

NOT FOR PUBLICATION UNTIL  
RELEASED BY THE SENATE  
ARMED SERVICES COMMITTEE

**STATEMENT OF**  
**THE HONORABLE RAY MABUS**  
**SECRETARY OF THE NAVY**  
**BEFORE THE**  
**SENATE ARMED SERVICES COMMITTEE**  
**ON**  
**08 MARCH 2011**

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Chairman Levin and Ranking Member McCain, I have the honor of appearing here today on behalf of the nearly 900,000 Sailors, Marines, and civilians that make up the Department of the Navy. I have appeared before this Committee on a number of occasions, and I am happy to be here again, along with the Chief of Naval Operations and the Commandant of the Marine Corps, to report on the readiness, posture, progress, and budgetary requests of the Department. We consider ourselves privileged to lead the dedicated men and women of the Department who are selflessly serving the United States all around the world.

Today, your Navy and Marine Corps are conducting missions across the full range of military operations. They are engaged in combat in Afghanistan, stability operations in Iraq, deterrence and ballistic missile defense in the Pacific, Arabian Gulf, and the Mediterranean, as well as humanitarian assistance and disaster relief operations across the globe. Our unmatched global reach, endurance, and presence continue to allow the Navy and Marine Corps – in partnership with our sister services – to secure and advance America’s interests wherever challenges or crises have arisen, as well as operate forward to prevent crises from occurring. We remain the most formidable expeditionary fighting force the world has ever known, and with your continued support, the Navy and Marine Corps will continue to meet the multiplicity of threats that endanger international peace and security.

But today we are very concerned about the absence of a Defense Appropriations Bill for FY 2011 and the negative effects of operating under a continuing resolution for the

remainder of the year. We are equally concerned about passage of a bill that reduces the topline from the level requested in the FY 2011 President's budget. Either course of action significantly impacts the resources available to grow the fleet and jeopardizes recent efforts to restore and maintain readiness levels commensurate with the standards expected of the Navy and Marine Corps.

Without legislative action, limiting FY 2011 procurement accounts to FY 2010 levels will:

- Prevent start of construction of one *VIRGINIA*-class submarine to be built in Groton and Newport News which will break the existing Multi-year Contract.
- Prevent start of construction of one Mobile Landing Platform to be built in San Diego.
- Prevent start of construction of one or possibly both programmed *ARLEIGH BURKE*-class destroyers to be built in Bath and Pascagoula due to DDG 1000/DDG 51 swap language that prevents award of either ship unless both are authorized and appropriated.
- Preclude fourth and final increment of full funding for construction of CVN 78 (*USS GERALD FORD*) and advance procurement for CVN 79.
- Prevent procurement of two nuclear reactor cores for refueling of one aircraft carrier and one ballistic missile submarine, as well as delay increased funding for research and development of the *OHIO*-class replacement and replacement of two Moored Training Ships that provide half of the force's nuclear training capability.

- Prevent completion of one *ARLEIGH BURKE*-class modernization.
- Reduce Marine Corps procurement by \$563 million. This would add to equipment shortfalls generated by 9 years of conflict and prevent equipment replacement or purchase of 4 H-1 helicopters, numerous LAVs, MTRVs, LVSRS; tech upgrades to counter IED jammers; communication and intelligence equipment; tactical fuel systems to power our vehicles and generators; engineering equipment to move ammo, gear and supplies; air conditioners and heaters to take care of Marines and sensitive gear; and EOD improvements to protect them.

Reductions to expected procurement levels will create additional stress on the force, as units in service pick up additional commitments to cover the seams created by fewer available platforms.

Likewise, fixing FY 2011 operations to FY 2010 levels has created a \$4.6 billion shortfall in Navy and Marine Corps operations, maintenance, and training accounts. Faced with this prospect, the Department began efforts in January to mitigate the impacts of operating under the continuing resolution, which over the course of the Fiscal Year will cause us to:

- Reduce aircraft flight hours and ship steaming days, including a reduction of four non-deployed air wings' flight hours to minimal flight-safety levels.
- Cancel up to 29 of 85 Surface Ship availabilities.

- Defer maintenance on 70 aircraft and 290 aircraft engines, bringing the combined backlog of aviation maintenance close to one-year redlines.
- Defer 41 facilities maintenance projects and 89 new construction projects in Arizona, California, Florida, Georgia, Hawaii, Louisiana, Maryland, North Carolina, Rhode Island, South Carolina, Virginia, and Guam. These cuts equal an approximate 50 percent reduction and will eliminate, among many projects, dry dock certifications, bachelor quarters maintenance projects, repairs to Explosive Handling Wharves (EHW) at Bangor and Kings Bay that support ballistic missile operations, and modernization projects to support introduction of new training aircraft.

The combined effects of the continuing resolution will directly impact the strength of the industrial base and over 10,000 private sector jobs at shipyards, factories, and Navy and Marine Corps facilities across the country. The degradation or loss of perishable skill-sets within our workforce, including many nuclear workers, and the disruption to both our fleet and shore maintenance and modernization schedules will take three years to recover based on rotational schedules alone – and only at significantly greater cost than requested in the FY 2011 President’s Budget.

Finally, there is almost a \$600 million shortfall in Navy and Marine Corps manpower accounts. As a result of this shortfall, the Services must raid other accounts in order to meet payroll for the duration of the year. We are currently living within funding constraints by limiting or conducting short-notice permanent change of station moves;

however, this tactic places significant hardship on our military families and is not sustainable over the entire fiscal year.

We strongly request Congressional action to address the implications of the Continuing Resolution on our forces and our people by taking action to enact the FY 2011 President's Budget.

