

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE SENATE ARMED
SERVICES COMMITTEE

STATEMENT OF
GORDON R. ENGLAND
SECRETARY OF THE NAVY
BEFORE THE
SENATE ARMED SERVICES COMMITTEE
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Navy-Marine Corps: The Power of Teamwork

I. Introduction

The Navy / Marine Corps Team continues to provide extraordinary service and value to our country. Our contributions in the **AWar Against Terrorism** have been significant and important in the overall success of U.S. military forces. Naval Forces have demonstrated the reach of their lethal power deep into the enemy heartland. Operating beyond the traditional littoral, we have destroyed the enemy in areas that they previously considered sanctuaries.

Our forces have been effective and Congressional support has been essential. In FY 2002 the Congress supported the President's amended budget for the Navy and Marine Corps. In FY 2003, we are again requesting your support of the President's Budget to continue the Navy and Marine Corps improvement in areas previously underfunded, sustain our force, and continue the transformation in the way we fight.

The following sections of this statement describe the dramatic improvement the FY -2003 President's Budget will provide for the Department of the Navy. Significant accomplishments of Naval Forces in the past year, and some of the detail of our plans for the future supported by this budget request are also described.

In assessing our request, it is important to note that our focus is on sustaining and further developing the effective and lethal Naval Forces that are part of a broader networked Joint warfighting architecture. *Numbers are important*, but as Naval Forces are already so well illustrating, *warfighting capabilities go beyond mere numbers*. It used to require multiple aircraft to strike a single target. Now a single aircraft can strike multiple targets. Networked systems and sensors may be more important today than the sheer number of weapons and platforms. Our focus is on warfighting capability and sustaining an effective and properly resourced force. The Navy and Marine Corps are going to continue to work with the other military services to determine the best path to transformation and the best aggregate warfighting capabilities for our country.

II. FY2003 B A DRAMATIC IMPROVEMENT FOR THE DEPARTMENT OF THE NAVY

After years of under funding, the FY2003 budget request, building on improvements in the FY2002 Department of Defense Authorization Act, represents a dramatic improvement for the Department of the Navy. Although the Department of the Navy still had to make difficult priority decisions, the final request represents the best mix possible among competing priorities. In this budget request, the highest priority items

are pay and benefit improvements for our most valuable resource; namely, people and providing them the necessary spares, tools and munitions to carry out the nation's requirements. The following is the listing of the priority funding in FY2003 for the Department of the Navy:

- _ Personnel salary and benefits are improved approximately \$4.1B in MILPERS accounts. This represents improvements in salary, health care, housing allowance and increased sea pay both in amount and number of military personnel covered. In this budget, civilian health care is also on an accrual basis and that administratively adds \$750M dollars to this budget in Operation and Maintenance and working capital accounts that was not accounted for in prior years.

- _ Operation and Maintenance and working capital accounts are increased by \$3.4B. This increases funds for steaming and flying hours, including spares and depot/contractor repair of major systems. This funding does not, however, include any cost associated with Enduring Freedom.

- _ Munition accounts are increased \$973M which is allocated predominately to tactical land attack Tomahawk cruise missiles and precision ordnance delivered from Navy and Marine Corps ships and aircraft.

- _ The airplane account is increased by \$323M. Although the number of attack airplanes remains the same as in FY2002, the total number of airplanes declines due to the mix of airplanes being procured in FY2003.

- _ The RDT&E accounts increased by \$1.1B reflecting the need to continuously invest in the future and to incorporate new technologies into our naval services.

- _ The total number of ships in FY2003 is 7, consisting of 5 new construction ships and 2 conversions. The conversions consist of modifying 2 ballistic missile submarines into 2 modern cruise missile platforms that provide a transformational capability to the Navy and the Nation. Prior year shipbuilding is funded in the amount of \$645M. Additionally, pricing for new construction ships has been increased by \$400M as a management approach to help avoid future cost growth.

Our objective in FY2003 to fund more robustly all of our operational accounts across the Department of the Navy to assure that our men and women in uniform have all the necessary resources to provide forward presence and to support the President's call for action in support of the *AWar Against Terrorism*.[@] This necessitated some difficult choices and continues to leave the naval services with a smaller number of new construction ships than desired and an airplane force that continues to age beyond the age of our surface ships. In addition, the Department of the Navy is disinvesting in older systems that no longer provide combat capability commensurate with their cost.

The War Against Terrorism illustrates the value of Naval Forces and the importance of Sea Basing.

Naval Forces

Provide global continuous presence

Have no need to obtain base access

Quickly put potent ground forces ashore in a crisis area

Quickly strike enemy targets throughout much of the world

Operate and sustain from secure sea bases

Enable U.S. and allied forces to get into the fight

Remain on-station indefinitely

Influence events ashore from the sea

Extend U.S. power and influence deep into areas that enemies might consider secure

III. Leading the Way: Navy-Marine Corps Operations in the Global

War on Terrorism

On September 11, 2001, USS *Enterprise* and her battlegroup were returning from a successful deployment to the Arabian Gulf. By next morning, *Enterprise* was within reach of Afghanistan, ready to launch and sustain precision strikes against enemies hundreds of miles from the sea.

Enterprise was not alone. In Australia, the Sailors and Marines of the *Peleliu* Amphibious Ready Group /15th Marine Expeditionary Unit (Special Operations Capable) cut short their port visit and sailed for the Arabian Sea. USS *Carl Vinson* steamed at high speed to join *Enterprise* on station while surface combatants and submarines prepared Tomahawk missiles for long-range strikes, established maritime situational awareness, and prepared for interdiction operations. USS *Kitty Hawk* prepared to leave her homeport in Japan, to serve as an innovative special operations support platform. Off the east and west coasts of the United States, USS *George Washington* and USS *John C. Stennis* took station along with more than a dozen cruisers and destroyers, guarding the air and sea approaches to our shores. Shortly thereafter, the hospital ship USNS *Comfort* joined USNS *Denebola* in New York City to support firefighters and recovery workers. Marine Chemical-Biological Incident Response Force (CBIRF) and Explosive Ordnance Disposal (EOD) teams deployed to support local authorities in New York and Washington, D.C. Naval Intelligence, in conjunction with Coast Guard Intelligence, immediately began monitoring civilian ships approaching the United States and assessing the potential terrorist uses of the seas around the world.

