat aviation and entered into a five year multi-year procurement contracting starting in 2004. The F/A-18E/F program has also been funded to introduce a transformational radar, helmet-mounted sight, advanced targeting pod, and a fully integrated weapons system. The budget also includes funding for the first EA-18G, which is the follow-on aircraft to the EA-6B electronic attack aircraft.

MH-60R / MH-60S. The Fiscal Year 2006 Budget requests funding for the procurement of 12 aircraft and continued RDT&E for the replacement and upgrade of Light Airborne Multi-Purpose System MK III SH-60B and carrier-based SH-60F helicopters to the new configuration designated as MH-60R. In addition, the budget requests funding for RDT&E and the procurement of 26 MH-60S, which is the Navy's primary combat support helicopter designed to support Carrier and Expeditionary Strike Groups.

V-22. The V-22 program is designed to meet the expeditionary / vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and to supplement the special mission aircraft for U.S. Special Operations Command. The Fiscal Year 2006 Budget request includes funding for 11 V-22s (9 MV-22s and 2 CV-22s) and funding for continued aircraft testing and evaluation. Progress continues towards delivering a high-quality aircraft that improves capability and interoperability of the aircraft, reduces production costs, and maximizes 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. V-22 test pilots have recorded more than 4,500 flight hours since that time. The V-22 will enter Operational Evaluation in March 2005, leading to a full rate production decision expected in late Calendar Year 2005.

AH-1Z/UH-1Y. The current fleet of AH-1W attack helicopters and UH-1N utility helicopters continues to perform superbly in the GWOT. High demand for their capabilities in a harsh environment is highlighting known deficiencies of these aging

helicopters – particularly with regard to crew and passenger survivability, payload lift, power, endurance, range, airspeed, maneuverability, and supportability. The DON determined that the H-1 Upgrade Program is the most cost-effective alternative for the Marine Corps' attack and utility helicopter requirements. The H-1 Upgrade Program is a key modernization effort designed to resolve existing safety deficiencies, enhance operational effectiveness of both the AH-1W and the UH-1N, and extend the service life of both aircraft. In October 2003, the program entered initial low-rate production. A follow-on low-rate production is scheduled to start in February 2005, and operational and evaluation testing is planned to begin in July 2005. Due to aircraft attrition in combat operations, we plan to pursue funding in the future for a 'build - new' strategy for additional AH-1Z and UH-1Y aircraft, in order to prevent inventory shortfalls that would be unacceptable in light of current and expected operational commitments.

Multi-Mission Maritime Aircraft (MMA). In June 2004 the Navy selected Boeing's 737 for the MMA. The MMA will be a long-range Anti-Submarine Warfare (ASW), Anti-Surface Warfare (ASUW), and ISR aircraft capable of broad area maritime and littoral operations. The MMA is the replacement for P-3C Orion and will begin to enter the fleet in 2013.

CH-53X. The Marine Corps' CH-53E continues to demonstrate its value as an expeditionary heavy-lift platform, with significant assault support contributions in Afghanistan, the Horn of Africa and Iraq. Vertical heavy lift will be critical to successful 21st century operations in anti-access, area-denial environments, enabling the force application and focused logistics envisioned within the joint operating concepts. The CH-53X series aircraft will address our emerging heavy-lift requirements. The Fiscal Year 2006 Budget requests RDT&E funds to begin the System Development and Demonstration phase of the CH-53X program.

Advanced Hawkeye (AHE). The AHE program will modernize the E-2 weapons system by replacing the current radar and other system components to maintain open ocean capability while adding a robust overland capability against current and future cruise missile type targets. The budget requests funds to procure two E-2Cs as the third year of a four-year multi-year procurement. This effort will keep the production line viable while the AHE continues spiral development toward an Initial Operational Capability (IOC) in Fiscal Year 2011.

Presidential Replacement Helicopter (VXX). The Fiscal Year 2006 Budget requests RDT&E funding for VXX systems development efforts and the procurement of five pilot production aircraft. The goal of this accelerated program is to introduce a new Presidential helicopter by October 2009. The VXX program will utilize an evolutionary acquisition approach through a two-part incremental development to deliver a safe, survivable and capable vertical lift aircraft while providing uninterrupted communications with all required agencies.

