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UNTIL RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE

STATEMENT OF
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BEFORE THE
SEAPOWER SUBCOMMITTEE
OF THE
SENATE ARMED SERVICES COMMITTEE
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Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you. Your support of America's Navy has been vital to accomplishing our missions around the world -- including swift and effective response to the attacks of 11 September 2001 -- and I thank you.

The Strategic Context

The Global War on Terrorism is America's first war of the 21st century. Violent horizons lie before us, harboring profound challenges including the threat of cyberwar, weapons of mass destruction, continued international terrorism, and the havoc accompanying failed states. Importantly, such threats do not replace the specter of state-on-state conflict. They add to the danger and uncertainty, providing new sparks to already combustible situations.

This terrorist-filled world is more dangerous in many ways than that which existed when we faced the global strike and sea denial capabilities of the Soviet Union. We no longer counter a peer adversary that maintains order within its geopolitical orbit. Rather, the international landscape today is comprised of multiple actors whose interests form a complex pattern of interwoven and explosive tensions.

Potential adversaries today include other states, informal alliances of states, and terrorist elements that range from state-sponsored to state-opposed. Such terrorists may be local actors or integrated into global federations dedicated to the export of killing. Catalysts motivating potential enemies include religious fervor, political ideology, aspirations of regional dominance, dedication to fomenting domestic revolutions and, conversely, efforts at sustaining domestic order by deflecting internal tensions outward.

Little is certain in this new world beyond the fact that such tensions can be expected to lead to repeated crises, quite often with minimal warning or predictability regarding size, location, or intensity. It can also be presumed that given America's peerless military power, strikes against our nation, people, or interests will be delivered in an asymmetric manner, such as the attacks that took place last September in New York and Washington, or the previous October in Yemen against USS COLE.

The Navy's Role in the 21st Century

Forward deployed naval forces will continue to be a vital part of America's defense as we move into the 21st century; a time during which the range of threats will in all likelihood grow in volatility and unpredictability. Thus America's Navy must remain prepared to conduct combat operations anytime, anywhere with maximum effectiveness and minimum risk.

Yet accomplishing our missions has become steadily more challenging. Our Navy's force structure declined 41% since 1991, from 538 to 315 ships, while the Global War on Terrorism has increased the call for forward-deployed naval forces. The introduction of a new class of smaller combatant -- the Littoral Combat Ship (LCS) -- will help ease the strain and could lead to a war-sustaining fleet of approximately 375 ships.

The current pace of operations is very high. Approximately half of the fleet is at sea every day. Nearly one-third of the fleet is deployed forward around the world while the remainder is operating off our coasts, conducting training or homeland defense missions with the United States Coast Guard.

In view of this taxing requirement, we are exploring innovative methods of increasing the presence and striking power of naval forces. One construct is to complement Amphibious Ready Groups with surface combatants and submarines, producing Expeditionary Strike Groups equipped to destroy terrorist elements wherever they may be found.

We are also experimenting with flexible manning techniques to produce greater efficiencies in conducting prolonged on-station missions, such as guarding international straits or other locations of exceptional strategic value.

At home, fleet commanders are taking measures to minimize the loss of readiness that traditionally occurs between deployments. Historically, deployed readiness has been achieved at the expense of the non-deployed segment of our force structure. That is no longer acceptable and, thanks to Congressional support, we have made significant progress over the past several years in correcting long-standing shortfalls in spare parts, munitions, and training.

FY03's budget submission continues that trend, adding \$2.7 billion to manpower accounts, \$2.8 billion to operations and maintenance accounts, over \$1 billion to research and development, and over a half billion dollars to procurement. We have also programmed \$2.6 billion to buy munitions and \$1.3 billion for homeland defense.

Navy Transformational Concepts

Sustaining warfighting effectiveness in this uncertain strategic environment will require continued global presence by sovereign naval forces that are prepared to counter whatever capabilities the enemy may bring to bear. Quantity has a quality all its own in this regard, and our Navy will remain on-station around the world, prepared to fight and win.

The dynamic and unpredictable nature of potential enemies demands that we continually develop new and more effective capabilities to prevent crises and -- should deterrence fail -- project offensive and defensive power ashore. The 21st century Navy must be strategically and operationally agile, technologically and organizationally innovative, networked at every level, highly joint, and effectively integrated with allies.