### **Departmental Priorities**

As I testified last year, there are four imperatives I believe the Department of the Navy must address to maintain preeminence as a fighting force and successfully meet the challenges of the future. They are:

- (1) Taking care of our Sailors, Marines, civilians, and their families*
- (2) Treating energy as a strategic national security issue*
- (3) Creating acquisition excellence*
- (4) Continuing development and deployment of unmanned systems*

These priorities underpin every action of the Department, from supporting current operations to developing the current year's budget request, finding efficiencies within the Department, and preparing our Navy and Marine Corps for the future.

Fundamentally, it comes down to a question of resources, of ensuring that our people have what they need to do their jobs, ensuring the nation that the Navy and Marine Corps uses our fiscal and energy resources wisely, and ensuring that seapower, as a resource,

remains readily available to meet the nation's policy requirements and the orders of the Commander in Chief.

### **Seapower: A Critical Strategic Enabler**

It is clear that we live in a time of sweeping change and an era of strategic realignment. The President has stated that we “must pursue a strategy of national renewal and global leadership—a strategy that rebuilds the foundation of American strength and influence.” Seapower has always been a part of that foundation and will continue to be an indispensable asset to American leadership and economic strength in the global community of nations. American seapower, as it has done for generations, continues to guarantee freedom of navigation and international maritime trade, underpinning global economic stability and facilitating continued global economic growth. No other component of American military power is as flexible or adaptable as seapower. I see one of my primary responsibilities as Secretary to be ensuring continuation of this responsiveness, flexibility, and adaptability through the policies we adopt and in the ships, aircraft, and weapons systems that we build.

Maritime nations have many inherent strategic advantages. Naval forces operating in the open ocean provide an effective conventional deterrent to those who threaten regional stability or promote extremism. Strong expeditionary forces can swiftly respond to crises and make potential adversaries pause before committing hostile actions. But should

deterrence fail, our combat ready naval forces must be prepared to conduct sustained combat operations.

The Navy and Marine Corps are America's "Away Team." They exist primarily to protect our nation far from home and respond quickly to crises wherever and whenever they occur. Exploiting their inherent mobility and maneuverability at sea, naval forces gather information, perform surveillance of seaborne and airborne threats, defend regional partners, deter prospective adversaries, interdict weapons of mass destruction, disrupt terrorist networks, conduct humanitarian assistance and disaster relief, and support the work of American diplomacy. This variety of capabilities is a primary feature of seapower, and it provides the President and our Nation with unmatched flexibility to deter conflict and, if necessary, project power from the sea to defend U.S. national security interests. The ability to accomplish these tasks without placing a large presence ashore and absent concerns of sovereignty is absolutely critical in our world of increasingly sophisticated threats and growing geopolitical complexity.

It is for these reasons, and in order to improve global force projection capabilities that the Navy, Marine Corps, and Air Force are working on an Air Sea Battle (ASB) concept to improve joint capabilities and cooperation in addressing anti-access/area-denial challenges.

Unique in history, the blanket of maritime security and stability provided by American maritime power is the first to be used for the good of the whole world. But in order to

ensure continued American leadership in issues of maritime policy and security, we strongly recommend accession of the United States to the Convention on the Law of the Sea, an action that has been similarly and repeatedly recommended by multiple Secretaries of the Navy and Chiefs of Naval Operation. Accession by the United States would enhance stability of the navigational rights inherent to the Convention and would strengthen our bargaining position in international discussions of Arctic Policy and access to resources and sea lines of communication.

### **Current Operations**

Over the past year, our forces have successfully navigated the world's growing complexity and have consistently demonstrated the utility, effectiveness, and flexibility of seapower and maritime forces.

Following completion of the Marines Corps' mission in Iraq, the primary operational focus of the Department has been supporting the war effort in Afghanistan. Over 30,000 Marines and Sailors are committed to the fight there, working all across the country, with the largest concentration operating as Regional Command Southwest (RC-SW) along the Helmand River Valley.

In my visits to the Marines on the ground throughout the year, I had the opportunity to look firsthand at the progress made by our increased presence in Helmand. In December, I visited three Forward Operating Bases (FOBs) with increasing levels of stability in

three separate districts of Helmand: Sangin, Marjah, and Nawa – or as the Marines put it, I went to look at where the fight is, where the fight was, and where there is no fight.

In Nawa, I saw a strong partnership between the local government, Afghan National Police, the Afghan National Army, and our Marines – who have built the capacity of their partners so that they may shortly assume responsibility for their own security. The district is very safe, and because of the success of the counter-insurgency effort, Nawa is growing in both political strength and economic activity.

In Marjah, after successful operations to clear it last spring, the markets are open, schools are being built, and a local government is working to build capacity. In my visit just three months ago, I personally walked the streets of Marjah to witness the progress, something that even in the summer of 2010 would have been unthinkable. Then, just stepping outside the gates of our forward operating base would have generated a pitched battle. Now, it brought out street vendors and men on motorbikes.

I also went to Sangin District near the Kajaki Dam in Northern Helmand, which has been a Taliban stronghold for years and for the past few months has been the main effort of the fight in Helmand. Our Marines in Sangin have been conducting intensive combat and security missions in support of the counterinsurgency strategy, and concurrently – even in the midst of the fight, have been testing new solar energy equipment to expand their operational reach. Together with their partners from the Afghan National Security

Forces, they have taken the fight to the Taliban and are facilitating the Afghan Government's reestablishment of local control.

Elsewhere across Central Command, the Navy has over 14,000 Sailors on the ground supporting joint and coalition efforts and another 10,000 Sailors at sea supporting combat operations, including from our carriers operating in the Indian Ocean, where we are launching approximately 30 percent of the strike or close air support missions that watch over our Marines and Soldiers on the ground in Afghanistan.