When the nation called, the Navy-Marine Corps team responded with speed and agility, and with lethal, combat-credible and sustainable forces. On September 11th, as on every other day of the year, sovereign Naval Forces were on watch around the clock, around the globe.

In 2001 as in the past, the Navy-Marine Corps Team operated extensively representing U.S. interests throughout the world. In the Pacific, forward-deployed Naval Forces based in Japan, the West Coast and Hawaii continued to assure our allies in the region, deterring threats and coercion. The Navy-Marine Corps team also supported United Nations Transition Assistance East Timor (UNTAET) humanitarian assistance efforts.

In the Mediterranean, Navy ships operated with friends and allies in over 85 exercises. Marines in Sixth Fleet MEUs provided presence ashore in Kosovo and served as the Joint Task Force Commander's ready reserve. In South America, Marine elements participated in riverine and small unit training. The annual UNITAS deployment promoted regional security cooperation and interoperability with regional Naval Forces.

In Southwest Asia, we maintained continuous carrier presence throughout the year, conducting combat operations in support of Operation Southern Watch over Iraq. Surface combatants continued Maritime Interdiction Operations (MIO), supporting UN economic sanctions against Iraq for the tenth straight year. Marines from the 15th and 22nd MEUs trained and exercised with friends and allies throughout Southwest Asia.

These familiar Apeacetime@ operations demonstrate two enduring characteristics of the Navy-Marine Corps team that have been essential in launching the war on terrorism:

- ⌘ The ability to provide assured, sea-based access to the battlefield unfettered by the need to negotiate base access.
- ⌘ The ability to project power from the sea to influence events ashoreCtailored, flexible, relevant power that is critical to the Joint Force Commander-s ability to fight and win.

70% of combat sorties were flown by naval air.
Tomahawks from submarines and ships key in taking down air defense and command nodes.
Navy P-3-s provided critical surveillance and reconnaissance over Afghanistan.
Sea based MarinesCusing organic airliftCmoved 400 miles, deep into Afghanistan.

When combat operations began in October, these characteristics made the Navy-Marine Corps team leading-edge elements in the joint campaign. Against a dispersed, entrenched enemy in a landlocked nation, hundreds of miles from the nearest ocean, strikes from the sea were in the vanguard. Carrier-based Navy and Marine

aircraft provided the preponderance of combat sorties over Afghanistan while Tomahawk cruise missiles fired from ships and submarines struck communications and air defense sites. In the days that followed, the Navy and Marine Corps worked seamlessly with the other services to sustain carrier strikes deeper inland than ever before. Carrier aviators flew, on average 6-hour missions over Afghanistan, covering distances equal to missions launched from the Gulf of Mexico to Chicago and back.

Maritime patrol aircraft flew over Afghanistan to provide unique reconnaissance and surveillance capabilities in direct real time support of Special Operations Forces (SOF) and Marine units on the ground. USS *Kitty Hawk* excelled as an interim afloat forward staging base (AFSB) for SOF. Ships and submarines supported by Naval Intelligence established maritime situational awareness over a huge area, and began the most extensive Maritime Interdiction Operation (MIO) ever to interdict terrorist leaders and material.

Marines established the first conventional ground force presence in Afghanistan. Elements of two MEUs and a Marine Expeditionary Brigade Command Element moved from their ships using organic Marine and Navy lift to create a tailored Marine Air Ground Task Force (MAGTF) ashore. Light, agile and self-sustained, Marines established security in a hostile environment and assured access for follow-on forces. Navy Seabees improved runways, enhanced conditions at forward operating bases far inland, and established detainee camps.

Submarines provided tactical and persistent intelligence, surveillance, and reconnaissance (ISR). Sea based aircraft, ships, and submarines brought down enemy defenses from a distance. Carrier strike aircraft, in conjunction with Air Force bombers and tankers and guided by SOF on the ground, destroyed the enemy's ability to fight. Having assured access and sustainment from the sea; Marines, Navy SEALs, Seabees, and Army SOF worked with local allies to free Afghanistan from the Taliban regime and al-Qaeda terrorist network.

In Operation Enduring Freedom and the global @War Against Terrorism@, on station Naval Forces were first to respond, first to fight, first to secure U.S. interests.

These operations exemplify the decisiveness, responsiveness, agility and sustainability that are key to Naval Services.

Operations in the War Against Terrorism make clear important lessons as we move to transform the nation's military force and capabilities. Transformation is not just about revolutionary new hardware and technologies. Quantum improvements in warfighting effectiveness also come by coupling evolutionary improvement in existing systems to new ways of thinking innovative operational concepts, doctrine, tactics and intelligence and through new ways of using them together. Here are some examples of this potent combination, and the dramatic improvement in capabilities over just the past decade:

- ✧ Unprecedented long-range precision strikes from carrier aviation, effectively supported by Air Force tankers. In Desert Storm our strikes were less than 200 miles on average; in Afghanistan they were often 600 miles or more inland.
- ✧ Seamless command and control across a joint task force engaged in global operations.
- ✧ Seabased Marine operations, arriving and staying light, with the Area largely aboard ships.
- ✧ Expeditionary flight operations were conducted from Kandahar, over 400 nm inland. These operations included helicopters and VSTOL fixed-wing aircraft, making the AV-8B the first U.S. tactical strike aircraft to conduct operations from a base in Afghanistan.

- ✧ Direct real time intelligence and reconnaissance operational support of Ground Special Operations Forces by P-3 maritime patrol aircraft.
- ✧ Continued refinement of Tomahawk as a timely tactical weapon. In Desert Storm, it took about 3 days to program a new mission into a Tomahawk missile. In Afghanistan, some missions were programmed in less than half an hour.
- ✧ Marriage of precision munitions with real-time targeting to make aircraft precision Airborne artillery. Precision munitions became the most commonly used ordnance. Ninety-three percent of the ordnance expended by the Naval Forces in Afghanistan was precision munitions.
- ✧ Long-term surveillance and real-time targeting from unmanned aerial vehicles (UAVs).
- ✧ Inherent flexibility, as an aircraft carrier's traditional mission was changed on short notice to become an afloat forward staging base for joint Special Operations Forces (USS *Kitty Hawk*).
- ✧ Integrated use of attack submarines in a networked force.
- ✧ Versatile surface ship combat operations, from Tomahawk launch and projecting air defense projection overland with the Aegis system; to escort duty, maritime interdiction, littoral interception operations, and search and rescue.
- ✧ Perhaps the most remarkable change is that Naval Forces from the sea are operating in the Eurasian heartland well beyond the littorals, striking an enemy in what he considered sanctuary.