Three core operational concepts are key to achieving Navy transformation: the application of precise and persistent global striking power, the ability to assure access to the littorals and project defense overland, and the capability to conduct sustained operations from sea bases.

Precise and persistent global striking power is the offensive element of the 21st century Navy. Its effectiveness is derived from network-centric operations in which platforms and sensors are fully integrated to form seamless warfighting knowledge. Situational awareness generated from this network provides rich understanding of the adversary that enables the tailored application of power, allowing our forces to sustain the initiative, disrupt enemy timelines, and deliver operational success.

Concurrently, the ability to assure access to the littorals and project defense overland provides battlefield dominance, assuring allies and deterring adversaries. Such battlefield dominance exploits expeditionary sensor grids that sweep from

seabed to space, cueing coordinated air, surface and subsurface combatants to neutralize enemy threats. This element of naval power relies upon control of the seas, allowing us to guard the flow of trade while identifying, tracking, and intercepting threats long before they reach our shores.

Finally, leveraging the mobility and security of ships on the vast oceans in the form of sea basing assures the effective projection of sovereign American power. At the operational level of war, sea basing serves as a secure foundation from which to project expeditionary warfare, while minimizing the requirement to stage vulnerable forces and supplies ashore.

Achieving Navy transformation will include both new procurement and aggressive modernization. Nearly 60% of the ships in the Navy today will be in the fleet in 2020. Thus a significant portion of Navy's transformation will occur within existing hulls, placing an emphasis on new systems and capabilities that can be inserted through modernization. These upgraded platforms will complement new ships and aircraft joining our fleet.

Examples of exciting new technologies that will accelerate our transformation toward a fully networked Navy include the DD(X) destroyer and its related family of ships, Joint Strike Fighter, Unmanned Aerial Vehicles, Unmanned Underwater Vehicles, Tactical Tomahawk, Advanced Gun System, Theater Ballistic Missile system, Cooperative Engagement Capability, Navy-Marine Corps Intranet, and SSGN strike submarine, among others. These systems, in turn, will be employed in innovative ways via concepts validated in the Fleet Battle Experiment series coordinated by the Navy Warfare Development Command in Newport, Rhode Island.

As it progresses, the process of Navy transformation will yield a dispersed and networked fleet that enhances deterrence, assures access, conducts precision strikes, gathers real-time intelligence, exercises joint command and control, and leverages the priceless advantage of sea control. In short, it will be a fleet that serves as the leading edge of America's defense -- around the world, around the clock.

Navy Readiness and Procurement

As promised in previous testimony, Navy's budget funds manpower and current readiness first and fullest because those accounts are key to mission accomplishment around the world. Our operational success in Afghanistan is a direct reflection of these investment priorities, as supported by Congress.

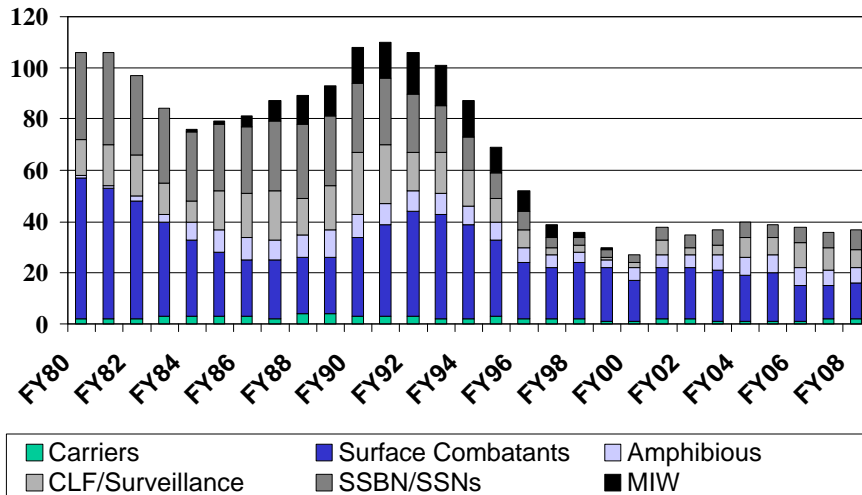
To sustain the size of the current fleet, we would need to buy an average of 180-210 aircraft and nine ships a year. We are currently procuring significantly less than that. The FY03 budget will, if approved as submitted, provide just five ships and 83 naval aircraft.