In addition to combat operations, the Navy and Marine Corps remain globally engaged in a host of other security and stability operations. On any given day, more than 72,000 Sailors and Marines are deployed and almost half of our 286 ships are underway, ready to respond where needed.

It was the Navy and Marine Corps that were the first on scene after both the devastating earthquake in Haiti and the summer's catastrophic floods in Pakistan. Within hours of the January 12<sup>th</sup> earthquake, both Navy and Marine Corps assets were en route to Haiti. A total of over 10,000 Sailors and Marines and 23 ships, including the carrier USS *CARL VINSON*, the *BATAAN* and *NASSAU* Amphibious Ready Groups, and the hospital ship USNS *COMFORT* ultimately participated in Operation Unified Response.

Halfway around the world, after Pakistan was struck by devastating August floods that impacted nearly a fifth of its population, helicopters from the USS *PELELIU* and the 15th

Marine Expeditionary Unit supported the Government of Pakistan through delivery of 2,000 tons of relief supplies and by contributing to the rescue of over 10,000 people. Later, the ships of the *KEARSARGE* Amphibious Ready Group deployed early to provide a continuous U.S. humanitarian presence.

In response to the Administration's strategic direction, the Navy is scaling up our ballistic missile defense (BMD) force and their deployments to enhance our deterrent posture, especially in the defense of Europe. Our multi-mission, BMD-capable, AEGIS cruisers and destroyers now routinely deploy to the Mediterranean and the Arabian Gulf, as well as the Western Pacific to extend our deterrent umbrella for our allies. I had the opportunity a few months ago to visit the destroyer USS *RAMAGE* after she completed her first BMD deployment, and I can assure you that the Sailors on these ships are some of the most professional and dedicated men and women in the country, and they are incredibly excited about their work. We appreciate Congress' continued support of the destroyer and cruiser modernization programs that are bringing additional BMD capability to the fleet.

Our growing BMD capability is complemented by our traditional sea-based, strategic nuclear deterrent centered upon our globally deployed and proficient ballistic missile submarine force.

In the Western Pacific, as an integral part of U.S. diplomatic actions, several times last year the USS *GEORGE WASHINGTON* sortied to the South China Sea and the Sea of

Japan in response to territorial disputes with North Korea and open North Korean provocation. In late November, after the North Korean artillery attacks on Yeonpyeong Island west of Inchon, the *GEORGE WASHINGTON* strike group conducted a training exercise with the South Korean Navy in order to demonstrate the continuing value and strength of our alliance.

We are also working to build regional capacity and resolve security issues of common international concern.

In support of our Maritime Strategy, both the Navy and Marine Corps routinely engage with nations all around the world to build capacity and forge stronger maritime partnerships. In the “Rim of the Pacific” or RIMPAC exercise, 32 ships, five submarines, and more than 170 aircraft from 14 nations participated in the world's largest multinational maritime exercise encompassing every aspect of traditional naval warfare.

Global Partnership Stations in Africa, South America, and the Pacific are training hundreds of Sailors, Marines, and Coast Guardsmen from dozens of nations and are bringing advanced medical and civil engineering assistance to those in need. The Africa Partnership Station alone has trained with 32 African and European partners since 2007. And between them, Pacific Partnership 2010 – conducted by the USNS *MERCY* – and Continuing Promise 2010 – conducted by the USS *IWO JIMA* – treated over 100,000 patients and conducted over 20 civil engineering projects.

In the Caribbean and South America, we continue to work with the Coast Guard-led Joint Interagency Task Force-South to synchronize forces from thirteen nations and interdict the flow of illegal narcotics into the United States. In 2010 naval forces contributed to the seizure of over 133.2 tons of cocaine, 3.2 tons of marijuana, 92 boats and aircraft, and \$2.7 billion in drug revenue.

In the Gulf of Aden and western Indian Ocean, the Navy remains committed to counter-piracy efforts with approximately sixteen partner nations. Combined Task Force 151, in cooperation with forces from the EU, NATO, and other nations deploying individual units or task groups, is operating off of Yemen and in the Somali Basin to protect the safe passage of maritime commerce. Where our forces are located, pirate activity has fallen, but the areas involved are huge, and as Secretary of State Clinton said in April 2009, the solution to Somalia piracy lies largely with Somalia, through building its capacity to police itself and offering young pirates viable alternatives to that way of life. We are treating the symptoms of piracy, rather than its fundamental cause: Somalia's failure as a state. Despite the international community's commitment, piracy has both continued to increase and move further offshore, a measure of pirate resiliency and the strong economic incentives that underpin it. Nine of ten pirates captured are ultimately freed as there is often insufficient evidence or political will to prosecute them, or to incarcerate them after conviction. We strongly endorse additional international efforts to address these concerns.

## **FY 2012 Budget Submission**

Over the past year, I have visited with thousands of Sailors and Marines stationed with our forward operating forces at sea and our combat forces in Afghanistan. I can report, based on both the direct observations I mentioned and from personal inputs from Joint and Combined commanders, that the quality of our Sailors and Marines is superb and we are continuing to protect America's interests abroad. But while we are prevailing today, we must also build the foundation for the Navy and Marine Corps of tomorrow.

During the development of the President's FY 2012 Budget submission our Navy and Marine Corps leadership team made numerous difficult tradeoffs to preserve current readiness while better posturing the Navy and Marine Corps for the challenges of the future. I believe that the result provides a balanced approach that will enable the Services we lead to successfully perform our assigned missions, even while setting a course for future success. It is important, however, to reiterate that the FY 2012 budget was developed based upon ultimate passage of the President's FY 2011 budget. If the continuing resolution now in place remains the de facto budget for the year, or if a Defense Appropriations Bill is passed that reduces the amounts requested in the FY 2011 President's Budget, the proposed FY 2012 budget will not be sufficient to recover from delays, cancellations, and mitigations we have been forced to put in place this year.