Around the World, Around the Clock

Even as the world moves on through these turbulent times, it is clear that the global commons **B**the oceans **B** will continue to matter greatly to the United States of America: as a pathway for transport and commerce; a source of oil, minerals, foodstuffs, and water; a rich venue for research and exploration; a road to our allies and friends as the leader of a global maritime coalition; an extensive though not infallible zone of defense; and **B** above all **B** an arena from which to operate as we seek to dissuade, deter, and, if required, fight and defeat our enemies. The power of the Navy/Marine Corps Team in defending our country is inestimable!

IV. Sailors and Marines: Investing in the Heart of the Team

Key to our force, and the heart of the team are our Sailors, Marines, and civilian workforce. These are our most valuable resource. Our Navy and Marine Corps need talented young Americans who want to serve their nation and make a difference. In return for their service, we offer them rich opportunities for leadership, growth, and achievement. **Sailors.** We continue to make solid progress in recruiting the right people, reducing attrition, increasing reenlistments, and manning the Fleet. Navy recruiting goals were met in 1999, 2000, and 2001. As a result, a greater number of initial service school seats are filled, providing better trained Sailors to the Fleet, and Fleet manning continues to improve.

Sailors are staying Navy in record numbers. First term retention is now at 57 percent. The Navy continues to make progress in combating attrition of first-term enlistees with 8.5 percent fewer first-term attrites in FY 2001 than the previous year. Opportunities for advancement have improved. Our battle groups are being fully manned earlier in the inter-deployment training cycle, deploying with the best manning levels in years. We have begun filling increased manpower requirements in areas such as Anti-Terrorism/Force Protection (AT/FP).

Improving officer retention remains critical to our efforts to achieve a steady-state force structure. Strong leadership at all levels and increased personnel funding

have produced recruiting and retention advances. The Navy will continue to invest in Quality of Service and build a 21st century personnel system.

The Navy wants to give Sailors greater choice in their assignment process. The Navy has taken a number of initiatives to make the process more Sailor-centered, including a Sailor Advocacy Program that has expanded outreach to Sailors by their personnel managers. We also want to be able to shape careers and the force in skills and paygrade to meet future as well as current requirements. For these reasons, the Navy supports several initiatives in this year's budget cycle. A gradual increase in our enlisted top six-paygrade mix (E4 through E9) to reflect the skills requirements of increasingly complex ships and aircraft, and legislative initiatives such as enhanced career pay and distribution incentive pay to help compensate for the arduous nature of an expeditionary Service.

Marines. The Marine Corps has either met or exceeded its accession goals since June 1995. During 2001, aggressive recruiting has allowed the Marine Corps Recruiting Command to exceed its quotas again. As a result, the Marine Delayed Entry Pool (DEP), the recruiting reservoir, is in excellent shape. For the third consecutive year, the Marine Corps experienced lower post-boot camp first-term attrition.

Marine Corps retention was very encouraging in FY 2001. More first term Marines re-enlisted than at any other time in the history of the Marine Corps, easily reaching our goal to re-enlist 26 percent. The Marine Corps also achieved a better military occupational speciality mix than in previous years. This strengthens the future of our enlisted career force and provides commanders with the most qualified Marine

by rank and experience. Highly successful retention programs such as the Selective Re-enlistment Bonus (SRB) are addressing shortages in specialty areas. Officer retention has improved substantially with a 15 year low of 8.3 percent attrition during FY 2001. Aviation Continuation Pay (ACP) has assisted in improving officer retention.

For the past decade, the Marine Corps has continued to aggressively examine its force structure. This is necessary to ensure proper staffing of our operating forces, which have been below the 90 percent manning levels required for the tempo and variety of our full spectrum capabilities, and the efficient and effective use of Marines and Civilian Marines in combination with business reform initiatives for our supporting establishment functions. To date, mainly as a result of business reform initiatives such as out sourcing and privatization, we have made substantial progress to increase manning in the operational forces with approximately 2500 Marines identified to shift from the supporting establishment to operating forces billets. As we complete our A-76 studies and continue the implementation of Activity Based Costing/Activity Based Management in our supporting establishment process, we expect some additional Marines may be shifted to the operating forces. However the new security environment has increased our operating forces needs. We have responded with the permanent activation of the 4th Marine Expeditionary Brigade (MEB) (Anti-Terrorism/Force Protection), consisting of 2400 Marines out of our total end-strength of 175,000 active duty Marines in order to assure we access, train and retain a new, robust tier one anti-terrorism/force protection force capability. The immediacy of the 4th MEB requirement resulted in initial manning using highly trained Marines from

previously existing but already under staffed operating force units. Marines from the 4th MEB were quickly deployed in 2001 and are deployed today to provide this new capability for joint force missions in the European Command and Central Command Areas of Operation. The nature of the change in our national security environment, both overseas and here at home, requires we sustain this increase in Marine Corps end-strength.

Quality of Service. The Navy and Marine Corps continue to believe that both quality of life and quality of the work environment are important factors in retaining Sailors, Marines, and their families. This includes compensation, medical care, family housing, retail and commissary services; recreation programs, community and family services; training and education; as well as elements of the work environment such as tools, supplies, and facilities. Congress has supported many improvements in these areas.

Professional development and training is one of our key focus areas. The Navy has launched Task Force EXCEL (Excellence through Commitment to Education and Learning) an initiative to create a **ARevolution in Training**, leveraging distance learning technologies, an improved information exchange network, and a career-long training continuum to fully realize the learning potential of our professional force. The Navy College Program and the Marine Corps Lifelong Learning Program directly support career-long emphasis on the professional development needs of our Sailors and Marines. Continuous learning, including an increased reliance on advanced distance learning systems such as the Marine Corps' Satellite Education Network (MCSEN) and

the MarineNet Distance Learning Program, is needed to keep our Sailors and Marines on the cutting edge. The Navy-Marine Corps team owes those who promise to serve the best possible training throughout their Naval Service experience so they can succeed and prosper in their professional and personal lives.