Harvesting efficiencies within our Navy is key to increasing procurement and we will focus a major effort toward that goal over the next two years. Failure to free such resources would have a profoundly negative effect on the fleet.

Naval aviation, in particular, would suffer as that community faces the greatest near-term challenges. Our current aviation force contains the oldest mix of type/model/series aircraft in naval history. Yet these aircraft are being tasked to unprecedented levels in on-going conflict. The F/A-18 force, for example, has been flown well in excess of planned utilization rates and more than 300 F/A-18 aircraft will require service life extensions earlier than planned. The best way to address such problems is to introduce new aircraft into the fleet as soon as possible

While our surface and subsurface combatant fleet is, on average, fairly young, the rate of ship recapitalization bears watching. The following chart illustrates the dramatic decline in authorized ships since 1980.

TOTAL SHIPS & SUBMARINES UNDER CONSTRUCTION (FYs 1980-2008)



The impact of the current low procurement rate goes beyond force levels. It adversely affects the stability of our defense industrial base, and we are paying a premium in program cost due to the small number of units being built.

On a more positive note, maintenance and modernization efforts are progressing well due to solid increases in current readiness funding over the past several years. The PB-03 budget requests the following additional dollars over FY02's budget: \$804 million for ship operations and maintenance, \$119 million for flying operations and maintenance, \$276 million for combat and weapons support, and \$310 million for base support.

Additionally, the ships and aircraft being developed are superb and will serve us well as the core capability of our force in the coming decades. DD(X), CVN(X), JSF, FA-18E/F, LPD-17 and the VIRGINIA-class SSN present impressive technological leaps in warfighting capability, innovation, and reliability. Program specifics include:

DD(X)/CG(X)/LCS. Maritime dominance in the 21st century requires a naval force capable of projecting power and defeating anti-access threats. To accomplish these missions, the future surface naval combatant force will consist of four elements: DD(X) advanced multi-mission destroyers that provide precision strike and volume fires; CG(X) advanced cruisers to achieve sustained air superiority against airborne threats and ballistic missiles; agile Littoral Combat Ships to defeat enemy defenses such as mines, small boats, and submarines; and today's AEGIS fleet kept current through the insertion of developing technologies. Cutting-edge systems integral to this family of ships include the Advanced Gun System, Multi-Function Radar/Volume Search Radar, Integrated Power System electric drive, and revolutionary hull forms.

CVN(X). The FY03 budget provides RDT&E and advance procurement for the first CVN(X). CVN(X) will replace *USS ENTERPRISE* in FY14 when that ship is in her 53rd year of commissioned service. Design objectives for the CVN(X) class include a significant reduction of total ownership costs during the carrier's 50-year expected service life, reduced manning, and incorporation of a flexible infrastructure that will allow the insertion of new capabilities as they evolve.

JSF. The Joint Strike Fighter contract was signed in 2001. It will provide an aircraft with unprecedented stealth and range to the fleet as part of a family of tri-service, next-generation strike aircraft with an emphasis on commonality and technological superiority at an affordable price. The FY03 budget supports procurement of the initial variant in FY06.

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.

LPD-17. Although we have experienced design and production difficulties with the lead ship, we remain fully committed to this key program. LPD-17 supports vital littoral warfighting requirements and promises relief from the escalating costs of our aging amphibious ships. The LPD-17 class will replace four older classes of ships and serve as a central element of future Amphibious Ready Groups/Expeditionary Strike Groups. We need to accelerate development of these ships as rapidly as design and production facilities will allow.

VIRGINIA-class submarine (SSN-774). This class will replace LOS ANGELES-class (SSN-688) attack submarines as they leave the fleet. SSN-774s are designed for multi-mission littoral operations, as well as traditional open-ocean anti-submarine and anti-surface missions. They will also incorporate new technologies as they become available, ensuring future effectiveness. The FY03 budget procures one submarine per year and continues RDT&E. This pace of procurement will have to be increased beyond the current FYDP to maintain the required attack submarine force level over the long term.

