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THE SENATE ARMED
SERVICES COMMITTEE

STATEMENT OF

ADMIRAL VERNON E. CLARK, U.S. NAVY

CHIEF OF NAVAL OPERATIONS

BEFORE THE

SENATE ARMED SERVICES COMMITTEE

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Mr. Chairman and members of the Committee, I appreciate this opportunity to appear before you. Your consistent support of Navy requirements and vision of a strong Navy for our nation have protected the quality of life of our Sailors and enhanced operational readiness during the past year. I am very grateful and I thank you.

The United States Navy: On Watch for America's Security

The defense and prosperity of the United States has been tied to the seas since the founding of our Republic and the United States Navy has been the principal instrument of that security. Our Navy's history is one of international engagement in peacetime, effective response in crisis, and victory in conflict. It includes a rich tradition of innovation, adaptation, and courage in meeting regional and global threats that have confronted our nation over the past two and a quarter centuries.

Today, on the threshold of this new century, we face emergent challenges that are adding complexity to the missions our Navy has traditionally accomplished, providing powerful impetus for change. Cyberwar, weapons of mass

destruction (WMD), international terrorism, and the violence accompanying failed states - to name but some of these threats - do not replace the specter of state on state conflict. Rather they add to the danger, providing spark to already combustible situations.

To counter these challenges, we are investing in a 21st century Navy of awesome capability: a Navy that is strategically, operationally, and tactically agile; technologically and organizationally innovative; networked at every level; highly joint; and effectively integrated with allies. It is a Navy that will remain at the leading edge of the joint and combined fight - forward deployed to enhance deterrence, react swiftly to crises, and triumph in war.

These attributes are critical because our Navy will operate in a volatile world of rapid change, more dangerous in some regards than when we faced the global strike and sea denial capabilities of the Soviet Union. This strategic environment will place a premium on freedom of access, and America will need the capabilities of the Navy/Marine Corps team operating from the maritime domain - free to move about the world, influencing events,

representing our nation’s vital interests, and remaining ready to fight and win.

The Importance of Naval Forces

In 2002 and beyond, our Navy's posture, programs, and character will be shaped by the mission of projecting sovereign American power in support of national interests while forward-deployed to the far corners of the earth.

Such forward-deployed naval forces are central to the success of the National Military Strategy and integral to regional Commander-in-Chief (CINC) plans for peacetime and combat operations. A premier instrument of American power, your Navy operates around the globe, demonstrating command of the seas, ensuring the free flow of trade and resources, providing combat-ready presence, and assuring access for joint forces.

Our Navy is shaped to meet the national and regional requirement for forward forces. While some ships and squadrons are homeported overseas, most deploy rotationally for periods of up to six months in an 18-24 month cycle. This construct drives the Navy's force structure.

Fulfilling these important missions has become steadily more challenging. While the requirement for forward-deployed, combat-capable naval forces has remained constant since the end of the Cold War, assets available to meet that requirement have decreased markedly. Our force structure declined 41% since 1991, from 538 to 316 ships. Currently one-third of our ships are forward deployed every day compared to approximately one-fifth during the Cold War. Our Navy is a carefully balanced force optimized to fill the global presence requirements of the Unified CINCs.

One of today's central defense issues relates to the continued relevancy of overseas forces. Since the end of the Cold War, the United States military has become a mostly CONUS-based force. We have withdrawn two thirds of our permanently stationed forces from Europe and are fulfilling Middle East presence requirements with rotational units. With the exception of Korea, Asian commitments are being covered by naval forces or flyaway units from the United States.

Emerging technologies have offset some of these overseas presence reductions, yet virtually all strategic

planners remain committed to the importance of forward-deployed forces. They appreciate that regionally engaged, combat credible assets maximize our ability to dissuade potential adversaries, deter aggression, and quickly bring warfighting power to bear when needed. Operationally, such presence is fundamental to providing sustained precision fires and projecting defense overland to assure access for expeditionary joint forces.

Forward presence is not without risk, however, and we are committed to making the investments necessary to assure mission effectiveness in view of emergent threats. In short, we must remain ready to "climb into the ring" with our opponents – and not only the ring defined by us - and prevail.

The Challenge of Current Readiness

The standard by which we measure current readiness is the ability of naval forces to confidently meet the challenges of an uncertain world from the very first day of deployment. We will deploy and operate ready to conduct combat operations with maximum effectiveness and minimum risk.