Force health protection is an integral part of readiness and is one of Navy Medicine's primary missions. Navy Medicine has implemented a comprehensive organizational strategy to prepare for, protect against, and respond to threats or attacks. The medical establishment is coordinating with sister Services, the Veterans Administration, Federal agencies, and civilian healthcare support contracts through TRICARE to combine our efforts for increased efficiencies. Programs are in place to ensure the health of Sailors and Marines; protect them from possible hazards when they go in harm's way; restore the sick and injured, and care for their families at home.

Reserves. Some 89,000 Navy Reservists and 39,558 Marine Corps Reservists serve today. The effective integration of reserve elements with active components is indispensable to military readiness and personnel tempo in the AWar Against Terrorism.@ We have recalled over 10,000 Navy and Marine Corps Reservists as of December 2001. The Marine Corps Selected Reserve contributes approximately 25 percent of the force structure and 20 percent of the trained manpower of the total Marine Corps force. The Navy Reserve constitutes 19 percent of the Navy's total force, providing all our inter-theater airlift and inshore undersea warfare capability.

The Naval Reserve came within two percent of its authorized end strength in 2001 and is adding recruiters in FY 2002 to help meet goals. The Marine Corps Reserve continues to meet its authorized end-strength, although the challenge to recruit

company grade officers for service with Selected Marine Corps Reserve (SMCR) units is increasing. A Reserve Recruiting and Retention Task Force meets quarterly to develop and implement ways to meet the **Right Marine in the right place** standard.

Civilian Workforce. The Department of the Navy employs about 182,000 U.S. citizen civilian workers and nearly 3,500 foreign national employees. This is about 149,000 fewer civilians than were employed in 1989, a reduction of 45 percent. Now the Department of the Navy faces an employment challenge shared across the Federal Government: shaping the workforce to ensure that we have the right people, with the right skills, in the right jobs to help us meet the challenges of the future. In an age of rapid technological change, attracting the best available talent is essential. We are building on the successes of Navy and Marine Corps commands to identify and expand the use of best recruitment practices to attract high quality individuals at entry and mid-career levels. At the same time, we are examining and using other innovative workforce shaping strategies to ensure that we have a civilian workforce able to take its place as an integral part of the total force.

V. Current Readiness: Operating the Navy and Marine Corps

The success to date of the Navy and Marine Corps in the war against terrorism attests to progress made in current readiness. Sailors and Marines were ready and had the tools they needed on 11 September. We have worked hard to redress the shortfalls in training, maintenance, spare parts, ordnance, and fuel that have burdened our operating forces in the recent past. The FY 2002 budget was the best readiness budget in a decade. The FY 2003 Budget will continue to ensure that readiness meets mission requirements.

The ships and aircraft joining the Fleet and Marine forces are the best in the world. In 2001, the Navy launched the next aircraft carrier, *Ronald Reagan* (CVN 76), commissioned our newest amphibious ship, USS *Iwo Jima* (LHD 7) and continued to take delivery of sophisticated *Arleigh Burke*-class guided missile destroyers, and F/A-18 E/F Super Hornets. While current DDGs and F/A-18s may look from the outside much like earlier models, by design they bring significant increases in capability as the classes evolve.

Ship and Aircraft Build Rates and Modernization. Given current practices and the age of our systems, there is a steady-state requirement to procure 180-210 aircraft and 8-10 ships each year to sustain current force levels over the long term.

However, we are also at a juncture of transitioning to new systems such as F/A-18E/F, LPD-17, DD(X), E-2C RMP, and others. We are investing in connectivity and interoperability to leverage our existing assets while we lay the foundation for future modernization.

The Navy has 5 new ships and 2 major conversions requested in the FY 2003 budget, and substantial additional shipyard/conversion work:

- _ 2 DDG's (\$2.4B) including Advanced Procurement for a third (\$74M)
- _ 1 *Virginia* Class Submarine (\$2.2B)
- _ 1 LPD-17 (\$604M)
- _ 1 T-AKE (\$389M)
- _ Incremental LHD-8 Funding (\$253M)
- _ 2 SSGN Refuelings and Conversions (\$1.0B)
- _ 1 SSN Refueling (\$360M)
- _ DD(X) (\$961M)

Although we plan to procure additional ships in the out years, FY2003 is not the best time to further accelerate ship procurement quantities. There is substantial work in many of the nation's shipyards for SSGN conversions, SSN engineering refueling overhauls, and new construction already underway. For example, there are 36 new ships already authorized and under construction.

The Navy could use additional DDG's, and they are the most appropriate candidate for additional procurement. The Navy would also like to move as quickly as possible to the DD(X) hull in order to reduce operating costs and improve capability and survivability. While the *Virginia* design is nearing completion, there was no prior year advance procurement funding available to support building a second *Virginia* Class submarine in FY 2003. Delivery of *USS Virginia* in 2004 will allow the class design and ship testing to complete before beginning the increased production of two *Virginias* per year later in the FYDP. We are not ready for rate acceleration this year. The LPD-17 design is still not complete. Four ships are already funded with advance procurement for another 2 ships. Although we need to replace our older amphibious force ships, LPD-17 is not yet ready for rate acceleration. Design work is just starting on the T-AKE lead ship and 3 T-AKE's are already appropriated. Across the FYDP the Navy will fund 11 Cruiser conversions. Cruiser conversion offers an affordable way to add fleet capability and ultimately we plan to convert 27 Cruisers.

We are keenly aware of the critical need to address ship and aircraft recapitalization and plan to do so in future years budget submissions. Some shipbuilding programs have been delayed due to developmental challenges and we would expect to have more flexibility to recapitalize our ship accounts in the future. The challenge of recapitalization today is exacerbated by the immediate and compelling need to rapidly make whole and sustain the current Navy and Marine Corps ability to fight today's wars, which this budget addresses in great part. We had to make some

very difficult choices, however, we are making the right choices within available dollars. At the present time, given the age of Navy aircraft, the Navy would place a higher priority on increasing aircraft procurement rates over ships.

