

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS AND
AND MANAGEMENT SUPPORT

STATEMENT OF
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BEFORE THE
SENATE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON MILITARY READINESS AND
MANAGEMENT
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Navy Readiness

Chairman Akaka, Senator Thune, and distinguished members of this subcommittee, I am privileged to appear before you today along with my Service counterparts, to testify on the readiness of our military forces. The brave men and women, Sailors and civilians, of the United States Navy continue to perform exceptionally well under demanding conditions and Congressional support remains fundamental to their success. Your Navy will remain the preeminent maritime power, providing our country a global naval expeditionary force committed to global security and prosperity.

INTRODUCTION

We remain a maritime nation that relies heavily on the security of the vast maritime commons. This is the setting in which our country and its allies compete for global influence; a setting that is typically characterized neither by absolute warfare nor absolute peace. While defending our citizenry and defeating our adversaries in war remains the undeniable ends of seapower, it must also be applied more broadly if it is to serve our national interests through promoting greater collective security, stability, and trust.

Before I address our current budget submission and continuing readiness challenges, I will review the many successes achieved against a challenging backdrop this past year.

2007 ASSESSMENT

Throughout 2007, your Navy repeatedly demonstrated its global maritime dominance and influence, the essence of our maritime strategy. Our Sailors performed superbly, combating terrorism across a broad spectrum of missions including Operation Iraqi Freedom and Operation Enduring Freedom as well as fighting for the hearts and minds through international disaster relief, humanitarian missions, and providing defense capabilities in support of civil authorities.

In January, when Iran's provocations led the President to call for the presence of two carriers in the Central Command area of operation, Navy responded by surging USS

RONALD REAGAN (CVN 76). With our Fleet Response Plan (FRP) operational availability construct as the enabler, within weeks Navy had two CSGs on station and had deployed a third CSG during our Japan-based carrier's scheduled maintenance.

Navy continued its significant contribution to the Joint Force supporting Operation Iraqi Freedom and Operation Enduring Freedom in 2007. In addition to maintaining the elevated OPTEMPO of our SEABEES, Explosive Ordnance Disposal teams, and SEALs, the Navy Expeditionary Combat Command (NECC) deployed Navy's first two Riverine Patrol Squadrons (RIVRON), aligning seams in maritime security operations as Navy returns to the brown-water environment. Navy F/A-18 Hornets, operating from the USS ENTERPRISE supported Air Force-apportioned missions in Afghanistan after the Air Force grounded its F-15 aircraft. Other equally important contributions to stabilizing the security posture in the Middle East were provided by Navy port operations support units, maritime patrol aircraft, medical teams, and leadership and support for Joint Task Forces at Guantanamo Bay and the Horn of Africa, Provincial Reconstruction Teams, the detention center at Camp Bucca, and the Counter Radio-Controlled Electronic Warfare (CREW) group. On any given day, Navy forces contributed more than 25 ships and submarines, 440 aircraft, and 22,000 Sailors serving both afloat and ashore to the CENTCOM Joint effort.

Navy continues to increase the capacity of our allies through our Theater Security Cooperation (TSC) and Foreign Military Sales (FMS) programs. Our persistent global presence using distributed forces that are mission tailored, increase the effectiveness of our coalition partners through bi-lateral and multi-lateral naval exercises. Some of the notable engagements include exercise Malabar with the Indian, Japanese, Australian, and Singapore navies, FRUKUS with the French, Russians, and British, and Phoenix Express with European and Northern African navies. Meanwhile, exercise Valiant Shield brought together three Carrier Strike Groups, six submarines, and a wide array of Navy and Joint capabilities. Likewise, FMS is an important aspect of our security cooperation programs that is designed to improve interoperability, military-to-military relations, and global security. The sale of USS TRENTON to the Indian Navy, USS HERON and USS PELICAN to Greece, and USS CARDINAL and USS RAVEN to Egypt are recent examples of our FMS program in action.

This past year, the Navy-Marine Corps team worked closely with the State Department and relief agencies as first responders to three natural disasters showcasing Navy's operational agility and logistics expertise. The USNS GYSGT FRED W. STOCKHAM provided relief to tsunami victims in the Solomon Islands by delivering almost 8 tons of relief supplies; providing more than 140 aid workers; and flying 30 sorties and 20 medical evacuations (MEDEVAC). The USS WASP, USS SAMUEL B ROBERTS, and USNS COMFORT participated in Hurricane Felix relief efforts in Central America. During a period of one week, they provided more than 500 aid workers, flew more than 150 sorties and 70 MEDIVACs, and delivered more than 23 tons of food, 11 tons of water, and one ton of medical and infant supplies. Most recently, USS KEARSARGE/22nd MEU and the USS TARAWA/11th MEU responded to the cyclone that hit Bangladesh in November 2007 by delivering nearly 60 tons of drinking water and 127 tons of supplies; flying 115 sorties; and treating more than 2,300 patients.

Navy humanitarian assistance (HA) efforts continue to have a positive impact on America's image abroad, influencing perceptions across the spectrum from the personal level to the political and national levels. Navy's 2007 outreach was provided by USNS COMFORT and USS PELELIU who, combined, visited 20 countries, treated more than 130,000 medical, 29,000 dental, and 20,000 veterinarian patients, conducted more than 1400 surgeries, performed more than 60 engineering projects, and invested 3,000 man-days in community relations projects.

Navy also proudly demonstrated its ability to provide defense support to civilian authorities as part of several NORTHCOM led unified missions. In August, Mobile Dive and Salvage Unit Two (MDSU 2) assisted the Department of Transportation and the State of Minnesota in response to the tragic collapse of a bridge along I-35 in Minneapolis. MDSU 2 divers conducted hand over hand search in the Mississippi River locating remains and assisting in debris removal efforts. Two months later, Navy provided fixed and rotary wing aircraft assistance in battling the wildfires ravaging the San Diego countryside. Navy civilian firefighters worked shoulder to shoulder with state and local organizations fighting the Harris Ranch and Witch Creek fires while Sailors, including medical personnel provided relief to civilian evacuees. Our mission of

support, compassion, and commitment is enduring and codified in our maritime strategy.

On the manpower front in 2007, more than seventeen thousand Individual Augmentees (IA) were specially trained in support of GWOT, OIF, and OEF, in assignments far removed from the sea. Our Active Component (AC) IAs now receive notification an average of 46 days prior to execution of orders. Our Reserve Component (RC) receives notification an average of 54 days in advance. Navy is committed to remaining responsive to COCOM requirements as it works towards its goal of 60 days advance notification. A new Global War on Terror Support Assignment (GSA) detailing process incorporates current IA assignments. The short-term goal of GSA detailing is to create an environment where GSA assignments are the normal business practice and IAs are the exception.

Navy also recently opened the Comprehensive Combat and Complex Casualty Care facility, a 30,000 Square foot, \$4.4 million Prosthetic and Rehabilitation Service in San Diego, as it expanded screening and caring for all its wounded, ill, or injured Sailors including those at risk for Post Traumatic Stress Disorder (PTSD) and Traumatic Brain Injury (TBI).