Over the past year, we have examined every aspect of what we do and how we do it in order to eliminate waste and move every resource possible toward operations and

successfully executing our missions now, and in the future. At the direction of the Secretary of Defense, in June 2010, the Services were formally asked to continue this process through an efficiencies review, which we developed through three complementary approaches; buying smarter, streamlining our organization and operations, and being more efficient in the way we use, produce, and acquire energy. This effort has had a substantial impact on our overall budget, allowing us to invest more in our core warfighting missions and enhance our acquisition plans. Savings were also derived from OSD-mandated, Defense-wide efficiencies.

Since the review began, the Department of the Navy has identified approximately \$35 billion in self-generated efficiencies over the next five years. When DoD-wide efficiencies are factored in we will achieve \$42 billion in savings. These savings will facilitate adding one guided-missile AEGIS destroyer, three T-AO(X) fleet oilers, and one T-AGOS ocean surveillance ship to our shipbuilding plan, which with our dual-block LCS strategy will increase the total number of ships in the FYDP from 50 to 56, including one JHSV to be built for the Army, an average of more than 11 ships per year. We were also able to accelerate a Mobile Landing Platform from FY 2015 to FY 2012 and increase R&D funding to support the accelerated procurement of the T-AO(X), and the development of the next amphibious dock-landing ship (LSD(X)).

The savings allowed additional investments in the Next Generation Jammer to provide greater protection for tactical aircraft, electronic warfare systems, ballistic missile sets, and the new air and missile defense radar that will equip our DDG-51 Flight III

destroyers. The savings allowed increased funding for a new generation of sea-borne unmanned strike and surveillance aircraft; and gave us the ability to buy additional F/A-18s and extend the service life of 150 aircraft as a hedge against more delays in the deployment of the F-35B, the Short Take-Off and Vertical Landing (STOVL) variant of the Joint Strike Fighter.

We addressed Marine Corps needs by increasing equipment funding for units in dwell and for repair and refurbishment of Marine equipment used in Iraq and Afghanistan. Based on heavy usage rates, we requested \$2.5 billion for Marine reset in the FY12 OCO request, and estimate a \$5 billion reset liability upon termination of the conflict in Afghanistan. We also added funding for fire and maneuver platforms, command and control capabilities, and intelligence, surveillance, and reconnaissance.

We found the \$35 billion through a close and systematic review of our programs and by cutting excess capacity in our support establishment. Over the FYDP, with Congressional support we will reduce Navy manpower ashore and reassign over 6,000 personnel to operational missions at sea; use multi-year procurement and production efficiencies to save more than \$1.1 billion on the purchase of new airborne surveillance, jamming, and fighter aircraft; and disestablish both Second Fleet and excess staffs for submarine, patrol aircraft, and destroyer squadrons plus one carrier strike group staff.

Programmatically, one of the most important efficiency efforts was the decision endorsed by Congress to pursue the new Littoral Combat Ship (LCS) through a dual-block buy

procurement strategy. Over the past years the message from Congress has been clear, we must build more battle force ships as affordably as we can, consistent with the statutory requirements laid out in the Weapons System Acquisition Reform Act of 2009. We heard that message clearly, and are grateful to the Administration for its support and to the many Members of Congress who worked with the Navy to make the LCS program an example of what can be done right when strict acquisition standards are laid out and enforced.

With an average cost of \$440 million per ship, and with the cost reductions we have seen demonstrated on LCS 3 and 4, the Navy will save taxpayers approximately \$1.9 billion in FY12-FY16. More importantly, the fact that prices were so dramatically reduced from the initial bids in 2009 will allow us to save an additional \$1 billion – for a total of \$2.9 billion – through the dual award of a ten-ship contract to each bidder. This plan is truly one that is good for the Navy, good for taxpayers, and good for the country.

At the recommendation of both the Commandant and myself, significant additional savings were also achieved by the Department of Defense through termination of the Expeditionary Fighting Vehicle (EFV) program. The nation absolutely must retain and rebuild an amphibious assault capability that will get Marines from ship to shore in a protected amphibious tracked vehicle ready for the fight. This is a core capability the Marine Corps must have. But the EFV is not the vehicle to do this. Conceived in the 1980s, the EFV was the previous generation's solution to a tactical problem that has since fundamentally changed. Just as importantly, the EFV's cost per unit would have eaten up

over half of the Corps' total procurement account and 90 percent of the Corps' vehicle-related operation and maintenance account; the requirements levied on the vehicle outstripped what could affordably be achieved.

We are committed to developing and fielding an effective, survivable and affordable amphibious capability that will meet the Corps' amphibious requirements. This will be done through upgrading existing vehicles, through service-life extensions, and by working with OSD and industry to go as fast as possible in the acquisition and contracting process to develop a successor program to the EFV, one that will meet today's requirements for this critical Marine Corps capability.

We are also closely overseeing the Joint Strike Fighter program. In particular, we are providing additional focused attention on the Marine Corps variant, the F-35B, which the Secretary of Defense has placed on a two-year probation. During this time, solutions to the unique F-35B technical issues will be engineered and assessed while production will be held to a minimum sustaining production rate of six aircraft per year in FY 2012 and FY 2013. This low-production rate is required to ensure continuity in the engineering workforce involved in the design and assembly of the F-35B at the prime contractor and key vendors without a loss in learning and to sustain the supplier base of F-35B unique parts. After this two-year period of focused F-35B scrutiny, an informed decision will be made about how to proceed with development and production of this variant, to include the potential for program cancellation.

I want to point out that it is only the F-35B (STOVL) variant that is on probation. The F-35C variant, which will be flown off of our aircraft carriers, is doing satisfactorily and will be procured by both the Navy and the Marine Corps.