Prior topline constraints, coupled with increased operational requirements over the last decade, forced the Marine Corps to defer investment in equipment modernization. As a result of this procurement pause, many Marine Corps weapons, vehicles, and support systems are approaching or have exceeded block obsolescence. The FY 2003 budget allows the Marine Corps to begin to make more appropriate levels of investment in ground equipment modernization and transformational programs such as the Advanced Amphibious Assault Vehicle (AAAV), LW155, High Mobility Artillery Rocket System (HIMARS), and Common Aviation Command and Control

System (CAC2S). Sustainment of this increased level of investment is absolutely critical to the continued success of the Navy-Marine Corps team.

Readiness challenges. We have made major strides in improving current readiness with the strong Congressional support in the FY 2001 supplemental and FY 2002 budget. But challenges remain. Our task is to sustain readiness funding while focusing clearly on three challenges in current readiness:

- ⌘ The aging of assets—particularly aircraft and amphibious ships—due to inadequate replacement levels.
- ⌘ The demands of the War Against Terrorism.®
- ⌘ The maintenance of shore infrastructure.

The Aging Fleet: The aging of ships and aircraft may be one of the main factors contributing to increased readiness costs. Naval aviation poses the most profound challenge. Our aviation force now contains the oldest mix of type/model/series aircraft in naval history, yet it is these same aircraft that are routinely employed in combat overseas. For the first time, our average aircraft age exceeds the average age of combatant ships, contributing to a corresponding increase in the cost of operations and maintenance.

The average age of our ships is 16 years which is near optimum for ships with a service life of 30 years. However some ships, particularly older aircraft carriers and our amphibious force ships, are reaching the end of their service lives, often requiring

unprogrammed repairs, necessitating unplanned funds for urgent maintenance. In part because of these costs, we moved to retire some ships, such as some *Spruance*-class destroyers, before the end of their service life. Further, capable ships reaching service mid-life, like the oldest of our Aegis cruisers, require modernization to remain operationally viable.

Global tasking and the *AWar Against Terrorism* continue to stress our aviation force readiness. As a result, the F/A-18 has been flown well in excess of planned utilization rates. More than 300 aircraft will require service life extensions earlier than planned or budgeted. Similar situations apply to F-14s, EA-6Bs, P-3Cs, SH-60s, and virtually every other aircraft in the fleet. The majority of Marine Corps airframes are over 25 years old.

In developing the FY 2002 budget, the department moved nearly \$6.5 billion from other Navy programs to the current readiness portion of the Navy baseline program for FY 2002-FY 2007, shoring up the Flying Hour Program, Ship Depot Maintenance, Ship Operations, and Sustainment, Recapitalization, and Modernization (SRM) accounts. The FY 2002 defense budget made substantial investments to bring readiness accounts to required levels. We sustain this focus in FY 2003 with an additional increase of \$3.4B in Operation and Maintenance and working capital accounts.

Selected readiness issues in the *AWar Against Terrorism*. Recent combat experiences underline the importance of certain assets and capabilities in high demand but short supply. While the EA-6B Prowler, the EP-3E Aries II electronic warfare aircraft and P-3C Orion Anti-Surface Warfare Improvement Program (AIP) aircraft

offer theater commanders extraordinary capabilities, higher than planned usage rates results in adverse effects on service life, maintenance costs, and aircrew tempo.

Precision Guided Munitions (PGM) have become the preferred munition of modern warfare. Unanticipated high usage rates during the war in Afghanistan, coupled with years of under investment in ordnance, have caused serious shortfalls. This is a critical path item that we are addressing to sustain our effort in the AWar Against Terrorism and we increased munitions accounts in FY 2003 by \$973M allotted predominately to Tactical Tomahawk missiles and precision guided munitions delivered from the air.

Current operations reinforce the need for sustainable access to training and testing ranges. We are dedicated to finding ways to enhance readiness through creative technologies. While an increasing amount of training and testing can be done using computer simulations and other information technologies, live practice on actual ranges will in some cases remain essential at the right time and place in the training cycle. Maintaining access to ranges requires a comprehensive approach that balances legitimate community and environmental concerns with the need for realistic training and testing.

Shore Infrastructure. Real property maintenance and military construction accounts suffered in past years to maintain forward-deployed forces. Department of Navy's shore infrastructure's recapitalization cycle recently exceeded 130 years, our deferred sustainment is \$573 million and our Sustainment Restoration and Modernization (SRM) funding has been significantly below the private industry average. In FY 2003 the Department is making significant increases in (USN \$221M,

USMC \$81.6M) SRM. With this effort, our recapitalization rate will be driven down to 83 years by the end of the FYDP, and the lowest readiness (C3/C4) areas are projected to be eliminated by 2013.

The Marine Corps made significant progress in ensuring that its 15 major bases and stations maintain solid training facilities while providing an improving Quality of Service for Marines and their families. The MILCON program replaces or improves over 950 homes and provides new Bachelor Enlisted Quarters for over 1000 Marines and their families. The program also addresses facility deficiencies providing maintenance and training facilities. While Marine Corps military construction is below the level necessary to sustain the DOD goal of a 67-year replacement cycle, the Marine Corps has made great strides in sustaining their facilities.

For most of the last decade, real property maintenance, military construction and family housing were bill payers for near-term readiness. Recent top line increases have allowed the Department to make progress in these important areas however, there is still a great deal of room for improvement. In the area of facility sustainment, the Marine Corps will achieve the goal of C2 readiness ratings in all facility-type areas by 2010; however, currently 57% of Marine Corps infrastructure is at the lowest state of readiness (C3/C4). While the DoD goal for plant replacement is 67 years, the Marine Corps recapitalization rate for FY 2003 is 125 years.

There is good news in the area of bachelor and family housing. The Marine Corps level of investment in bachelor housing has increased from \$84M in FY 2002, to an average of \$243M per year across the FYDP. This increase in investment, coupled

with the Marine Corps decision to build barracks in accordance with a waiver-approved 2x0 room standard, allow the Marine Corps to achieve our goal to eliminate inadequate barracks by 2010. The Marine Corps 2001 family housing master plan identified close to 17,700 inadequate family housing units with the majority of those units requiring significant revitalization or replacement. Increases in Basic Allowance for Housing, combined with traditional military construction projects and public-private ventures will allow the Marine Corps to eliminate inadequate family housing by FY 2005.