In 2007, Navy continued to meet the majority of its recruiting and retention goals. We exceeded our enlisted accession goals for the ninth consecutive year but were only able to achieve 98% of our active officer goal and 52% of our reserve officer goal resulting in shortfalls in medical students and chaplains. Likewise, Navy achieved all of its enlisted retention and attrition targets while facing increasing challenges to retaining its Captains (O-6).

Last year, Navy commenced execution of its third phase of its diversity campaign. This phase is dedicated to holding navy leadership accountable at the highest levels in our enterprises and challenging them to ensure that our top talent is provided the opportunity to compete for timely, competitive and meaningful key assignments. Additionally, we have moved to systematic engagements with our affinity groups, historically black colleges and universities, and Hispanic institutions working at the national, regional, and local levels to ensure a coordinated and focused approach in reaching minority students. Accordingly, we

have increased our opportunity to attract diverse talent by actively engaging in our outreach to younger minority students and their influencers in order to raise awareness and provide substantive information on the importance of the science, technology, engineering, and math disciplines. Finally, we have revamped diversity training throughout the learning pipeline from enlisted boot camp to the Senior Enlisted Academy, as well as from the most junior officer to our new flag officers, in order to communicate a coherent, compelling, and consistent message at all levels of the chain of command.

National Security Personnel System (NSPS) implementation for our Navy civilian employees remains on track as well. Since its Navy inception, 28,000 employees have been successfully converted to NSPS with 32,000 more targeted for conversion through November 2008. Developing better tools to attract and retain quality civilian employees remain key human resource elements of NSPS and are vital to the system's success and the Department's ability to complete implementation by the end of 2009.

Navy remains committed to good stewardship of the taxpayers' dollars. We have heightened our review and understanding of output metrics and their relationship to warfighter needs. We are looking at the cost of readiness and driving out inefficiencies through application of LEAN thinking while seeking to generate increased readiness at reduced cost. Additionally, Navy continues its transformation from a vertically oriented, administrative/business structure into a more responsive and transparent matrixed model known as the Navy Enterprise Framework. Though still maturing, the Navy Enterprise Framework will better leverage the value streams of people, dollars, and materiel needed to deliver warfighting readiness to Navy Component and Combatant Commanders. This transformation extends down to the unit level, shifting from a force structure focus to one that is capability centered.

Last Fall, the CNO, along with the Commandants of the Marine Corps and Coast Guard, unveiled the Cooperative Strategy for 21st Century Seapower. This unprecedented, collaborative strategy incorporates input from the American public, obtained through a series of "Conversations with the Country", business leaders, and the academic community. The strategy identifies expanded core capabilities of the

Maritime Services: forward presence, deterrence, sea control, power projection, maritime security, and humanitarian assistance and disaster response. This template for maritime capability and capacity is designed to protect our homeland, secure strategic access, and preserve global freedom of action. It guides our enduring cooperation with existing and emerging partners and builds bridges of trust with the international community.

The maritime strategy will guide our investment decisions and for the development and execution of policies, plans, and programs for current and future operations. It informs our Navy Strategic Plan (NSP), which aligns budgetary decisions with future operations and risk assessments, and our Naval Operating Concept (NOC), which delineates the objectives and missions of the Navy and underscores our warfighting interdependence.

CURRENT READINESS (FY 2008)

Navy's current readiness remains moderately strong. Congressional support has been critical in this regard and, as a result, Navy units and individual augmentees deploy combat ready - properly trained and properly equipped. We continue to be the most dominant and influential naval force, globally, and across all maritime missions.

On the 20th of February, the Navy succeeded in intercepting a non-functioning National Reconnaissance Office satellite in its final orbits using a single modified tactical Standard Missile-3 (SM-3) fired from USS LAKE ERIE (CG 70). The one-time modifications made to a finite number of missiles will be reconfigured back to the anti-ballistic missile (ABM) configuration. Further, the Aegis Ballistic Missile Defense (BMD) system which was deployed does not have the capability to shoot satellites with the one exception of this unique mission. The interception of this satellite does, however, demonstrate the adaptability of our forces and systems to the BMD mission.

A further example of the flexibility of our forces and the relevance of our Maritime Strategy is the first ever Africa Partnership Station (APS) which is currently deployed to West and Central Africa through May 2008. Part of the Global Fleet Station concept, APS seeks to support regionally sustained, focused training and multinational/interagency collaboration. To date the USS

FORT MCHENRY, USS ANNAPOLIS, and HSV SWIFT have participated with 12 nations, bolstering maritime security by increasing African maritime capability and promoting economic prosperity and stability through trust.

On 25 March 2008 we had 104 ships on deployment (37% of the Fleet) and 143 ships underway (51% of the Fleet) in every theater of operation. This includes seven aircraft carriers and four big deck amphibious ships (LHA/LHD) (Figure 1).

A Day in the Navy 25 March 2008

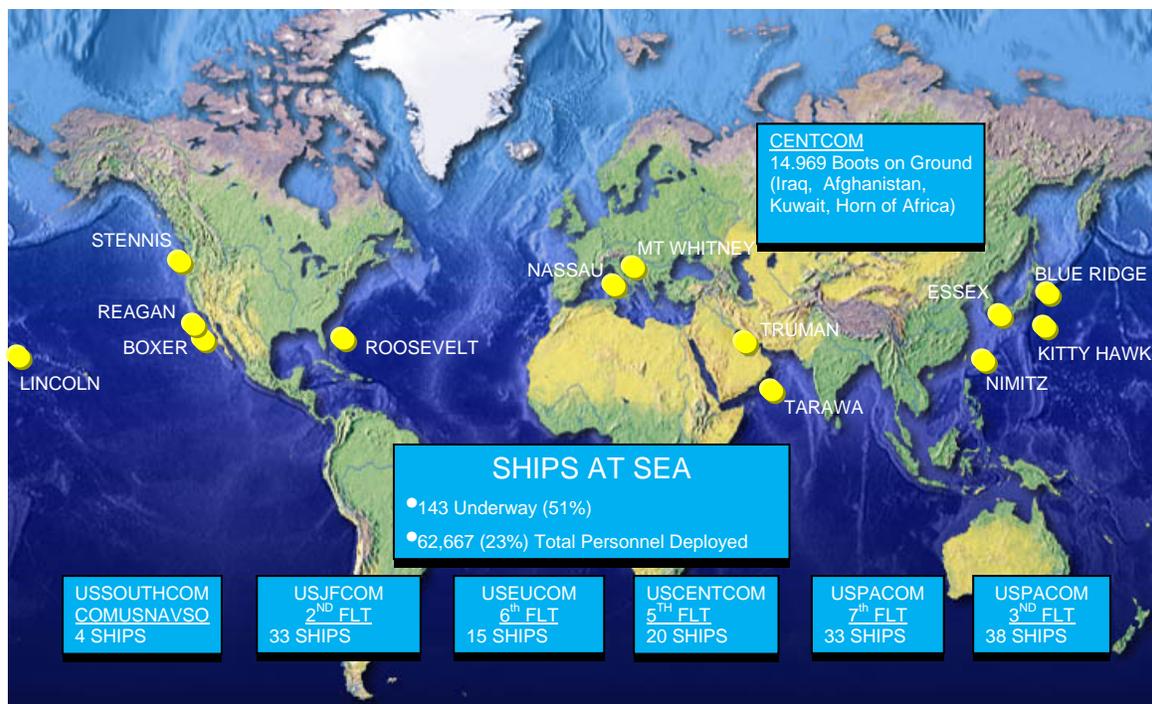


Figure 1

That same day, 2,746 active and reserve Seabees, and 4,065 members of our active and reserve medical corps were serving overseas, many in combat support roles. Additionally, 831 members of the Navy Special Warfare community were deployed overseas (of 3,616 deployable), as were 288 Explosive Ordnance Disposal personnel (of 552 available to deploy), and 862 Naval Coastal Warfare/Expeditionary Security Force personnel (of 3,057 deployable).