The President's Budget request of \$161 billion will maintain our commitment to take care of our people, build a strong R&D and industrial base, and grow a fleet capable of sustaining our preeminence as the world's most formidable expeditionary force. The FY 2012 request of \$15 billion for contingency operations includes incremental costs to sustain operations, manpower, equipment and infrastructure repair as well as equipment replacement to support our operations in Afghanistan and elsewhere.

The FY 2012 President's Budget request includes funds for 10 Navy battle force ships, including

- 2 *VIRGINIA*-class submarines,
- 1 *ARLEIGH BURKE*-class destroyer,
- 1 Mobile Landing Platform ship,
- 1 Joint High Speed Vessel,
- 1 Amphibious Transport Dock Ship, and
- 4 Littoral Combat Ships.

In aviation, we have requested 223 aircraft in the FY 2012 baseline budget, including:

- 13 F-35 Joint Strike Fighters for both the Navy and Marine Corps,
- 24 MH-60R and

11 P-8As to replace the aging current ASW and maritime patrol squadrons,  
18 MH-60S for logistics support,  
1 KC-130J,  
25 H-1 variant helicopters,  
30 MV-22 tilt-rotor aircraft,  
28 F/A-18E/F fighter/attack planes,  
12 E/A-18G to continue replacing the veteran EA-6B,  
5 E-2D Advanced Hawkeyes,  
36 Joint Primary Aircraft Trainers for our student aviators, and  
20 Unmanned Aircraft.

The FY 2012 President's Budget request also contains funding for the Navy Unmanned Combat Aerial System demonstration and continues development of the Broad Area Maritime Surveillance (BAMS) unmanned system.

The individual efficiency initiatives the Department has put in place will continue to further streamline our organizations and operations, will reshape and reduce both capacity and personnel associated with the Department's "tail," and will contribute to the dramatic transformation already underway in how the Department does its business. More importantly, they will sharpen the operating "tooth," free up critical resources for maintaining and accelerating our shipbuilding and aviation acquisition plan, maximize fleet capabilities, and help preserve a strong industrial base.

## **Taking Care of Sailors, Marines, Civilians, and their Families**

The Navy and Marine Corps have continued to recruit and retain the high quality men and women we brought into the Services in the past years, and 2010 was no exception. Both the Navy and Marine Corps met or exceeded their mission quotas and quality standards.

We recognize that quality of life programs are important for morale and the military mission. We recruit Sailors and Marines, but we retain families. We continue to provide a wide array of readiness programs, including deployment support services, morale and welfare services, and child and teen programs. These award winning career management, training, and life-work balance programs are nationally recognized for their excellence not only by respected national human resource organizations, but even more by the Marines and Sailors that benefit directly from them.

Medical care for our Wounded Warriors, already outstanding, continued to get better throughout the year. Since Operations Enduring Freedom and Iraqi Freedom began, over 12,000 Marines and Sailors have been wounded in action. Their service and sacrifice mandates that we provide quality care for those who have given so much for our country. Our medical community continues to meet this challenge and make advances in dealing with the signature wounds of the current wars: traumatic brain injuries, mental health issues, amputation, and disfiguring injuries, and Navy Medicine continues to reach

out to its colleagues in both civilian and Veterans Affairs hospitals to improve our understanding and improve overall care for our people.

But care for our Wounded Warriors does not end in the hospital. We have undertaken a commitment to bring our Veterans back into the workforce of the Department of the Navy through several Wounded Warrior outreach programs and hiring conferences. We are not there yet, but we are moving towards the goal of being able to say to every Wounded Warrior – if you want a job, we have one for you. As a representative example, in the past year alone, the Naval Sea Systems Command hired 200 Wounded Warriors. In 2011 we will continue to make employment opportunities for Wounded Warriors a priority for the Department.

It is important to note that rising health care costs within the Military Health System continue to present a fiscal challenge for the Department. Like the Secretary of Defense, both I and Departmental leadership are particularly concerned that the rate at which health care costs are increasing and the relative proportion of the Department's resources devoted to health care cannot be sustained; the Military Health System is not immune to the pressure of inflation and market forces evident in the civilian health care sector.

The military faces a growing number of eligible beneficiaries, expanded benefits, and increased utilization throughout the military health care system. As a Department, we must be resolute in our commitment to implement systemic efficiencies and specific initiatives which will improve quality of care and customer satisfaction but will at the

same time more responsibly manage cost. We have made progress, but there is more to do. We concur with the recommendations made by the Office of the Secretary of Defense; we must create incentives such as the Home Delivery Pharmacy Program and implement modest fee increases, where appropriate, to both ensure the fiscal position of the system and ensure equity in benefits for our retirees.

Taking care of Sailors and Marines also means aggressively addressing the issues of sexual assault prevention and response. Last year, you supported the establishment of a new Office of Sexual Assault Prevention and Response (SAPRO) reporting directly to me to focus attention on the issue, develop effective training, and coordinate prevention and response programs across the Navy and Marine Corps. However, it is clear through sexual assault surveys that this crime remains a significant problem in the services, and within some populations we have seen a negative trend of an increased number of assaults. But I can assure you that we are not accepting this trend, and we will not rest while any cases of this awful crime continue to occur.

In 2010, the Department moved forward on expanding the opportunities for women in the Navy. We established a comprehensive plan to integrate women into the submarine force, beginning with our ballistic missile and guided missile *OHIO*-class submarines. This summer, the first 21 women officers were selected for nuclear training – and they have begun their approximately 15-month training pipeline. The first of these officers will get to their boats beginning in November 2011.

We are preparing to move forward with successfully implementing Congressional guidance with respect to repeal of “Don’t Ask, Don’t Tell” in 2011.