Marine Corps Equipment. The Fiscal Year 2006 Budget supports the development and fielding of equipment used by Marine Corps ground forces. The

Marine Corps' number one ground acquisition priority continues to be the Expeditionary Fighting Vehicle (EFV). The EFV will join the MV-22 and the LCAC as an integral component of the amphibious triad required for executing expeditionary maneuver warfare. Low-rate initial production procurement begins in Fiscal Year 2007 and will start delivery in Fiscal Year 2008. The Department intends to procure 15 vehicles in Fiscal Year 2007 with IOC planned for Fiscal Year 2010.

Also critical to the Marine Corps transformation efforts is the Lightweight 155 Howitzer (M 777). The M 777 is a joint USMC / Army 155mm towed artillery system that will provide significant improvements over the current M198 system. The M 777 is currently in its third year of low-rate initial production for the Marine Corps.

Marine Corps modernization efforts within the Fiscal Year 2006 Budget include the High Mobility Multi-Purpose Wheeled Vehicle (HMMWVA2) program and the Light Armored Vehicle Product Improvement Program (LAV PIP).

Unmanned Aerial Vehicles (UAV). The Fiscal Year 2006 Budget continues to demonstrate the DON's commitment to develop, acquire, and field transformational UAV technologies for ISR and tactical missions. The Navy's UAV programs are focused on two areas, the Vertical Takeoff and Landing Tactical UAV (VTUAV), designated the Fire Scout, and the Broad Area Maritime Surveillance (BAMS).

The Fire Scout (VTUAV) is capable of operating from all air-capable ships. It carries modular mission payloads and operates using the Tactical Control System (TCS) and Tactical Common Data Link. The Fire Scout will provide day / night real time ISR and targeting as well as communication-relay and battlefield management capabilities for ASW, MIW and ASUW on LCS. The BAMS UAV program will meet the Navy requirement for a persistent ISR capability as well as address the growing ISR gap and the shortfall in maritime surveillance capability. The BAMS UAV System is intended to be a Navy fleet asset for tactical users such as Battle Group Commanders and the Joint Forces Maritime Component Commander (JFMCC).

The Marine Corps continues to examine options for the sustainment and eventual replacement of its aging Pioneer fleet. Requirements for Vertical Unmanned Aerial Vehicle (VUAV) are being developed in consonance with Ship to Objective Maneuver concepts from Expeditionary Maneuver Warfare and with lessons learned from recent operational experience. The Marine Corps will procure a small number of United States Coast Guard Eagle Eye tilt rotor UAVs as an interim step to replace the Pioneer.

Finally, the Air Force and Navy Joint Unmanned Combat Air System (JUCAS) will provide persistent, carrier-based penetrating surveillance in high threat areas that will leverage existing investment in long-range weapons to ensure access against future threat air defense systems to allow strike options with low risk of friendly loss/capture. This joint program is in the science and technology development and demonstration phase.

Unmanned Surface Vehicles (USV). The Fiscal Year 2006 Budget request supports advanced technology development for a mine influence system integrated into an unmanned 11-meter craft for deployment from LCS.

Unmanned Ground Vehicles (UGV). We continue to pursue man-transportable robotic systems to perform explosive ordnance disposal tasks, to include technology development of bottom crawling vehicles for mine reconnaissance and neutralization.

Unmanned Undersea Vehicles (UUV). The Fiscal Year 2006 Budget continues the development of a family of Unmanned Undersea Vehicles as described in the UUV Master Plan issued in 2004. The Modular 21-inch UUV program will provide a robust mine counter measures capability that can be deployed covertly. Its design will support the ability to reconfigure for other missions due to its open architecture design. A family of smaller diameter (7.5-inch), low-cost, man-deployable UUVs will provide the capability for mine clearance in shallower areas as was demonstrated during OIF, as well as support force protection missions. In Fiscal Year 2006, we are initiating the development of a 12.75-inch UUV for deployment from LCS in support of mine countermeasures missions and environmental data gathering. A larger diameter UUV will provide a long endurance capability and expand the types of missions that can be conducted.