The Navy's Individual Augmentation (IA) program is central to Navy's ability to support the Global War on Terror

(GWOT), and is a near-seamless integration of our Active and Reserve components. Since 11 September 2001, over 48,000 Navy Reservists have been mobilized in support of the GWOT. On any given day, over 20,000 citizen-Sailors (or 29% of the Reserve Force) are on some type of Active Duty (AD) or Inactive Duty (ID) orders at their supported commands meeting global COCOM requirements. This number includes about 5,000 Reserve Component (RC) Sailors mobilized in support of OIF and OEF. Additionally, we maintain the capacity to rapidly increase contingency support with more than 28,000 RC Sailors yet to be mobilized.

Navy continues to refine its process for identifying, assigning, and training its IAs. This year, we expect to more than double the number of Sailors assigned to IA orders via the GWOT Support Assignment (GSA) order process. This process seeks to eliminate uncertainty, improve Sailor and Family support, enable and reward volunteerism, and ensure detailers involvement in Sailors' professional development and career progression. Begun in 2007, this process will be used for 73% of the IA assignments by the end of FY 2009. Once a Sailor has been assigned a GWOT mission they are supported by various initiatives under the direction of the Expeditionary Combat Readiness Center (ECRC). Significant improvements in 2007 included: 1) Established permanent Navy Liaison Officer (LNO) support at all major Army training sites with a significant IA Sailor training population, 2) Coordinated Army issue of Operational Clothing & Individual Equipment, ensuring all IA Sailors are fully equipped with the same top line combat gear as US Army Soldiers to perform their mission, 3) Implemented Warrior Transition Program (WTP) in Kuwait for returning IA Sailors incorporating various aspects of post-deployment medical and Combat Operational Stress Control screening and counseling to ensure returning Sailors receive the appropriate post-deployment care, and 4) Coordinated with CNIC's Fleet and Family Service Centers and OMBUDSMAN to host various IA Family Forums, Family Readiness Briefs, and Family Support "Webinars." Because Operational Stress is an everyday fact of life for all Sailors, Navy has embarked on an initiative to de-stigmatize how stress management is viewed. This effort will foster a culture of resiliency and mutual support that equips our Sailors and families to better function in a high-OPTEMPO GWOT environment.

Navy also continues to emphasize Family support and compassionate medical care for our wounded Sailors. Our focus on our Sailors and their Families has resulted in achieving a lower than national average suicide rate, a reduction in disciplinary incidents, and a significant decline in the number of divorces in the first quarter of FY 2008. Additionally, Navy medicine is adapting its care to ensure the medical and psychological well-being of all deployed and returning personnel. Navy's continuum of care includes extended monitoring of physical and psychological health from pre-deployment to beyond post-deployment, redesigned expeditionary medical facilities, and access to the Safe Harbor Program for severely wounded, ill, and injured Sailors. Safe Harbor provides: personalized assistance and contact after reaching a CONUS hospital, resources to meet identified non-medical needs of the member and family members, establishing and maintaining contact with the Sailor's command, proactive outreach and visitation services, and support for Sailors to return to the service or transition to civilian life. Recently, Safe Harbor's mission expanded to become the focal point for case tracking, policy oversight, and individualized case management (on an as-needed basis) for Navy wounded, ill, and injured. We are enacting this concept as a logical evolution from our existing processes, to an enhanced, more comprehensive care capability.

Navy is postured to continue generating ready forces for the current fight while maintaining the capability and capacity to surge assets in response to national tasking. FRP has been extraordinarily effective for the last five years because it has prepared Navy well to respond to global events. Because of the FRP operational availability construct, Navy remains poised to provide our Nation the capability to open doors whenever and wherever needed and hold them open for the follow-on forces.

FY 2009 BUDGET REQUEST

The FY 2009 Navy budget reflects a commitment to deliver worldwide presence, credible deterrence and dissuasion capability, the ability to project power from navy platforms anywhere on the globe, and the ability to prevail at sea. This budget reflects the best balance of resources to achieve this priority across the triad that produces readiness now and in the future; acquisition of key platforms and weapons systems, personnel, and the

operations and maintenance that sustains and trains our forces. The FY 2009 budget and its associated force structure plans represent the capabilities needed to meet current and future strategic challenges with a moderate, trending towards a significant, degree of risk.

ACQUISITION - BUILDING A FLEET FOR THE FUTURE

SHIP PROGRAMS

The FY 2009 budget continues to shift to next generation warships, providing an increase of three ships from FY 2008 (Figure 2). The FY 2009 shipbuilding budget funds seven ships, including the eleventh VIRGINIA class fast attack submarine, the third DDG 1000, two Littoral Combat Ships (LCS), two T-AKE Dry Cargo and Ammunition Ships and the first Joint High Speed Vessel (JHSV) for the Navy.

Shipbuilding Programs

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY09-13</u>
CVN 21	1	-	-	-	1	-	1
SSN 774	1	1	1	2	2	2	8
CG(X)	-	-	-	1	-	1	2
DDG 1000	-	1	1	1	1	1	5
LCS	1	2	3	3	4	6	18
LPD 17	1	-	-	-	-	-	-
JCC(X)	-	-	-	-	1	-	1
JHSV	-	1	1	1	1	1	5
T-AKE	-	2	-	-	-	-	2
MPF Aviation	-	-	1	-	-	-	1
MPF LMSR	-	-	-	-	1	-	1
MPF MLP	-	-	1	-	1	1	3
New Construction	4	7	8	8	12	12	47
Sea Shore Connect tors	-	-	-	1	-	3	4
CVN RCOH	-	1	-	-	-	1	2
SSBN ERO	1	1	1	1	1	1	5

Figure 2

Note: JCC(X) has been renamed LCC (R)

The budget provides the second increment of funding for the construction of the lead CVN-21 aircraft carrier, the USS GERALD R FORD (CVN 78), and advance procurement funding for CVN 79. Likewise the budget provides funding for DDG 1002, the third ship of the class, and advance procurement funding for DDG 1003. Consistent with the FY 2008 National Defense Authorization Act, directing a cost cap of \$460 million for future LCS procurements, Navy

budgeted for two more LCSs in FY 2009 as well as Mine Countermeasures Warfare, Anti-Submarine Warfare, and Anti-Surface Warfare mission module packages. The FY 2009 budget includes funds for the second and third Guided Missile Cruiser (CG) mods designed to extend the service life of these platforms to 35 years. To pace the 2020 threat environment, the FY 2009 budget includes funding for the long lead time elements of the backfit modernizations of three Guided Missile Destroyers (DDG) in FY 2011. Additionally, the FY 2009 budget continues the Landing Craft Air Cushion (LCAC) modernization program by funding service life extensions for six crafts.