Overall, the FY 2012 budget reflects a carefully crafted request for the fiscal support and resources necessary to sustain the force in light of the ongoing demands on our people and their families. Thank you for your continuing support.

### **Energy Security and Leadership**

Energy consumption in the Navy and Marine Corps has become a strategic vulnerability, an operational Achilles’ heel, and a readiness challenge. This has made our energy usage a national security issue of rising importance. As a Department, we rely too much on fossil fuels, making our forces susceptible to fluctuations in both price and supply.

Dramatic shifts in cost and availability can be caused by a host of man-made or natural events in volatile areas of the world. Those potential shocks could have, in turn, strategic, operational, and tactical effects upon our forces. A survey of headlines around the world today demonstrates exactly the point we are trying to make – energy is first and foremost an issue of national security.

Without sustainable and reliable sources of energy and increased efficiency in our platforms, we may find ourselves paying an exorbitant price for operating our fleet, training our aviation and ground forces, and running our installations that support them. The ability to train and prepare forces for deployment could be curtailed. Worse still, our

naval forces may find that future adversaries target our operational dependence on petroleum, as we see in attacks on fuel convoys in Afghanistan today. Our dependence on a fragile fuel distribution network increases our footprint, drains resources from the tip of the spear to supporting logistics lines, and ties up combat forces for security. Thus, energy diversity and efficiency are essential to maintain our warfighting capabilities and enhance our combat effectiveness.

This is a topic I have spoken on a great deal, in front of this committee last year, around the world in speeches to industry and military audiences, and in conversations with international leaders. Through these events and discussions, it has become clear that energy security is not just an American issue – it is an issue that affects both our allies and potential adversaries alike. History has taught us that competition for resources has been one of the fundamental causes of conflict for centuries, and today, competition for energy still provides one of the most inflammatory sources of potential conflict.

Energy, or more specifically denial of energy, could affect many of our NATO partners in Europe and indeed the strength of the alliance itself. Many of our partners are dependent upon external sources for their energy, so for them – denial of energy is a weapon, one just as real as the threat of tanks or airplanes.

For all these reasons, and in order to improve our long-term strategic position and enhance the future operational effectiveness of our forces, I have charged the Navy and

Marine Corps with accelerating the exploration and exploitation of new ways to procure, produce, and use energy.

This effort began in October 2009, when I issued my five energy goals for the Department, the most important of which commits the Navy and Marine Corps to generate at least 50 percent of all the energy we use from alternative sources no later than 2020. Alternative sources include all renewable forms of energy such as solar, wind, geothermal, and ocean energy, as well as biofuels and nuclear energy.

We are on track to meet all our goals, and throughout 2010, we demonstrated progress through many energy programs, partnerships, and initiatives. Throughout the year, we successfully conducted both ground and airborne tests of an F/A-18 Hornet and MH-60 Seahawk helicopter, and ran a Riverine Command Boat (experimental) on renewable biofuel blends made from either camelina or algae. Recently, we also completed testing of a marine gas turbine engine that will enable us to certify our frigates, destroyers and cruisers for biofuel operations. In each case, there was no impact on performance and no degradation to engine reliability. Together, these tests represent critical milestones for the Department's goal of demonstrating the Great Green Fleet in 2012 and its planned deployment in 2016. In late 2010, the Navy conducted concurrent but unrelated tests of a more efficient F/A-18 engine in order to generate an increase in the aircraft's range.

Afloat, as I discussed last year, the USS *MAKIN ISLAND* is using a hybrid-electric drive to dramatically lower its fuel usage at slow speeds, which we estimate will generate life-

cycle savings of up to \$250 million at today's fuel prices. Over the next few years, we will continue to move forward with installation of a similar system on new construction DDGs and look at the feasibility of retrofitting the fleet with these systems in the course of routine shipyard availabilities.

The Marine Corps is also aggressively exploring energy efficiency solutions in its operating forces in theater and in the supporting establishment. The Marines realize that energy as a resource influences a Commander's operational freedom of maneuver, and its conservation and wise use can save lives on the battlefield. Reduced logistics support and fewer convoys for expeditionary forces would free up resources and limit the exposure of Marines to ambush and IEDs. Energy efficiency equals better combat effectiveness.

At home, the Marine Corps demonstrated their traditional spirit of innovation by scouring the commercial world for rugged solutions, building two Experimental Forward Operating Bases (ExFOB) at Quantico and Twentynine Palms. New alternative energy technologies tested at the ExFOB deployed this fall with the Third Battalion, Fifth Marines (3/5), posted to Sangin District in the north of Helmand Province. Immediately upon arrival, they began evaluating expeditionary solar power generators at their forward operating bases and combat outposts to supplement or replace fossil fuels. They have done this even while engaged in near constant combat against a determined enemy in one of the most hotly contested districts of the war.

When I visited Sangin, I heard first-hand from a Marine First Lieutenant about what worked, what did not, and how his Marines in India Company of 3/5 were using the equipment. Two patrol bases are operating entirely on renewable energy, and another with a 90 percent reduction. One of the team-portable systems, called GREENS (Ground Renewable Expeditionary Energy Network System), is being used to provide power for the Operations Center, small radios, and small electronic equipment. And across the battalion's operating area, man-portable SPACES (Solar Portable Alternative Communications Energy System) are being used by individual squads to recharge their radios and other combat electronics. This capability made it possible for a foot patrol to operate for three weeks without battery resupply, reducing their burden by 700 pounds and saving more than \$40,000.

By deploying these renewable solar energy technologies the Marines in Sangin have been able to expand their operational reach, eliminate or minimize their need for fossil fuels in their generators, and dramatically reduce the need for often dangerous logistic support.