VI. Future Readiness: Transforming the Force

The Navy and Marine Corps transformation vision is fundamentally about balanced capabilities rather than specific ships, airplanes, weapons systems or other technologies. The concepts of Network Centric Warfare (NCW) and Seabasing will fundamentally transform Joint warfighting. NCW will be part of every system and operation in the future and will tremendously extend the capabilities of individual platforms or systems by expanding the knowledge base, sensor and weapon reach, and ability to quickly react. Seabased operations will capitalize on NCW and the maneuver space afforded by the sea. Seabasing provides a full naval force package, integrated across the amphibious task force, carrier battlegroup, force, and combat logistic force. Sustained at sea, seabased forces will provide the Joint Force Commander with persistence in the battlespace and the capability to rapidly project power and influence

well inland without the encumbrance of vulnerable fixed bases. As the overarching architecture unifying the forces and systems within an area of operations and reaching back to other forces ashore, NCW and seabasing will be the central tenant of Navy and Marine Corps experiments and program developments.

Navy and Marine Corps priorities for transformation are centered on capabilities that support Naval Operational Concepts: assuring and sustaining access; projecting power from forward-deployed combat credible forces; deterring aggression; and sustaining logistics from sea-based forces while minimizing our footprint ashore. Transformation activities will be focused on Information Technology (IT) through networks, sensors and information processing. Future capability requirements are determined through the Battleforce Capabilities Assessment and Planning Process developing strong links between technology developers, requirements offices, and concept development and experimentation organizations.

A. Forces to Support Operations in a Changed World.

The AWar Against Terrorism® and the emerging world ahead requires a transformational vision of emerging requirements. We envision the need for forces that are more dispersed and provide simultaneous application of sea control, strike, forcible entry, SOF, sea based missile defense, dispersed logistics, strategic deterrence, and Maritime Interdiction Operations (MIO). These forces will swiftly defeat any

adversary's military and political objectives, in anti-access area denial or other asymmetric environments.

Evolutionary and transformational improvements in platforms, concepts and technology now in the Fleet provide more combat capability per unit than ever before. Yet there remains a quality in quantity (of platforms) as global readiness, presence and mission needs change. A balanced force would reflect in part the following considerations:

- ⌘ **Surface ships.** We will need to distribute surface ship combat power to face global terrorist network threats, take advantage of our network capabilities, and undertake demanding tasks around the globe. Emergent missions may translate to a new demand for additional surface combatants some of which may be new concept ships focused on littoral warfare and others on Theater Missile Defense capabilities.
- ⌘ **Amphibious capability.** Although the Marine Corps forcible entry amphibious lift requirements remain 3.0 Marine Expeditionary Brigade (MEB) assault echelon equivalents, the FY 2003 budget and FYDP funds 2.5 MEB of lift which is in accordance with the QDR.
- ⌘ **Submarines.** The submarine force structure is the minimum identified by JCS and other studies. Real world taskings stress this number.
- ⌘ **Support/Sustainment Requirements.** Global demands implied by new operational concepts may require additional logistics/replenishment assets.

Transforming to the AForce-netted@ Fleet. FORCEnet is the architecture and building blocks that integrate sensors, networks, decision aids, weapons, warriors and supporting systems into a highly adaptive, human-centric, comprehensive system. DD(X), CVN(X), SSGN, *Virginia*-class SSNs, *San Antonio*-class LPD, and Multi Mission Aircraft (MMA) are examples of platforms netted for the future. Warfighting effectiveness will be achieved through transformational technologies, innovative operational concepts through experimentation, and a focused procurement program, to realize major increases in our Naval Force's combat performance and achieve battlespace dominance.

While FORCEnet provides the overarching architectures, critical subset applications are already being procured. In particular, Cooperative Engagement Capability (CEC) and Naval Fires Network (NFN). CEC enables real time exchange of fire control quality data between battle force units, enabling all to have the identical picture, and to conduct cooperative engagements.

Ultimately, with a common integration of networks, sensors, weapons, and platforms, networked warfighters can achieve battlespace dominance through knowledge superiority and cyberspace exploitation. Today's Fleet already has much of tomorrow's capabilities and we are pressing ahead to advance these groundbreaking capabilities.

Key Acquisition Programs: The Transformational Bridge. In addition to the highly capable systems now entering the Fleet, we are making substantial investments in programs that are the bridge to the transformed Naval Forces of the future. Programs include the DD(X) family of ships, CVN(X), Joint Strike Fighter (JSF),

Virginia-class SSN, MV-22 Osprey and San Antonio-class LPD. The Navy will also convert four Ohio-class SSBNs into cruise missile carrying submarines (SSGNs) with special operations capabilities, as well as begin to procure a replacement for the aging P-3 series reconnaissance aircraft, such as the MMA. These programs are integrated with other ongoing transformation efforts to move toward the netted potential of Network Centric Warfare. For example, the Joint Tactical Radio system (JTRS) revolutionizes wireless communications; CEC successfully completed OPEVAL in May 2001; IT-21 is in 182 of our ships; Link 16 is in the Fleet, and Navy-Marine Corps Intranet is integrating the information backbone of the Naval Service.

These platforms are coupled with Aprocess@transformation, such as improved business practices and spiral development, which will enable short notice innovation and technology insertion on subsequent units in a class. Thus the programs we are launching - DD(X), Virginia-class SSN, CVN(X), and othersCare important not only for the capabilities they will bring initially, but also as the bridge to even more revolutionary capabilities downstream.

The DD(X) Family of

- ⌘ **Experimentation**Cto realize revolutionary and incremental change
- ⌘ **New Manning Concepts**Cfor ships and squadrons
- ⌘ **Technological innovation**Cspeeding the pace of development and insertion
- ⌘ Expanded use of **unmanned vehicles**Cabove, on, and below the ocean
- ⌘ **Sea based** forces
- ⌘ **All-Electric** Warship designCcould revolutionize the platform from ship design to sensor performance to tactics

Ships. DD(X), along with CG(X), and the Littoral Combat Ship (LCS), will introduce complementary technologies for 21st century warfighting success. Designed from the keel up to be part of a netted force, these three new members of the

Navy's surface combatant fleet will provide precision and volume fires, theater air defense and focused mission capabilities supporting littoral access. The DD(X) program will provide a baseline for spiral development of technology and engineering to support a range of future ships, such as CG(X) and LCS, to meet maritime requirements well into the 21st century. Some of the most transformational technologies include the Integrated Power System, Multi-Function and Volume Search Radars, Advanced Gun System, and a Total Ship Computing Environment. These technologies will enable the fleet to operate more efficiently because of reduced life cycle costs resulting from fuel and manpower savings.