Forward-deployed naval forces are prepared to do so. As reported first in the latter part of the 1990's, the readiness of deployed forces is being achieved more and more at the expense of the non-deployed segment of our force structure. Non-deployed forces are operating below satisfactory readiness levels, making it increasingly difficult to meet operational standards and deployment requirements. Analysis of fleet forces (figure 1) clearly illustrates the growing gap between deployed and non-deployed Navy units in overall readiness during the last two decades.

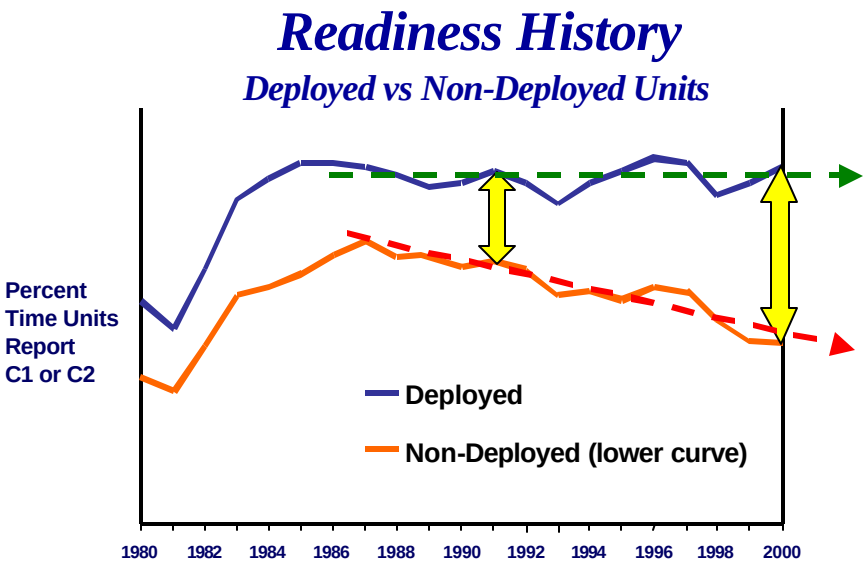

Figure (1)

Many ships, including the *AUSTIN* and *ANCHORAGE*-class amphibious ships as well as our fleet command ships, are reaching the end of their service lives. Such units often require unprogrammed repairs, forcing us to divert funds to meet urgent maintenance requirements. These actions, in turn, produce a maintenance backlog that is very unhealthy, especially given the size of our Navy today.

Another important fact is that ships reaching service mid-life, like the oldest of our Aegis cruisers, require modernization to be operationally viable in future hostile situations. Funds to complete this type of modernization have historically not competed successfully against other recapitalization requirements.

Naval aviation, in particular, poses profound challenges. Our aviation force now contains the oldest mix of type/model/series aircraft in naval history, yet it is our aircraft that are routinely employed in combat overseas. For the first time, our average aircraft age exceeds the average age of combatant ships, leading to a corresponding increase in the cost of operations and maintenance.

Global tasking has continually stressed our aviation force. As a result, the F/A-18 has been flown well in excess of planned utilization rates and 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 single most influential factor in achieving near-term aviation readiness is the health of our Flying Hour Program, which includes fuel, consumable spare parts, and Aviation Depot Level Repairables (AVDLRs). The cost of AVDLRs has risen an average of 13.8% per year from FY 96-99; the cost increases are driven principally by age. Despite attempts to alleviate shortages in AVDLRs, we continue to experience shortfalls. Shortages also exist in aviation mission critical items such as targeting pods and repair equipment on aircraft carriers.

The most effective manner in which to address the problems facing naval aviation is to introduce new aircraft into the fleet as soon as possible. Toward that end, the FY 2002 amended budget takes steps to increase the number

of F-18 E/F aircraft. We are currently in an age/cost spiral that can be best corrected by addressing these modernization requirements.

Current readiness shortfalls facing our ships and aircraft would be far worse were it not for aggressive action already taken. We reprogrammed nearly $6.5 billion from other Navy programs to the current readiness portion of the Navy baseline program for FY02-FY07, shoring up the Flying Hour Program, Ship Depot Maintenance, Ship Operations, and Real Property Maintenance accounts. The FY 2002 amended defense budget will have a further positive impact due to the substantial investment being made in bringing readiness accounts to required levels. This budget puts us on course to correct the under-investment in readiness.