At Camp Leatherneck, the Marines have likewise begun a small bio-fuel pilot project for Helmand Province, purchasing locally produced cotton oil from an Afghan facility to mix with their own fuel. At Leatherneck, a standard generator is producing power from a 20-80 mix of cotton oil to fuel, yielding a 20 percent reduction in demand for fuel, while simultaneously demonstrating to Afghan farmers that there are alternatives to opium, and demonstrating to Afghan leaders that they can power their own economy from within Afghanistan. I am monitoring its progress closely.

As the ExFOB gets all this feedback from returning Marines, our expeditionary energy systems and programs will continue to improve and we will move even further down the road of energy efficient, combat effective forces.

In addition to these tactical and platform applications, we have implemented a number of energy projects at our facilities ashore. We are actively exploring for new geothermal resources to augment our existing 270 MW geothermal power plant at China Lake. Last year we established the nation's first grid-connected wave buoy at MCB Kaneohe Bay, HI. Last December the Marines completed a 1.5 MW solar installation situated atop six acres of a landfill. The installation was unique because the equipment foundations were designed not to perforate the membrane covering the garbage below. Our budget request asks for continued support of these and similar projects in order to enhance our efficiency and maximize our move to greater independence and more resilient infrastructure.

And finally, throughout the year we developed partnerships with a number of federal agencies, states, academic institutions, and industry partners including the Departments of Energy and Agriculture, NASA, and the Small Business Administration.

It is precisely because of the spirit of innovation that these partnerships embody that our Nation remains a world leader in its unrivaled capacity to stimulate and exploit cutting-edge ideas and new technologies. The U.S. Navy has always been a technological leader and has excelled at embracing change, particularly in propulsion systems and energy sources. We moved from wind to coal in the 19<sup>th</sup> Century, from coal to oil early in the

20<sup>th</sup> Century, and added nuclear power sixty years ago. In every transition there were opponents to change, but in every case these changes increased our combat effectiveness by an order of magnitude.

I have tasked the Navy and the Marine Corps to once again pioneer technological change through alternative energy sources. I am pleased with the progress to date, and expect it to sharply enhance the long-term strategic agility of our operating forces, as well as better posture the Department for an age of fiscal austerity and potential energy volatility. I want to stress, however, that every action and program we undertake is focused on generating improved warfighting capability and strategic flexibility, it is not just change for change's sake.

### **Creating Acquisition Excellence**

Our future combat readiness is dependent upon the design, development and acquisition of weapons, platforms, and information technology. The current ships and aircraft of the Navy and Marine Corps provide decisive advantages over today's threats. But that edge must be constantly sharpened and modernized against constantly evolving technologies. We must continue to invest in intelligence, precision missiles and munitions, networked command systems, stealth technology, unmanned vehicles and ground fighting systems. To retain our advantage across multiple warfighting areas, we rely heavily upon both our dedicated personnel and the expertise resident in America's private sector. Throughout my tenure, I have taken the opportunity to visit shipyards, aircraft plants, vehicle

factories, maintenance facilities, and warfare centers for detailed briefings and a firsthand look at the people responsible for designing and building our fleet and equipping our Sailors and Marines with vital weapon systems and technologies necessary to do their jobs. One cannot fail to recognize the creativity, dedication, and skills of our nation's workforce.

Yet, with government spending increasingly constrained, affordability, cost containment and total ownership costs are more important than ever. Because acquisition costs are rising faster than our top-line and because replacement systems can be more expensive than the platforms or weapon systems being replaced, we are putting tomorrow's force at risk.

Both on our own and as a result of Secretary Gates' guidance, the Department has devoted considerable effort to finding efficiencies, reducing support costs, and scrubbing our acquisition process to mitigate this impact. In accordance with the Weapons System Acquisition Reform Act passed by Congress in 2009, we have made the requirements and acquisition processes more rigorous in order to better manage the resources entrusted to us by the American taxpayer, and we are working with OSD to develop a streamlined process for acquiring information technology in a more responsive manner to better equip the warfighter with emerging technologies and ward off the cyber threat.

This requires constant examination of every single one of our policies, practices, priorities, and organizations, with a clear focus on controlling cost. Our acquisition

community has been extensively engaged with industry and the Services to streamline processes, and they are ruthlessly evaluating both requirements and the supporting analyses in order to get more value out of the overall acquisition system.

The Navy and Marine Corps will continue initiatives already in place to improve processes and to instill discipline in procurement. In 2010, we strengthened our cost estimating group and met statutory requirements to obtain independent cost estimates, and we have incorporated Defense-wide best practices in the formulation of all our major programs. We have made our cost estimates more realistic and are using these improved cost and schedule plans to make necessary capability tradeoffs and difficult investment decisions at the front end of the requirements process rather than during design or construction.

A professional acquisition workforce is a key element in our overall acquisition excellence initiative and a driver in our strategy to preserve our fighting edge at an affordable cost. Accordingly, and with your strong support, we are rebuilding the acquisition workforce within government to fulfill federal oversight of the acquisition process and ensure that accountability to taxpayers is the foremost concern of our employees. In the last year, the Department has added nearly 1,300 acquisition professionals towards the goal of increasing the community by 5,090 over the FYDP.

Our acquisition strategies have been shaped to expand the use of fixed price contracts, leverage competition, and tighten up on the use of incentive and award fees to ensure

quality systems are consistently delivered on budget and on schedule. The new acquisition plan for the Littoral Combat ship epitomizes this strategy, and is indicative of the type of fixed price contracts that will be the model for the future. The LCS block-buy contracts are the result of effective competition and give the government full ownership of the technical data package used in construction. This will ensure our ability to pursue competitive strategies for LCS Seaframe requirements in FY 16 and beyond and affords greater Congressional oversight of the program. With the new LCS strategy, we get more ships, at a faster rate, and at less cost.