Future Aircraft Carrier (CVNX). The future carrier force, our centerpiece of global access, will incorporate the best of our transformation technologies. Each CVNX will provide 50 years of service life with growth margin to accommodate advanced equipment and systems that permit flexible response options to wide-ranging roles and missions. With a new more efficient nuclear propulsion plant, open systems architecture, state of the art C4I and greatly expanded electrical capacity, these ships will host a future air wing (including UCAV/UAV) capable of generating sorties required to strike 1,000+ aimpoints per day. CVNX will remain a premier national asset for forward presence, mobility/crisis response, and sustained force projection.

Amphibious Warfare. The building blocks of our future expeditionary capabilities Cthe Advanced Amphibious Assault Vehicle (AAAV), MV-22 Osprey aircraft, JSF, and a new generation of modern ground equipmentCallow us to operate from farther over the horizon and deeper into the littorals. High Speed

Vessels (HSV) and new lighterage will be key components of the Seabasing concept. The new AAV will have triple the water transit speeds of older Amphibious Assault Vehicles. MV-22 will ultimately increase expeditionary airlift capacity by a factor of three while quadrupling range. This will increase joint lethality while using greater standoff range to reduce risk to the force. The JSF will provide a joint aircraft that avoids unnecessary duplication, yet provides leap-ahead technology in an interoperable system.

The Marine Corps assault echelon amphibious lift requirement remains at 3.0 MEBs. It shapes the future amphibious force with the number and type of ships required for a flexible warfighting capability. The planned force will form ARGs reconfigured or tailored to smaller sized independent elements during Asplit-ARG/MEU(SOC) operations. The *San Antonio*-class LPD 17 is designed to be a principal ARG platform, supporting a range of expeditionary capabilities discussed above.

Virginia Class Attack Submarine. The first of a new class of attack submarine, *Virginia* (SSN-774), is being built today. Building a ship as quiet as the current *Seawolf* class, this program has received awards for cost reduction and efficiency, but with a 30 percent lower total ownership cost and modular design allowing for spiral acquisition and insertion of future technologies.

Combat Logistics. This force is well on its way to completing its own transformation from six ship classes down to three classes of modern, highly capable, multiple missioned platforms. The newly awarded *Lewis & Clark*-class Dry Cargo/Ammunition ships (T-AKE), the first of a twelve ship class, will eventually

replace the aging T-AFS and T-AE platforms, providing increased capacity and combat load flexibility.

Assets. Prepositioning supports all four services. The current MPS program combines the capacity and flexibility of prepositioned sealift with the speed of strategic airlift. We continue to pursue both our Maritime Prepositioned Force Enhancement (MPF(E)) and Maritime Prepositioned Force Future (MPF(F)) programs, enhancing Navy Fleet Hospital, Naval Mobile Construction Battalion and expeditionary airfield capabilities. The long-term prepositioning program, MPF(F), will provide a more robust capability for rapid delivery and sustainment of Marine forces ashore. It will be more expeditionary and contribute significantly towards integration of the seabase in order to project naval combat power from the sea in support of joint operations.

Helicopters. All Navy helicopter missions are being consolidated into the MH-60R and MH-60S platforms. These platforms will have a common cockpit and common airframe, with equipment tailored to particular missions enabling a decrease in the number of maintenance personnel required.

2. Technology and Experimentation.

Investing in Technology. Transformation requires substantial investment in S&T to swiftly and effectively leverage emerging opportunities. In FY 2003 we increased the investment in RDT&E accounts by \$1.1B. Enhanced capability will be achieved via prioritized investments focusing on networks, sensors, weapons and

platforms. Continued investment in S&T is essential in this time of extraordinarily rapid technological change and to ensure technologically superior naval capabilities will be available when required. The Navy's Warfare Centers and Navy Systems Commands, along with leading researchers in the Naval Research Laboratory and the Naval Postgraduate School, as well as the nation's universities and industry, continue to forward fresh and innovative ideas for investigation and development. These will include:

- **Integrated Power Systems (IPS).** Electric propulsion, envisioned for future surface and submarine platforms, will enable integrated powering of all propulsion, combat systems, and ship services, thus enhancing warship capability.
- **Unmanned Vehicles and Distributed Sensors.** Naval UAVs will provide the battlegroup and MAGTF commanders with essential near-real time imagery and data required to support ISR requirements independent of, or in concert with, the use of manned aircraft or limited Joint Theater or National Assets. Furthermore, \$76M for Unmanned Underwater Vehicles begins to provide similar capabilities in the underwater environment.
- **Intelligence.** Navy and Marine forces will enhance their organic intelligence capabilities by accessing and leveraging National, Theater, Service, and coalition intelligence assets and support through a comprehensive ISR network. Emerging threats and strategic environments demand broadened intelligence capabilities to support forces engaged in combat against asymmetric threats, international terrorism, military operations other than war, operations in urban environments and IO.

- FORCENetCthe overarching structure for Network Centric Warfare systems, including
 - o Naval Fires Network (NFN)
 - o Cooperative Engagement Capability (CEC)
 - o Expeditionary Sensor Grid (ESG)
 - o Expeditionary C⁵ Grid (EC⁵G)
 - o Common geotemporal reference of networked knowledge (4D-Cube)
- Information Technology for the 21st Century (IT21)
- Navy-Marine Corps Intranet (NMCI)
- SSGN
- Organic Mine Countermeasures (OMCM)
- Maritime Prepositioning Force (Future) (MPF(F))
- E-2C Radar Modernization Program (RMP)
- Unmanned Aerial Vehicles (UAVs)
- Unmanned Combat Air Vehicles (UCAVs)
- Unmanned Undersea Vehicles (UUVs)
- Advanced Electronically Scanned Array (AESA) Radar
- E-2C Radar Modernization Program (RMP)
- Link-16 network
- Multifunction Information Distribution System (MIDS) data link
- Distributed Common Ground Station
- Joint Tactical Radio System (JTRS)
- Lightweight Mobile Satellite Terminals
- Unit Operations Center
- Mobile User Objective System

Space. The Navy and

Marine Corps will continue to pursue the maximum use of space to enhance our operational capabilities. We look to leverage existing systems and rapidly adapt emerging technology.