The FY 2009 budget continues full rate production of the Tactical Tomahawk missile which provides a premier attack capability against long range, medium range, and tactical targets on land and can be launched from both surface ships and submarines. Acquisition of major ship weapons systems are outlined in Figure 3.

Major Ship Weapons Quantities

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Tactical Tomahawk	394	207	209	218	243	226
Standard Missile	75	70	74	98	137	158
RAM	90	90	90	90	90	90
ESSM	85	86	88	-	-	-
Lightweight Torpedoes	133	120	290	260	271	260
Heavyweight Torpedoes	84	84	96	96	96	96
Trident II	12	24	24	24	24	-

Figure 3

Note: Standard Missile quantities include both SM-2 and SM-6.

AVIATION PROGRAMS

Navy Aviation acquisition continues to be at the forefront of our Nation's defense and accordingly, this budget continues to decrease the average age of our aircraft inventory from a high above 20 years in the 1990s to 18 years in 2006 and to 17 years in 2009. The recently approved Navy Aviation Plan (NAvPlan) 2030 is based on fiscally informed, rigorous analysis providing a long range recapitalization and modernization plan to support the Maritime Strategy. NAvPlan 2030 demonstrates continued commitment to the Joint Strike Fighter, Navy Unmanned Combat Aircraft System, and a robust Airborne

Electronic Attack capability. Multi-year procurement contracts for F/A-18E/F, EA-18G, and MH-60R/S have enabled Navy to realize significant savings and stretch available procurement funds. The budget reflects procurement of 206 aircraft in FY 2009, an increase of 23 aircraft over FY 2008 levels as Navy continues planned growth towards Full Rate Production profiles of JSF, EA-18G, and MH-60R (Figure 4).

Aircraft Programs

	FY08	FY09	FY10	FY11	FY12	FY13	FY09-13
JSF	6	8	18	19	40	42	127
F/A-18E/F	24	23	18	17	22	-	80
EA-18G	18	22	22	10	-	-	54
MV-22B	21	30	30	30	30	30	150
AH-1Z/UH-1Y	15	20	28	28	26	27	129
MH-60S	18	18	18	18	18	18	90
MH-60R	27	31	27	28	25	27	138
E-2D AHE	3	3	3	4	4	4	18
CH-53K (HLR)	-	-	-	-	-	6	6
P-8A (MMA)	-	-	6	8	10	13	37
C-40A	-	2	-	1	1	1	5
T-6A/B(JPATS)	44	44	44	43	43	23	197
KC-130J	4	2	2	2	2	2	10
VH-71	-	-	3	4	4	4	15
BAMS UAV	-	-	-	4	4	4	12
MQ-8B (VTUAV)	3	3	6	6	9	10	34
TOTAL	183	206	225	222	238	211	1,102

Figure 4

Acquisition of the Lightning II Joint Strike Fighter (F-35C) Carrier Variant continues in FY 2009. The FY 2009 budget accelerates the procurement of F/A-18E/F/G aircraft to meet the demand for our current lead fighter/attack aircraft. The budget supports the multi-year procurement of both the Seahawk MH-60R and Knighthawk MH-60S helicopters, which are part of a joint contract with the Army's UH-60M Blackhawk. Three E-2D Advanced Hawkeye LRIP aircraft are funded in FY 2009, signaling a shift of effort from RDT&E to procurement. The FY 2009 budget funds the advance procurement of the first P-8A aircraft slated to replace the aging P-3 fleet. The P-8A Multi-mission Maritime Aircraft (MMA), based on the Boeing 737 platform, will achieve Initial Operational Capability (IOC) in FY 2013. The FY 2009 budget supports CONPLAN 7500 and the QDR by providing a persistent ISR capability through developing, acquiring,

and fielding transformational Unmanned Aerial Vehicle (UAV) technologies.

Aircraft weapons arm the warfighter with lethal, interoperable, and cost-effective weapons systems. FY 2009 marks the final year of JDAM procurement while continuing critical acquisition of JSOW, AIM-9X (Sidewinder), AMRAAM, and the AGM-88E Advanced Anti-Radiation Guided Missile (AARGM). Development also continues, with Army as the lead service, on the Joint Air-to-Ground Missile (JAGM), an extended range, precision-guided weapon for fixed wing, rotary wing, and UAV aircraft (Figure 5).

Major Aviation Weapons Quantities

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
JSOW	416	496	515	535	524	546
AIM-9X	170	205	202	200	220	221
JDAM	1145	169	-	-	-	-
AMRAAM	78	147	156	157	181	203
AARGM	29	39	54	81	146	276

Figure 5

SUSTAINING COMBAT READINESS

Operational readiness enables our forces to respond to persistent and emerging threats. The top readiness priority is ensuring that forces are fully trained and ready to deploy and remain supported while deployed. This budget request includes resources in the operating and maintenance accounts to deliver a "6+1" FRP posture for FY 2009. We continue to monitor the trade space to execute the right readiness for the right cost. Navy seeks to achieve this balance by continually evaluating threat assessments, the capabilities and capacities of the Fleet, our mandate to sustain these forces, and the risk our Combatant Commanders and Navy Component Commanders face.

SHIP OPERATIONS

The budget provides for a deployable battle force of 286 ships in FY 2009 including eleven aircraft carriers and 31 amphibious ships (Figure 6). FY 2009 marks a significant milestone as Navy is scheduled to retire its last conventionally powered aircraft carrier, USS KITTY

HAWK, as it welcomes the last NIMITZ class aircraft carrier, GEORGE HW BUSH, to the fleet. In FY 2009, ten battle force ships will be commissioned: one Nuclear Aircraft Carrier (CVN), three Guided Missile Destroyers (DDG), one Nuclear Attack Submarine (SSN), one Amphibious Assault Ship (LHD), one Amphibious Transport Dock Ship (LPD), and three Dry-Cargo Ammunition Ships (T-AKE).

The FY 2009 budget provides sufficient funding to steam these ships an average of 45 days per quarter while deployed and 22 days per quarter while non-deployed. This underway Operational Tempo (OPTEMPO) reflects an executable baseline with acceptable risk with elevated OPTEMPO in support of GWOT requirements.

Battle Force Ships

	FY 2007	FY 2008	FY 2009
Aircraft Carriers	11	11	11
Fleet Ballistic Missile Submarines	14	14	14
Guided Missile (SSGN) Submarines	4	4	4
Surface Combatants	104	108	111
Nuclear Attack Submarines	53	52	53
Amphibious Warfare Ships	31	32	31
Combat Logistics Ships	31	31	31
Mine Warfare Ships	14	14	14
Support Ships	17	17	17
Battle Force Ships	279	283	286

Figure 6

Navy's Strategic Sealift forces are resourced to provide a rapid response in delivering the initial military equipment and supplies required for a contingency. These forces, layered in depth, include forward deployed pre-positioned ship squadrons as well as surge ships maintained in a Reduced Operating Status (ROS) from four to thirty days. The number of days indicates the time from ship activation until the ship is available for tasking. Only ROS-4 and ROS-5 ships are included in the surge capacity in Figure 7.