The LCS dual-block procurement strategy also contributes to meeting another acquisition goal of both this Committee and the Navy through its strong support of the industrial shipbuilding base. Modernizing today's force and recapitalizing the fleet affordably cannot be accomplished without a healthy industrial base and strong performance by our industry partners. We have worked hard to procure our ships, aircraft, and weapon systems at a rate intended to bring stability to the industrial base and enable efficient production. The Navy's shipbuilding and aviation plans were developed with particular regard to maintaining the unique characteristics and strength of the industrial base and our efforts have promoted increased competition, greater innovation, and better capacity within the base.

Over the FYDP, we will continue to build upon our progress to date and we will work with our shipyards, aircraft manufacturers, weapon systems providers and systems integrators to build the best possible fleet for the future.

## **Development and deployment of unmanned systems**

The complex nature of today's security environment, as well as current and future anti-access/area-denial threats faced by the United States, require that the Navy and Marine Corps continue to advance in unmanned systems and exploit the contributions they make to warfighting capability. Unmanned systems are unobtrusive, versatile, persistent, and they reduce the exposure of our Sailors and Marines to unnecessary threats or dangerous environments. They can perform a vast array of tasks such as intelligence, surveillance and reconnaissance, hydrographic monitoring, mine detection, targeting, and precision strike.

Navy and Marine Corps unmanned systems have already made key contributions to operations in Iraq and Afghanistan. In Operation Iraqi Freedom and Operation Enduring Freedom, unmanned aircraft systems have flown thousands of flight hours, enhancing the effectiveness of our combat operations and undoubtedly saving lives. Unmanned ground vehicles employed by the Marine Corps have conducted thousands of missions detecting and/or neutralizing improvised explosive devices. And off the Horn of Africa, unmanned systems contribute to surveillance and tracking of suspected or confirmed pirate vessels.

The range of tasks that these capabilities may fulfill will grow substantially over time. I am determined to ensure that your Navy and Marine Corps are at the cutting edge of this military capability.

Our vision for the future will exploit unmanned systems in every domain of our operating environment (sea, air, and land) while maintaining an affordable price. The Department's Unmanned Systems will move from adjunct capabilities supporting manned systems and platforms to providing autonomous, networked, and interoperable independent capabilities - much as naval aviation matured from an adjunct to the Battle Fleet to a combat capability in its own right in the first half of the 20<sup>th</sup> century.

We will field unmanned systems in the near term to:

- Provide sensing, influence and effects where manned systems are limited by range, endurance or risk.
- Shift from relying primarily on manned platforms to accomplish missions to combinations of manned platforms, robots, augmented human performance, and remotely operated and unmanned systems that make operational sense.
- Increase the combat effectiveness of Sailors and Marines, their platforms and combat organizations to better operate against multiple types of threats.

In implementing this vision, we will embrace Unmanned Systems as critical tools in our warfighting quiver of capabilities. We will integrate them into everything we do across the full range of military operations to enhance our combat effectiveness and efficiency. And we will invest in the infrastructure to ensure we have the capabilities and capacity to properly task, collect, process, exploit and disseminate the information so the intelligence data gets to the decision makers and warfighters. The initiatives and investments

contained in the FY 2012 Budget request will continue moving us along this desired track. I look forward to reporting our progress toward this vision throughout the year.

## **Conclusion**

Today I have laid out our strategic posture as well as the goals and priorities that guide the Department's investment portfolio and future direction. These goals and programs will significantly influence our future capabilities and ensure we remain ready to deter regional conflict or respond rapidly and decisively to emerging crises. Our specific requests are reflected in the President's FY 2012 budget submission.

In order to retain a ready and agile force capable of conducting the full range of military operations, we must carefully weigh risks and apply our available resources efficiently and carefully. This year's request reflects our strategy-driven priorities and the disciplined trade-offs that you and the American taxpayer expect of us. The Department's efficiency efforts have been beneficial in terms of enhancing our ability to invest in the future even while preserving and extending our force structure.

This is not a one-time event, as we will continuously work to increase efficiencies in every project, program, and operation, afloat and ashore. The budget request ensures that we will retain the world's most powerful and agile expeditionary force. The CNO, Commandant, and myself are committed to that aim and to being effective stewards of the nation's resources.

As Secretary, I have seen firsthand the selfless courage of our young Marines and Sailors in Helmand; the dedication of our medical community caring for our wounded; the professionalism of our surface, submarine and aviation Sailors; and the incredible technical skills of the maintenance crews that sustain them. I have also borne witness to the sacrifices of our personnel in hospitals in theater and at the National Naval Medical Center. A single visit to Bethesda will make you marvel at the resilience of the human spirit and the unflagging patriotism of our American service men and women.

Your Navy and Marine Corps are performing at a high operational tempo, at unparalleled levels of skill and dedication, and with remarkable results afloat, at depth, aloft, in cyberspace, and ashore. Thanks to your support, this level of performance has been sustained with the modern platforms, weapons systems, and training necessary to underwrite our readiness. Your continued support recognizes and sustains the sacrifice of our Sailors, Marines, civilians and their families. The support of this Committee for our key programs and our people has been instrumental to operational success of the Navy and Marine Corps and maintenance of the world's most flexible instrument of national policy—a modernized and ready naval expeditionary force.

It is a solemn privilege to lead the Naval Services during an era of protracted war and national challenge. I have been honored by the trust the President and Congress have placed in me, and even more honored by the sacrifice and sterling devotion I have witnessed by those Sailors and Marine who go forward into harm's way to defend us. Preserving our values and our way of life is ultimately dependent upon our being

prepared to use decisive force against those who threaten them. The Navy and Marines have been ready to do so for 235 years, and will continue to be ready. You can count on it.

Thank you again for your support. Godspeed.