The Imperative of Future Readiness

The challenge of sustaining current readiness while investing in key future capabilities has been a most difficult balancing act. Current readiness has too often come at the expense of recapitalization and modernization. As a result, modernization efforts have not kept pace.

Figure 2 shows the dramatic decline in authorized ships over the past five decades.

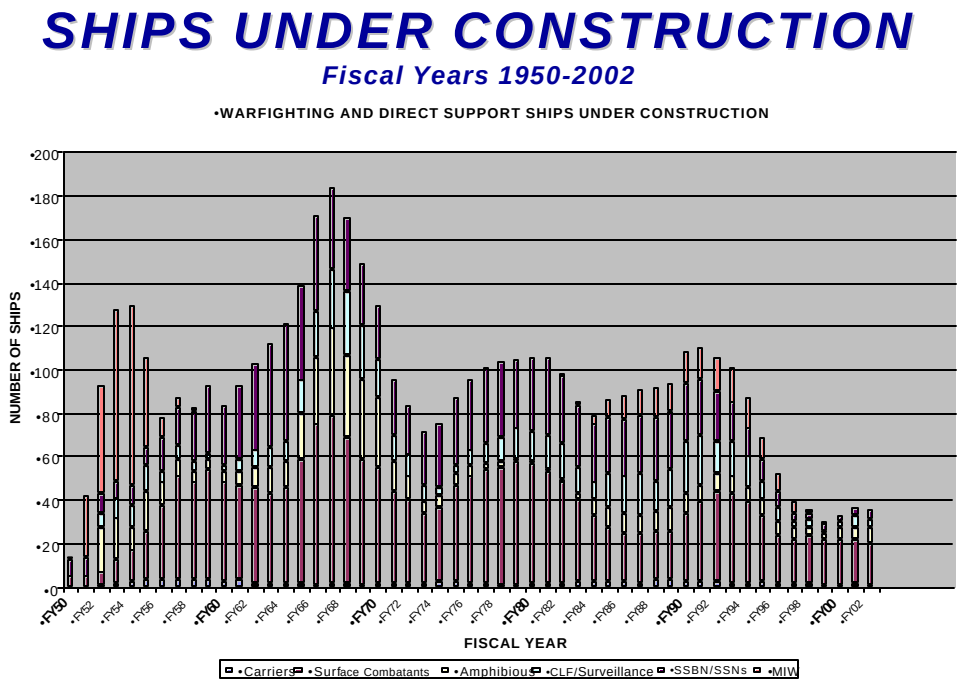

Figure (2)

Due to the level of investment in procurement during the 1990s, we face a significant acquisition "bow wave" for ships and aircraft today. I am on the record in stating that the Navy needs about $34 billion a year to meet procurement requirements – this is about $10 billion per year more than funded at present. We must buy 180-210 aircraft and nine ships a year to sustain the 1997 QDR force level of 4,200 aircraft and 310 ships.

We are procuring significantly less than that. We will procure just six ships and 88 naval aircraft in FY 2002. We cannot sustain the Navy we have today with current funding levels, which would lead to a 230 ship Navy over time.

The impact of the current low procurement rate goes beyond force levels. It adversely affects the stability of our unique defense industrial base. We are paying a premium in program cost today and realizing substantial cost growth because of production inefficiencies due to the lack of economies of scale. For the Navy, virtually every procurement program of record is proceeding at a sub-optimum economic order of quantity.

Still, we are making important investments in programs that will comprise the core capability of our forces in the coming decades. DD-21, CVNX, JSF, FA-18E/F, LPD-17 and the *Virginia*-class SSN present compelling technological leaps in warfighting capability and innovation.

The status of programs discussed below, as well as the associated funding levels, is subject to change as a result

of the ongoing Quadrennial Defense Review. The Secretary of Defense will develop funding guidelines beyond FY 2002 when that review is complete.

Program specifics include:

DD-21. The *Zumwalt*-class destroyer will provide sustained, distributed, and precise firepower at long ranges to support joint forces ashore by conducting precision attacks on land targets while simultaneously engaging threats above and below the sea. This program is central to our transformation effort, including the introduction of Integrated Power Systems (IPS), the Advanced Gun System (AGS), multi-function radar, and reduced manning concepts. Additionally, DD-21 is another step toward the creation of a more integrated Navy/Marine Corps team. DD-21 will provide significantly enhanced fire support for Marines ashore. The FY 2002 amended budget provides continued RDT&E investment pending final contractor down-select later this year.