Strategic Sealift

	FY 2007	FY 2008	FY 2009
<u>Prepositioning Ships:</u>			
Maritime Prepo Ships (O&M,N)	16	15	15
USPACOM Ammo Prepo (O&M,N)	1	1	1
Army Prepo Ships (O&M,A)	10	6	6
Air Force Prepo Ships (O&M,AF)	4	3	3
DLA Prepo Ships (DWCF)	2	1	1
<u>Surge Ships:</u>			
Large Medium-Speed RORO Ships (NDSF)	11	11	11
Aviation Logistics Support (NDSF)	2	2	2
Hospital Ships (NDSF)	2	2	2
Fast Sealift Ships (NDSF)	8	8	0
Ready Reserve Force Ships (NDSF)	48	42	49
Prepositioning Capacity (millions of square feet)	5.7	4.3	4.3
Surge Capacity (millions of square feet)	9.0	9.0	9.0
Total Sealift Capacity (millions of square feet)	14.7	13.3	13.3

Figure 7

Starting in FY 2008, the Army no longer has a requirement for four of its ten Prepositioned Large Medium Speed RO/RO (LMSR) ships. These ships were returned to Navy, are being maintained in a ROS-30 status, and will be leveraged in our termination of the capital lease on five Maersk class (foreign-built) vessels. Navy will also purchase two MPS ships currently under long-term capital lease in FY 2009 and two in FY 2010. Additionally, one container ship and one tanker ship will be procured in FY 2009 as elements of the restructured USMC Afloat Prepositioning program. Navy will continue to maintain its two hospital ships, the USNS MERCY and the USNS COMFORT, in a ROS-5 status to support warfighting, humanitarian and disaster assistance efforts, and operations other than war.

SHIP MAINTENANCE

Navy's FY 2009 ship maintenance budget funds 100% of the projected work on refueling overhauls and 97% of the remaining notional requirement (Figure 8). Navy continues to mature its ship maintenance strategy using the SHIPMAIN process to generate continuous process improvements and prioritization of maintenance. The One Shipyard for the Nation approach seeks to optimize the

Nation's public and private nuclear shipyards and contractor support to ensure the ability to mobilize fleet support infrastructure across the board and rise to meet fleet demands in time of war. Multi-Ship/Multi-Option contracts establish long-term vendor relationships and reduced life cycle maintenance costs achieved through improved advanced planning. The Nation's ship repair base, both public and private sectors, has the capacity to execute the FY 2008 and FY 2009 ship maintenance plans as well as the deferred maintenance amounts reflected in Figure 8.

Ship Maintenance

(Dollars in Millions)

	FY 2007	FY 2008	FY 2009
<u>Active Forces</u>			
Ship Maintenance	4,154	4,340	4,140
Depot Operations Support	955	1,062	1,167
Total: Ship Maintenance (O&MN)	\$5,109	\$5,402	\$5,307
Percentage of Projection Funded	100%	96%	97%
Annual Deferred Maintenance	\$26	\$180	\$130
CVN Refueling Overhauls (SCN)	1,067	295	628
SSBN Refueling Overhauls (SCN)	263	229	261
Total: Ship Maintenance (SCN)	\$1,330	\$524	\$889
% of SCN Estimates Funded	100%	100%	100%
<u>Reserve Forces</u>			
Ship Maintenance	76	40	63
Percentage of Projection Funded	100%	89%	81%
Annual Deferred Maintenance	-	\$4	\$15

Note: Totals may not add due to rounding.

Figure 8

AVIATION OPERATIONS

The FY 2009 budget provides for the operation, maintenance, and training of ten active Navy carrier air wings. Figure 9 depicts the Aviation inventory. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). The FY 2009 budget supports an average T-rating of T-2.5 across the Inter-Deployment Training Cycle enabling Navy to achieve its "6+1" FRP Carrier Strike Group goal.

Aircraft Force Structure

	FY 2007	FY 2008	FY 2009
<u>Active Forces</u>	21	21	21
Navy Carrier Air Wings	10	10	10
Marine Air Wings	3	3	3
Patrol Wings	4	4	4
Helicopter Anti-Submarine Light Wings	2	2	2
Helicopter Combat Support Wings	2	2	2
<u>Reserve Component Forces</u>	3	3	3
Navy Tactical Air Wing	1	1	1
Logistics Air Wing	1	1	1
Marine Air Wing	1	1	1
<u>Primary Authorized Aircraft (PAA) - Active</u>	2,291	2,349	2,354
Navy	1,302	1,332	1,330
Marine Corps	989	1,017	1,024
<u>Primary Authorized Aircraft (PAA) - Reserve</u>	333	290	278
Navy	171	169	166
Marine Corps	162	121	112
<u>Total Aircraft Inventory (TAI)</u>	3,729	3,803	3,844
Active	3,396	3,513	3,566
Reserve	333	290	278

Figure 9

Fleet Replacement Squadron (FRS) operations are budgeted at 89% in FY 2009, which is slightly below the goal of 94% of student level training requirements enabling pilots to complete the training syllabus. In FY 2009, Fleet Air Support (FAS) is funded to provide sufficient hours to meet 98% of the total notional hours required. Navy Reserve Component (RC) aviation will provide 100% of the adversary and logistics air support, make central contributions to the counter-narcotics efforts, conduct mine warfare, and augment Maritime Patrol, Electronic Warfare, and Special Operations Support GWOT missions. In FY 2009, RC aviation is budgeted at 94% of their required hours, the minimum level to allow aircrews to maintain readiness in all mission areas. Figure 10 displays active and reserve flying hour readiness indicators.

Flying Hour Program

	FY 2007	FY 2008	FY 2009	GOAL
<u>Active</u>				
<i>TACAIR- Navy</i>	T-2.5	T-2.6	T-2.5	T-2.5
<i>TACAIR – Marine Corps</i>	T-2.0	T-2.2	T-2.0	T-2.0
Fleet Replacement Squadrons (%)	83%	94%	89%	94%
Fleet Air Support (%)	100%	98%	98%	98%
Monthly Flying Hours per Crew (USN & USMC)	23.7	18.3	18.5	
<u>Reserve Component</u>				
<i>Reserve - Navy</i>	T-2.8	T-2.6	T-2.7	T-2.6
<i>Reserve – Marine Corps</i>	T-2.8	T-2.6	T-2.7	T-2.6
Reserve Squadrons (%)	85%	96%	94%	98%
Monthly Flying Hours per Crew (USNR & USMCR)	11.7	13.5	13.0	

Figure 10

AVIATION MAINTENANCE

The Aviation Depot Maintenance program funds repairs required to ensure operational units have sufficient numbers of airframes, engines, and repairables to support achieving the quantity of aircraft ready for tasking to execute assigned missions. The FY 2009 budget funds this readiness-based program to ensure deployed squadrons have 100% of their Primary Authorized Aircraft (PAA) prior to and for the duration of their deployment. Likewise the budget supports achieving the zero bare firewall engine goal, aided by engineering improvements increasing engine "time on wing". Non-deployed squadrons assume minimal risk in both airframes and engines as depicted in Figure 11. The Navy Aviation Enterprise (NAE) AIRSpeed strategy continues to deliver cost-wise readiness by focusing efforts on reducing the cost of business, increasing productivity, and improving customer satisfaction.