Ba

Ballistic Missile Defense. A viable theater and area sea based ballistic missile defense system is important to assure the safety of U.S. forces and the flow of U.S. forces through foreign ports and air fields when required. Sea based missile defense

can also allow us to assist allies and friends deterring coercion and threats. We must solve the technical issues to field an effective system.

Joint/Fleet Experimentation. The path to transformation will involve a robust program of experimentation and concept development with new capabilities and operational prototypes while pursuing S&T efforts. We have ongoing initiatives to translate concepts such as the Navy's Network Centric Warfare (NCW) and the Marine Corps' Expeditionary Maneuver Warfare (EMW) into reality. This summer's

Millennium Challenge 2002 exercise will include experiments by each Service, coordinated together by Joint Forces Command.

Fleet Battle Experiments (FBEs). NWDC and the Marine Corps Combat Development Command (MCCDC) develop and refine future warfare ideas, tactics and doctrine in areas such as knowledge superiority and access, time critical strike, organic mine countermeasures, autonomous operations, littoral anti-submarine warfare, platform and war fighter protection, missile defense, enhanced modeling and simulation developments and expeditionary logistics. Navy FBEs and Marine Corps Advanced Warfighting Experiments test these new doctrines and ideas in the field, assess the utility of new technologies, explore new operational capabilities and organizational arrangements, and feed the empirical results back to the development commands. Both Services are collaborating to ensure that Navy and Marine Corps future development and transformation is completely compatible and complementary.

3. Leveraging Organizational Capital

Organizational Alignment. Alignment means having all our organizations acting coherently to achieve our overall objectives. To extract the maximum advantage from our resources and provide a high rate of return on our investments, we need to know our core requirements and state them accurately. Our continued success also requires organizational speed and agility to capitalize on new opportunities.

To this end the Navy took significant steps to align its organizations more effectively. The Commander, U.S. Fleet Forces Command (CFFC) was created to integrate policies and requirements for manning, equipping, and training all fleet units. Reorganized directorates tied closely to the fleet now lead the warfare requirements generation (N7) process while the resources and assessment group (N8) validates and prioritizes those requirements in the programming and budgeting process. The Navy has also established advocate organizations for Fleet and ashore readiness (N4), to ensure that readiness issues have a higher profile in the Planning, Programming, and Budgeting System (PPBS) process. The Navy has closely examined organizational alignment options for enhancing delivery of IT, IO and space capabilities to the Fleet. The Department intends to consolidate and align existing space, IT and IO commands to provide this management structure in direct support of our Fleets.

Better Business Practices. Key to achieving transformation is changing the Department's business practices, finding efficiencies, and moving bureaucracy dollars to the battlefield. To buy greater numbers of ships and aircraft a balance needs to be struck between the competing demands of current readiness, procurement, innovation, and experimentation. Better business practices are essential for freeing up resources for enhanced procurement and transformation. All Navy leaders, uniformed and civilian, are now thinking in terms of maximum productivity, minimum overhead, and measurable output. Every dollar the taxpayers entrust to us for the Nation's defense needs to be spent wisely.

Navy processes and organizations that equip, maintain, train and otherwise support operational forces are beginning to transform in concert with

the 21st century Naval Force. These processes and organizations will be agile, responsive and cost effective. They provide for rapid identification, testing and introduction of new technologies to stay ahead of the threat, streamline development cycle times, optimize Human System Integration, and provide customer support second to none. Our future readiness and force structure will introduce new systems using spiral acquisition programs and better business practices that allow for introducing innovative and transformational technology improvements into successive units of similar classes. By implementing these practices we will be able to shift more dollars into combat capability.

The Marine Corps has taken major steps to improve its business practices through the comprehensive implementation of Activity Based Costing and Management (ABC/M) methods at all of its installations. These efforts for achieve efficiencies and enable increased productivity at lower costs. These steps enable more rapid transformation of Marine Corps warfighting enhancements.

We are also working to replace other business processes and to revise the current Program Planning Budget System (PPBS). Efficient organizations are clearly more effective, and we need to work continuously to improve processes throughout the naval services. Prosecuting the war is our first priority, but our area of responsibility includes the business of war and overseeing the vast infrastructure that supports warfighting. We cannot fully prosecute the latter without fully improving the former.

VII. SUMMARY

At the dawn of the 21st century, the Navy and Marine Corps are uniquely positioned and configured to respond to the challenges the Nation faces. Steeped in a tradition of operating deployed, Naval Expeditionary Forces assure access, swiftly responding to threats to U.S. interests often in areas where access may be restricted, withheld, or denied. Naval Forces fight and win; they are capable of initiating and sustaining nearly unlimited combat operations on the sea, land, and in the air without the burden or liability of a logistics tail or host nation support. Once again in Operation Enduring Freedom and ~~A~~War Against Terror~~@~~, on station Naval Forces were first to respond, first to fight, and first to secure U.S. interests.

Naval Forces are continually transforming. We are building on a winning team, leveraging both current and transformational capabilities. The ability to transform is at the heart of America's competitive advantage.

We are the finest Naval Force in the world. While we face the challenges of recruiting and retaining the best people, maintaining adequate force structure, recapitalizing an aging infrastructure, and fighting both symmetrical and asymmetrical threats, we are clear of purpose, focused on the future, and confident in our capabilities. By successfully meeting the challenges outlined above, we remain ready to assure allies and friends, deter potential adversaries, and defeat enemies while providing our nation the most flexible instrument of military capability.

The FY 2003 President's budget request continues to build on the improvements funded in FY 2002. With continued strong Congressional support we will continue this year, and in coming years, the transformation and recapitalization of our Nation's already potent Naval Forces.