CVNX. The FY 2002 amended budget provides RDT&E and advance procurement for the first CVNX, which will replace *USS Enterprise* in FY 2013 and sustain essential carrier

force levels. Principal design objectives for the CVNX class include a significant reduction of total ownership costs during the carrier's 50-year expected service life, reduced manning, and introduction of a flexible infrastructure that will facilitate the insertion of new warfighting capabilities as they evolve.

JSF. The Joint Strike Fighter program will field a family of tri-service, next-generation strike aircraft with an emphasis on commonality, providing sustainable U.S. and allied technological superiority at affordable prices. The FY 2002 amended budget supports vigorous R&D investments required to procure the initial variant in FY 2006.

LPD-17. We are not requesting additional LPD-17 class ships in the FY 2002 budget, due in part to design and production challenges with the lead ship. We remain fully committed to the program, however, as it supports vital littoral warfighting requirements and promises relief from mounting costs of our aging amphibious ships. The twelve projected LPD-17s will replace four older classes of ships and serve as central elements of future Amphibious Ready Groups.

***Virginia*-class SSN**. This class will sustain minimum essential attack submarine force levels as the *Los Angeles* (SSN-688)-class attack submarines leave the fleet. They are specifically designed for multi-mission littoral and regional operations as well as traditional open-ocean anti-submarine and anti-surface missions. Equally important, flexibility is designed into these ships to allow incorporation of new technologies. The FY 2002 amended budget procures one submarine per year and continues RDT&E. This pace of procurement is not sufficient to maintain our required attack submarine force level over the long term.

F/A-18E/F. The F/A-18E/F will replace older F/A-18s and all F-14s. There is extensive commonality of weapons systems, avionics, and software between F/A-18 variants, and the infrastructure supporting the Super Hornet builds upon existing organizations. We strongly support the FY 2002 amended budget's procurement increase from 39 to 48 aircraft to take advantage of economies of scale.

Growing and Developing Sailors

Navy men and women are our most valuable resource and we must provide them with the tools and leadership to

excel. We are and will continue to be in a "War for Talent" with other employers. To win this war, we are focusing on recruiting the right people, reducing attrition, and increasing reenlistments.

Improvements in compensation that you supported - bonuses, pay table adjustments, retirement reforms, and better medical benefits - are having the desired impact. The targeted pay raise and other initiatives in the FY02 Budget Amendment will reinforce these positive trends.

The Navy met its overall recruiting and end-strength goals in FY 1999 and 2000, and we are on track for FY 2001. We are currently reenlisting nearly 60% of eligible Sailors who reach the end of their first enlistments, compared with 47% in 1999. Sixty-seven percent of petty officers with 6-10 years of service are reenlisting, compared with 60% two years ago. Annual attrition rates for first term Sailors have fallen from over 14% to less than 12% since 1998. Officer retention remains well below steady-state goals, however, in every community except Naval Flight Officers.

Better than anticipated manning in FY 2001, the result of long sought after improvements in recruiting and

retention, has reduced at-sea billet gaps and allowed our Navy to begin filling increased requirements in areas such as anti-terrorism/force protection, aviation maintenance, and environmental billets at sea. As a result, we are requesting authorization in FY 2002 to increase our end-strength from 372,642 to 376,000. This additional end-strength will lock-in gains we have made in improved at-sea manning and enhanced readiness.

A major initiative aimed at further strengthening the professional development of Sailors is the Revolution in Training that is getting underway. This effort, which will unfold over the next three years, will leverage distance learning technologies, the improved Navy information exchange network, and a career-long training investment continuum to fully realize the learning potential of our professional force. This development is vital to the health of our manpower growth and development concepts of the 21st century.

Looking ahead, two personnel issues concern me. First is the erosion in Career Sea Pay, last updated in 1986. Redress of this problem was authorized in the FY 2001 National Defense Authorization Act (NDAA) but not funded.

Second is the ITEMPO legislation contained in the FY 2000 and 2001 NDAAs. Despite major progress made in mitigating time away from home for our Sailors, this legislation has the potential to significantly impact our force. Since October 2000, we have been collecting fleet data to evaluate the potential cost of this program. We will work closely with you in the months to come as the full impact of this legislation becomes clear.