Aircraft Depot Maintenance

<i>(Dollars in Millions)</i>	FY 2007	<i>% at Goal</i>	FY 2008	<i>% at Goal</i>	FY 2009	<i>% at Goal</i>
<u>Active Forces</u>						
Airframes	715		581		601	
Engines	333		329		367	
Other Components	129		100		159	
Total: Active Aircraft Depot Maintenance	\$1,176		\$1,010		\$1,127	
<u>Airframes - Active Forces</u>						
Deployed Squadrons meeting goal of 100% PAA	143	100%	141	100%	140	100%
Non-Deployed Squadrons meeting goal of 90% PAA	151	100%	141	92%	121	82%
<u>Engines - Active Forces</u>						
Engine TMS meeting Zero Bare Firewall goal	36	97%	35	100%	35	100%
Engines TMS meeting RFI Spares goal of 90%	62	85%	60	85%	60	85%
<u>Reserve Forces</u>						
Airframes	101		82		102	
Engines	37		34		43	
Total: Reserve Aircraft Depot Maintenance	\$138		\$116		\$145	
<u>Airframes - Reserve Forces</u>						
Non-Deployed Squadrons meeting goal of 90% PAA	60	100%	51	89%	53	95%
<u>Engines - Reserve Forces</u>						
Engine TMS meeting Zero Bare Firewall goal	21	100%	20	100%	20	100%
Engine TMS meeting RFI spares goal of 90%	38	90%	35	85%	35	85%

Note: Totals may not add due to rounding.

Figure 11

EXPEDITIONARY OPERATIONS

Navy continues to place significant emphasis on its existing and emerging expeditionary warfare capabilities as it seeks to strengthen available forces for Phase O and Phase V operations. Established in January 2006, the Navy Expeditionary Combat Command (NECC) was formed as the functional commander for Explosive Ordnance Disposal (EOD)/Mobile Diving and Salvage (MDS), Maritime Expeditionary Security Forces (MESF), Naval Construction Forces (NCF), Riverine Forces, Navy Expeditionary Logistics Support Group (NAVELSG), Expeditionary Combat Readiness Center (ECRC), Maritime Civil Affairs Group (MCAG), and Combat Camera. NECC combines the Navy's existing and new expeditionary forces under a single commander to provide the Joint Force Maritime Component Commander (JFMCC)/Navy Component Commander (NCC) with the capability to conduct operations across the full spectrum of expeditionary operations, including maritime security operations; combat service support; theater security cooperation support; disaster relief; security

assistance; shaping operations; and stability, security, transition, and reconstruction (SSTR) operations.

Based on operational requirements, NECC will deploy mission-specific units or multi-mission integrated adaptive force packages to fulfill JFMCC/NCC demands by using both the existing solid foundation of core capabilities in the Navy Expeditionary Force and emerging new mission capabilities. Combining these forces under a unified command structure increases the overall readiness and responsiveness of the Navy to support existing and evolving irregular warfare missions in major combat operations (MCO), Maritime Security Operations (MSO) (also referred to as Global War on Terrorism or GWOT), or maritime homeland security/defense (M-HLS/D).

EXPEDITIONARY MAINTENANCE AND PROCUREMENT

The FY 2009 budget also provides funds for critical construction and force protection equipment for the Naval Expeditionary Combat Command (NECC). Predictably, the equipment used by NECC units, such as the Seabees, EOD, and MESF, is wearing out at accelerated rates due to operations in Iraq, Kuwait, Horn of Africa and Afghanistan. Moreover, Seabee and EOD units deployed to Iraq and Afghanistan require improved self-protection against improvised explosive devices (IED). Ongoing operations in Iraq have demanded new vehicles to protect troops against the array of explosive devices they encounter. Mine Resistant, Armor Protected (MRAP) vehicles have been developed to better withstand these threats, and are being delivered to the force.

EXPEDITIONARY WEAPONS AND SENSORS

Significant weapons shortages existed in Expeditionary Forces in the years following September 11, 2001. These shortfalls have been nearly eliminated. Weapons accessories, vital to Expeditionary Sailors, also require replacement. These accessories include aim point mounts, scopes, grips, rail assemblies, as well as an assortment of laser aiming devices and night vision equipment.

Preparing Expeditionary Forces to fight the Global War on Terror requires significantly more ammunition than was previously identified. In fact, both the increased mission and expanding force structure have led to a

greater than 400% increase in the requirement for small arms and crew-served weapon ammunition compared to FY 2005.

MANPOWER, PERSONNEL, TRAINING AND EDUCATION

Navy forces stand ready to execute our Maritime Strategy largely due to the dedication and motivation of individual sailors (Active and Reserve), Navy civilians, and their families, as well as our contracted support staffs. Just as they have devoted themselves to serving our nation, we, as leaders, must devote resources and shape policies to ensure that they are personally and professionally fulfilled by that service. Recruiting, developing, and retaining diverse and highly capable men and women is central to our continued success and remains one of the CNO's top priorities. This push is the backdrop to our Strategy for our People that will level our end strength following several years of personnel reductions resulting from increased efficiencies ashore and a reduction in manpower intensive force structure (Figure 12).

Active Navy Manpower Trend

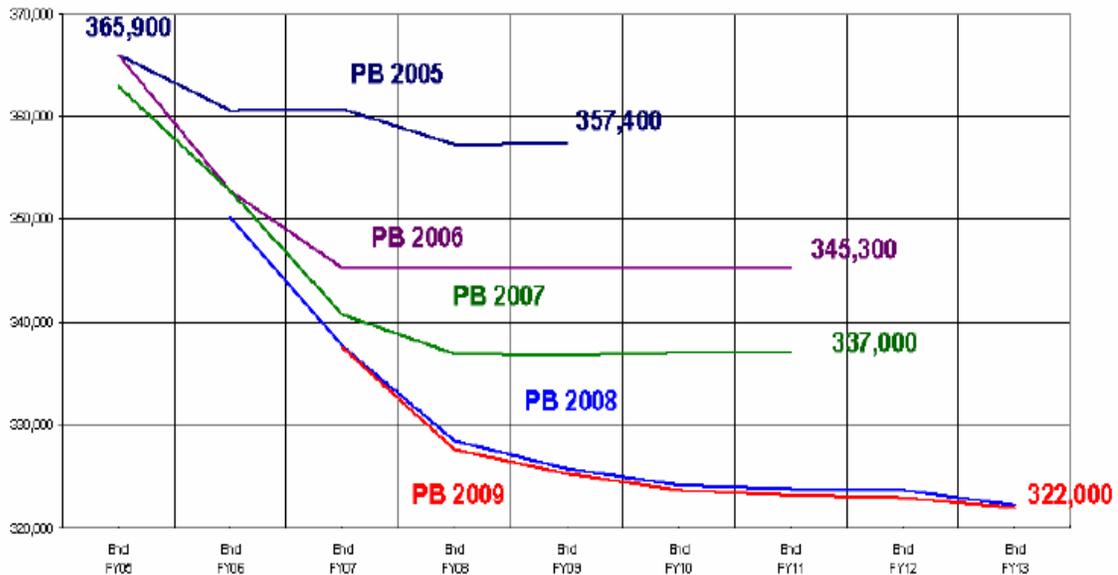


Figure 12

Manpower readiness begins with properly sizing and shaping our requirement. Extensive capability-based analysis of current and future force structure and warfighting requirements associated with a 313-ship,

2813-aircraft Navy has validated a steady-state Active Component end strength requirement of 322,000 and Reserve Component end strength requirement of 68,000. Our goal is to position Navy as a top employer, in order to gain a competitive position in the market and provide our people an appropriate life work balance, not only to recruit them, but also to retain the best and brightest.