Sailors: Our Most Valuable Asset

Winning the Global War on Terrorism is our primary goal, and Navy's FY03 budget prioritizes manpower and current readiness above future readiness and infrastructure needs for that reason. As noted earlier, FY03's budget submission adds \$2.7 billion to manpower accounts over FY02 levels and an additional \$2.8 billion in operations and maintenance funding.

Thanks to the unequivocal support of Congress -- including increases to base pay and bonuses, retirement reforms, and better medical benefits -- Sailors are staying Navy in record numbers. In 2001, we retained 58% of all eligible Sailors at the end of their first enlistment, 67% of Sailors with 6-10 years of Service, and 83% of Sailors with 10-14 years of Service. Additionally, 1,512 more Sailors were advanced in 2001 than the year before.

Enlisted Reenlistment Rates
(As of 28 Feb 02)

| Oct-Feb | Zone A (<6 years) | Zone B (6+ to 10 years) | Zone C (10+ to 14 years) |
|---------------------------------|---------------------------------|------------------------------------|-------------------------------------|
| FY00 | 49.7% | 62.8% | 81.8% |
| FY01 | 58.8% | 67.6% | 83.5% |
| FY02 | 64.4% | 75.5% | 86.2% |
| FY01-FY02 Comparison | + 5.6 points | + 7.9 points | + 2.7 points |

The Navy also met our overall recruiting goals in FYs 99, 00, and 01, and this year we are well ahead of the record-setting pace of FY01. Thanks to these successes, battle groups are deploying better manned than ever before.

We are winning the battle for people, but important challenges remain. Officer retention in most line communities is below required levels and recruiting shortfalls exist in officer specialty areas and critical enlisted ratings.

We are also dedicated to continuing the fight against attrition. The annual attrition rate for first-term Sailors has been reduced from over 14% to 10% since 1998, retaining thousands of young men and women for service. Yet we can -- and will -- do better. Concerned, involved leadership is central to minimizing attrition without compromising standards. To make this happen, I have directed Navy leaders to take every measure to ensure our people succeed and prosper.

Key to achieving that goal is cultivating a command climate throughout the Navy that offers plentiful opportunities, encourages participation, and is conducive to personal and professional growth. We are striving to minimize the increased wartime operational tempo of the fleet via careful planning and innovative training. This is the first time in modern history that the Services have faced a prolonged conflict with an all-volunteer force, and we must protect the integrity of our fleet.

Two initiatives have been launched during the past year to help us fully utilize our Sailors' potential:

Task Force EXCEL (Excellence through our Commitment to Education and Learning) is making impressive progress in developing processes, policies, and structures to fully realize the capabilities of every Sailor. Seventeen ratings are currently under review to find ways to expand professional learning, earn certifications that are recognized by the civilian community, and enhance personal growth. The goal is to provide a comprehensive development plan for every Sailor based upon education that takes place in the classroom and on the internet, as part of a culture of continual learning.

Project SAIL (Sailor Advocacy through Interactive Leadership) is a new program that will have a major impact on how the Navy assigns our personnel. Using a team detailing process that includes Sailor advocates, enhanced internet

connectivity, and billet incentivization, Project SAIL will strengthen efforts to find the best set of orders for every one of our Sailors, leading to assignments that are both professionally rewarding and personally fulfilling.

The shared focus of these initiatives is an appreciation that combat success in the 21st century will rely heavily on knowledge management derived from a highly educated and motivated volunteer force; a force that is empowered in their career decisions and encouraged to contribute to a climate of warfighting excellence.

Conclusion: A Commitment to Victory

Our national leaders have repeatedly told the American people that the war against terrorism will be neither easy nor short. In addition to targeting international terrorist networks, the President has singled out states sponsoring terrorism for military action should they threaten international peace.

This struggle promises to be global in scope and simultaneous in execution. It will require the full might of America's armed forces. In pursuing victory, the United States Navy -- forward deployed, highly capable, and poised for action -- will play a leading role.

I thank the subcommittee for your continued strong support of our Navy and our Sailors. Working together, I am confident that we will win the Global War on Terrorism, leading to a more stable and peaceful world.