Quality of Service: A Critical Retention Tool

A high Quality of Service – defined as a balanced combination of Quality of Life and Quality of Work - is directly related to retaining and motivating Sailors. While we have made gains in Quality of Life programs, our Quality of Work requires substantial improvement in many areas.

In previous testimony, I noted that a "psychology of deficiency" - the acceptance of sustained resource shortages as a normal condition - has become ingrained in our operating forces. It manifests itself in such things as substandard facilities and working environments. Over

time, our people have not only become accustomed to poor facilities, many believe they will never improve.

Our Navy's shore infrastructure is in such condition because our recapitalization cycle exceeds 160 years, our critical backlog of maintenance and repair exceeds $2.75 billion, and our RPM funding is significantly below the private industry average.

Meeting this challenge requires finding innovative ways to satisfy infrastructure needs. The FY 2002 amended budget makes modest increases in RPM and military construction accounts that represent a start in bringing our shore facilities up to standard. There is much left to be done.

The Power of Alignment

Navy-wide alignment is critical to ensuring our organizations, systems, and processes deliver a combat-capable Navy ready to sail in harm's way. To enhance communications and coordination, we reorganized the Navy Staff so that a Deputy CNO is focused exclusively on Fleet

Readiness and Logistics, while another Deputy CNO is dedicated to Warfare Requirements and Programs.

In the fleets, we have taken action to consolidate leadership functions for naval aviation, surface, and subsurface forces. This will enable us to accomplish our missions in a better organized and more consistent manner around the world. Additionally, we are streamlining our requirements and readiness reporting process and amplifying the fleet voice in Washington decision-making, allowing us to more accurately determine requirements, improve readiness, and maximize investment effectiveness.

These actions are taken with the realization that we must, at every level, ensure our Navy is functioning as effectively and efficiently as possible. The Secretary of the Navy has made the incorporation of better business practices a major tenet of his plan of action. I share his enthusiasm for this cause. More accurate requirements forecasting, enhanced stability in program execution, greater efficiency in system design and production, and improved expenditure discipline in infrastructure maintenance and renewal all promise the taxpayer a fuller return on investment and our Navy a healthier future.

Transforming to Meet 21st Century Threats

Ensuring future readiness is not solely a matter of procurement. It also requires substantial investment in Science & Technology accounts to swiftly and effectively leverage emerging opportunities. Such agility will be key to the success of our conceptual shift from platform-centric warfare to an emphasis on networked, distributed systems.

For the Navy, transformation is about achieving greater warfighting capability per unit delivered to the CINC (Battle Group/Amphibious Ready Group/Ship/Aircraft/ Submarine.) We are transforming in two ways: by gaining capability through investment in critical technologies and by experimenting with the application of those technologies in an operational environment.

Enhanced capability will be achieved via prioritized investments focusing on networks, sensors, weapons and platforms. Examples of Navy investments key to the success of netted warfare include Information Technology for the 21st Century (IT-21), Navy-Marine Corps Intranet,

Cooperative Engagement Capability (CEC), F/A-18E/F Shared Reconnaissance Pod (SHARP), Advanced Targeting Forward Looking Infra-Red targeting pod (ATFLIR), Naval Fires Network, Unmanned Airborne Vehicles (UAVs), Unmanned Combat Air Vehicles (UCAVs), Unmanned Undersea Vehicles (UUVs), Advanced Electronically Scanned Array (AESA) Radar, E-2C Radar Modernization Program (RMP), Acoustic Rapid COTS Insertion (ARCI), Link-16, and Multi-function Information Distribution System (MIDS) data links.

Also key to transforming the fleet to meet 21st century threats is our serious commitment to fleet experimentation, spearheaded by the Navy Warfare Development Command in Newport, Rhode Island. Our ongoing series of Fleet Battle Experiments, working hand-in-hand with US Joint Forces Command's experimentation efforts, holds great promise for doctrinal and programmatic development.

The result of these efforts will be a fleet that enhances conventional and WMD deterrence, assures access, conducts precision strike, gathers real-time intelligence, exercises joint command and control, and exploits the priceless advantages of sea control. In short, it will be

a transformed Navy that continues its time-honored service, on watch for America’s security.

Conclusion

I thank the Committee for your continued strong support of our Navy, our Sailors, and their families. Working together, I am confident that we can meet the challenges of current and future readiness, allowing the United States Navy to fulfill the missions fundamental to a more stable and peaceful world.