Munitions Programs. During OEF and OIF, the Department expended less precision ordnance than projected. As a result, the purchases for Fiscal Year 2006 have been decreased for Joint Direct Attack Munitions (JDAMs) and Laser Guided Bombs (LGBs). This decrease in procurement provides no increased risk to the DON but merely reflects lower ordnance utilization rates. Partnerships with the Army and the Air Force in several of our munitions programs continue to help us optimize both our inventories and our research and development investments

The Navy provided an Early Operational Capability (EOC) and accelerated deliveries for 500-pound JDAM variant (GBU-38) for Navy F/A-18E/F platforms. This variant was deployed immediately after approval for production was granted as it met an urgent warfighter need to deploy precision munitions with limited collateral effects in congested urban environments in support of OIF. The 500-pound JDAM filled the mission need so well that over one third of the initial inventory was expended within one month of weapons arriving in theater. This resulted in a Navy and Marine Corps request for accelerated production and delivery. The Fiscal Year 2006 Budget funds JDAM to meet all known warfighter demands and we will closely monitor expenditures to make any adjustments, as needed.

We also approved a new variant of the JSOW family of weapons for Full Rate Production in December 2004. Similar to the new 500-pound JDAM program, this capability is in demand by the warfighter to provide new options for precision attack against point targets vulnerable to blast fragmentation effects and hardened targets.

Technology Insertion. We continue to sustain a robust RDT&E effort as we transform the Navy and Marine Corps to the next generation of combat systems. This budget reflects our commitment to future transformational capabilities maintained in joint forward sea basing initiatives and technology insertion for major platforms including DD(X), LCS, SSN, VXX and MMA, and supports a new design for future undersea superiority system. While the long term pace of transformational programs has slowed in this budget, desired future capabilities have been preserved across the warfighting

spectrum. Continued technology improvements will ensure Naval forces' ability to project offensive power, defend the homeland, and sustain operational independence around the world.

Science and Technology (S&T). The Navy pursues an integrated and comprehensive science and technology program, from basic research through manufacturing technology, focused on enabling the Naval warfighter as outlined in the Department of the Navy's vision *Naval Power 21*. The President's Budget request for science and technology efforts to support the Navy and Marine Corps Team is \$1.8 billion. Program officers manage specific investment portfolios and are responsible for integrating basic research with applied science and technology in their areas, while promoting the effective and expeditious transition of discovery and invention into real-world applications. The success of the Navy S&T program is not measured simply by the basic science it supports, but also by the successful transition of that science to support our Sailors and Marines in the field.

FORCENet. The Navy and Marine Corps FORCENet is an initiative to achieve Net Centric Warfare and joint transformation by providing robust information sharing and collaboration capabilities across the Naval enterprise and with other services, agencies, the joint community, and coalition partners. We are beginning to implement FORCENet capabilities in our acquisition programs, including programs that procure either warfighting or support systems afloat and ashore, to provide this critical capability as soon as possible across the Department. We expect FORCENet-supported operations to have a higher tempo and greater effectiveness, efficiency and adaptability. In short, we expect better results faster, with less waste and greater responsiveness to changing circumstances. Some distributed network concepts and systems that provide the building blocks for FORCENet include: Open Architecture, Cooperative Engagement Capability, Mobile User Objective System, and Joint Tactical Radio System.

VIII. Conclusion

The Navy and Marine Corps Team is providing great value to our Nation. Today, your Navy and Marine Corps Team is forward deployed, answering the call in protecting America's strategic interests. "Being there" around the world, around the clock, with combat ready forces – your Navy and Marine Corps Team will continue to be ready to win the fight across a wide range of contingencies.

The Fiscal Year 2006 Budget request is both about prevailing in today's environment and bridging for a successful future. While we are balancing between today and tomorrow's force, we are clear in purpose and focused on success in the future. We are confident in our capabilities and where we are headed together with the joint force. In preparing for the future, we will never overlook the present. With this budget, we have set a course to win our Nation's wars and transform to meet future challenges.

In supporting the challenges outlined in the Fiscal Year 2006 Budget request, Congress will continue to provide the DON the right capability at the right time to meet our Nation's needs.