Navy Recruiting Command is relentless in its pursuit of hiring young talent to serve in our Navy. For 77 consecutive months, active Navy has met its monthly shipping goals while sustaining the high quality of sailors being sent to the fleet. However, the Medical Corps, Chaplain Corps, Nuclear Power Officers, and Enlisted Special Operations communities pose the greatest risk and challenge our ability to sustain the all volunteer force.

Our Medical program initiatives illustrate how we are working to overcome the challenge of recruiting in a highly competitive market due to a national shortage of health care professionals which is projected to worsen in the future. While the recruiting of medical professionals continues to improve, Navy only attained 82% of the Active Component medical specialty mission and 57% of the Reserve Component mission in 2007. Navy has since implemented a number of monetary and special programs including: 1) the Medical Leads Assistance Program where our own officers are generating interest in Navy Medicine, 2) participating in the Department of Defense Medical Examination Review Board program where busy students and professional medical community applicants can go to more convenient civilian and military medical treatment facilities rather than spending an entire day processing through a military entrance processing station, and 3) increasing accession bonuses and student stipends for targeted medical specialty applicants.

For FY 2009, Navy has increased its accession goals to prepare for the leveling off of Navy manpower reductions. The authority to pay enlisted bonuses up to \$40,000 made a significant contribution last year and will continue to help the services combat a declining propensity to serve among our nation's youth.

Despite a weakening economy, there will be increased competition for our nation's best talent. Our Sailors expect innovative and flexible compensation policies, a commitment to continuing education, and professional development opportunities. Retaining our Sailors will continue to be challenging due to comparable compensation and benefits offered by industry balanced with the sacrifices and commitments we ask our Sailors and their families to make. To address these challenges we are aggressively pursuing the use of tools that allow us to manage our people across the continuum of service, from active and reserved uniform service through civil service, promoting a "Stay Navy" message. Accordingly, we are providing our Sailors with professional credentialing opportunities, considering alternative manning constructs, expanding Sailor and family support, and exploring initiatives that support the life/work balance our people desire.

There has been significant growth in demand for control grade officers. At the same time, we are experiencing a shortage of inventory of these senior officers. We have taken aggressive steps to understand the considerations behind officers' decisions to stay on active duty past the 26 year point. Recent surveys indicate that retention among Unrestricted Line (URL) captains is largely driven by 3 factors: family stability, financial concerns (a leveling off or reduction of pay and retirement benefits compared to civilian opportunities), and job satisfaction. I am exploring a variety of monetary and non-monetary incentives to encourage more senior officers to make the choice to "stay Navy" past the 26 year point.

Navy Reserve forces are a key element of Navy's goal to better align its total Force to provide fully integrated operational support to the joint force. Under the Navy Enterprise Framework, the Navy continues to validate new mission requirements and an associated billet structure for its Reserve Force to meet the capability requirements of the future. The ongoing Active Reserve Integration (ARI) process continues to align Reserve Forces under Active Force oversight, through initiatives such as: the divestiture of MCMs to the AC and the transformation of Naval Coastal Warfare (NCW) to the Maritime Expeditionary Security Force (MESF).

Navy Civilians are also an integral part of our Total Force. From forklift operators to nuclear physicists, civilians work alongside service members to ensure the adequacy of our logistics chains and progress new weapons systems from an idea to reality. The FY 2008 National Defense Authorization Act (NDAA) restricts military to civilian conversions for the medical community through September 30, 2012. Due to the enactment date of this legislation, its provisions are not reflected in the FY 2009 President's Budget request, but the plan is now being readdressed. We are working closely with the Office of the Secretary of Defense on this matter. The Navy is leveraging the National Security Personnel System (NSPS) in making strides towards identifying key competencies to ensure the right mix of people and skills are recruited and retained.

Our pays and benefits continue to keep pace with the civilian sector and in concert with accession bonuses and special pays significantly contribute to our ability to attract new talent and retain our best. The manpower, personnel, training and education policies and programs we have in place today and our ongoing initiatives in diversity, life/work balance, family readiness, and the continuum of medical care, are expected to position Navy among the best organizations - a "Top 50 Employer" known for valuing its people.

FACILITIES

Our shore installations are extensions of our warfighting capabilities and are among our most complex systems. Our installations must be ready to deliver scalable, agile, and adaptive capabilities to meet the requirements of our Fleet and families. In the past, we have accepted significant risk in our shore establishment to adequately fund Fleet readiness, our people accounts, weapons systems, and future force structure. As a result the condition, capability, and readiness of our shore installations have degraded to an unacceptable level by industry standards. We must reverse this trend. Navy Ashore Vision 2035 will provide the guiding principles for our shore establishment, take advantage of leveraging the joint capabilities we share with other services, and will ensure that the shore establishment is properly sized, configured, located, and networked to deliver our required operational requirements and quality of service

to our people. This strategy is fully aligned with the Congressionally-mandated Base Realignment and Closure (BRAC) process.

The Navy's FY 2009 MILCON investment strategy focuses on:

- Recapitalizing inadequate and inefficient facilities that directly support the warfighter
- Constructing new facilities to improve quality of life for our sailors and their families
- Supporting new mission and R&D facility requirements
- Enhancing anti-terrorism and force protection
- Correcting critical deficiencies

The FY 2009 Military Construction-Navy (MCN) budget requests appropriations of \$1,116 million that includes thirty-two projects for the Active Navy and three projects for the Reserve Navy.

Navy continues to leverage the capabilities of the supporting communities where we work and live. In fact, Navy continues its reliance on the private sector as the primary source of housing for sailors and their families. The power of leveraging the local community is highlighted in our new Public-Private Venture Bachelor Quarters at San Diego and Norfolk. With the help of your Special Legislation and our progressive private partners, Navy is providing quarters that will positively impact their decision to "Stay Navy". Other specific housing projects in the FY 2009 budget include \$62.6 million for the replacement of 146 units at Naval Station Guantanamo Bay, Cuba and \$50 million in post-acquisition construction for the improvement and repair of 342 units in Guam and Japan. Additionally, \$8.4 million is included to support the construction of 46 homes at Naval Construction Battalion Center Gulfport, Mississippi through the use of military housing privatization authorities.

Appropriate investments of facility sustainment, recapitalization, and demolition are necessary to maintain Navy's inventory of facilities in good working order and preclude premature degradation. Navy uses an industry-based facility investment model to keep the inventory at an acceptable quality level through life cycle maintenance, repair, and disposal. Navy has

increased sustainment funding in FY 2009 to 90% across the FYDP and funding for recapitalization. The FY 2009 budget exceeds the DoD 67 year recapitalization rate goal primarily due to BRAC investments. Figure 13 recaps Navy's facility sustainment, restoration, and modernization submission.

Facility Sustainment, Restoration, and Modernization			
<i>(In Millions of Dollars)</i>	FY 2007	FY 2008	FY 2009
<u>Navy</u>	1,151	1,147	1,396
<u>Annual Unfunded Sustainment</u>			
Navy	107	240	157
<i>% of Model Funded</i>	91%	83%	90%
<u>Restoration and Modernization (R&M) Funding</u>			
Navy	1,863	1,963	2,160
<u>Facilities Recapitalization Rate (Years)</u>			
Navy	62	60	50

Figure 13

CONGRESSIONAL SUPPORT REQUESTED

MARINE MAMMALS AND SONAR

The most critical readiness issue relates to Navy's ability to train using active sonar and not endanger marine mammal populations. Submarines with improving stealth and attack capability - particularly modern diesel attack submarines with air independent propulsion - are proliferating world-wide at an alarming rate. Locating these relatively inexpensive but extremely quiet boats presents our Navy with a formidable challenge and requires the use of active sonar. Ongoing litigation that threatens to limit our ability to conduct medium frequency active (MFA) sonar training and thus become combat certified atrophies the skills required to employ this vital technology.

The Navy is engaged in a comprehensive effort to achieve full compliance with the National Environmental Policy Act (NEPA), Marine Mammal Protection Act (MMPA), Endangered Species Act (ESA), Coastal Zone Management Act (CZMA), and Executive Order 12114. Navy continues to increase funding for marine mammal research and provides more than one half the world wide funding for marine mammal research. We must, however, continue to prepare our Navy for deployment and the possibility of combat operations.

AVIATION TRANSITIONS

Navy's aging "legacy" aircraft are showing significant wear from the increased OPTEMPO directly associated with OIF and OEF. The expected service life (ESL) of an aircraft is a function of the designed flight hours and the actual fatigue life expended (FLE) through operational missions (launches, recoveries, extreme operational environment, etc.). This increased OPTEMPO has accelerated airframe attrition due to their reaching ESL sooner than designed and pressurized retirement dates for legacy aircraft.

Navy's aging P-3 and EP-3 fleets are particularly challenged as we continue to provide valuable airborne intelligence, surveillance, and reconnaissance capability to the Combatant Commanders. The average age of our P-3 fleet is more than 28 years and the average age of an EP-3 fleet is more than 34 years. Both aircraft were expected to serve 30 years. In December, we grounded thirty nine P-3C aircraft where projected fatigue wing cracks exceeded an acceptable level of risk. Navy appreciates your consideration of its Supplemental funding request that will support the immediate purchase of wing material for outer wing replacement on 42 P-3C aircraft. Additionally, Navy will add Anti-Surface Warfare (ASuW) systems to some 19 training non Anti-Submarine Warfare capable airframes to mitigate ASuW risk to current plan response. Navy also seeks to mitigate portions of this capability gap by accelerating delivery of the P-8A Multi-Mission Aircraft by 15 months.

A future concern, one third of the Navy's legacy TACAIR fleet, F/A-18 A-D series aircraft, is currently operating beyond design limits, and the bulk of the fleet, F/A-18 C/D series aircraft, are operating at an average flight hour expenditure rate 30% greater per year than planned.

ENCROACHMENT

Another readiness issue impacting our ability to train to meet the full spectrum of operations is the increasing encroachment of our installations and ranges. Our ability to use installations for their intended purposes and the ability to augment them when necessary to respond to changing national defense requirements is being

pressurized by state and local citizen interest groups. Navy's continuing difficulty to establish an Outlying Landing Field on the east coast is illustrative of this challenge. An OLF is required to enable Navy to train aviators for Carrier Air Wing operations at sea. This training is an integral element of the Fleet Response Plan (FRP) operational availability construct. In consideration of the concerns of local citizens and environmental groups Navy has terminated the Environmental Impact Study (EIS) on the originally selected five North Carolina sites and subsequently plans to issue a new EIS on five different sites in North Carolina and Virginia. Navy continues its outreach program seeking a win-win situation for all parties. We are grateful for your continued support as we work with Congress and the States of Virginia and North Carolina to ensure that we can fully train our young men and women.

UNITED NATIONS LAW OF THE SEA CONVENTION

To interact more effectively with our maritime partners to ensure that the seas of the world remain safe and open for all nations, the Navy strongly supports U.S. accession to the Law of the Sea Convention joining 154 party nations. Robust operational and navigational rights codified in the Law of the Sea Convention must be preserved for the Navy to continue to maximize its ability to execute the Maritime Strategy. Our current non-party status constrains our efforts to develop enduring maritime partnerships. It inhibits us in our efforts to expand the Proliferation Security Initiative and elevates the level of risk for our Sailors as they undertake operations to preserve navigation rights and freedoms, particularly in areas such as the Strait of Hormuz and Arabian Gulf, and the East and South China Seas. Accession to the Convention is of critical importance to global naval maritime and over flight mobility.

RESET THE FORCE

We remain a nation at war - a Long War against violent extremists in which naval forces provide a significant part of the worldwide rotational military presence and an increasing portion of the required support for ground units in OPERATIONS ENDURING FREEDOM/IRAQI FREEDOM (OEF/OIF). An ongoing challenge we face today is to sustain our present

capability and enhance our ability to conduct non-traditional missions in order to ensure continuity in the projection of naval power and influence.

Navy's support of OIF, OEF, and the GWOT continue to require a higher OPTEMPO than was planned during peace-time operations. In the near term this translates to greater operational cost (maintenance, parts, and fuel). Longer-term impacts are under close evaluation, but ships, aircraft and ground equipment returning from the war will require depot-level attention to remain responsive to emerging threats.

Past supplemental funding has mitigated some of the Navy's costs but Navy's outstanding reset requirement is nearly \$11 billion. The FY 2008 Reset requests totaled \$3.6 billion of which \$500 million has been received via the Bridge Supplemental. The funds received to date have been aligned to fleet depot maintenance (~\$410 million), Explosive Ordnance Disposal (EOD) Systems (~\$80 million OPN), and ammunition accounts (~\$10 million PANMC).

Navy's outstanding Reset requirement is currently estimated at \$10.9B. Of this remaining requirement, the FY 2009 Supplemental Request will include maintenance funds for Ship, Aviation, and Ground Forces as well as procurement funding for aircraft and aviation spares and repairables, Expeditionary Combat and Physical Security equipment, and ordnance.

Navy continues to evaluate its reset requirements as our high OPTEMPO operations continue and the equipment is used more extensively than originally planned. Replacement equipment and aircraft are essential to preclude near-to-midterm capability gaps in these areas. Deferring reset requirements will equate to increased risks in the future.

CONCLUSION

The security challenges of the 21st Century are complex and varied. They range from the irregular, asymmetric threats of terrorists, self proclaimed Jihadist organizations, and rogue states and belligerent nations, to the conventional and highly sophisticated military technologies of China, North Korea, and Iran. Navy is out and about, doing the essential missions for the nation, but that level of security comes at a cost to our people, our current

readiness, and the future fleet. Our Navy's capabilities and capacity must be balanced with the resources we are provided to address these diverse strategic challenges.

Our Navy provides a high rate of return on your investment, costing the taxpayers less than 1% of the GDP. We strive to sustain combat readiness, build a fleet for the future and develop 21st Century leaders. The Navy readiness story is one of military might but it is also has chapters about generosity and humanity. Your U.S. Navy is ready for further tasking.