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UNTIL RELEASED BY THE  
SENATE ARMED SERVICES  
COMMITTEE

STATEMENT OF  
HONORABLE HANSFORD T. JOHNSON  
SECRETARY OF THE NAVY (ACTING)  
BEFORE THE  
SENATE ARMED SERVICES COMMITTEE  
6 MARCH 2003

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# **Navy-Marine Corps Team: National Seapower ... Around the World, Around the Clock**

## **I. Introduction**

The Navy - Marine Corps Team continues to provide extraordinary service and value to our Nation. Throughout the past year our Naval Forces have distinguished themselves around the globe, and our Sailors and Marines operating in the air, on and under the sea, and on the ground -- including our space cadre -- remain at the leading edge of the Global War on Terrorism. They have demonstrated the full effect of their lethal power, from the blue water to the littorals and well beyond, engaging and destroying the enemy in areas that previously would have been considered sanctuaries from sea-based forces. At a time of great consequence for our Nation, our Navy and Marine Corps not only have “answered the call,” but have done so while improving our combat readiness and retaining our Sailors and Marines at historic rates.

Our successes in the Global War on Terrorism, while significant, have not been achieved in isolation. We have worked alongside, in partnership, with our sister Services to realize the true potential of joint, interoperable forces in the new environment of 21<sup>st</sup> Century warfare. The superior operational and personnel readiness levels we have been able to sustain are directly reflective of the strong, sustained support of the Congress. In Fiscal Year (FY) 2004, we seek your support for the President's budget request to sustain the gains made to date, improve those areas where shortfalls remain, and continue transforming the Navy and Marine Corps for the 21<sup>st</sup> Century.

In the balance of this statement we will describe the significant accomplishments the Navy and Marine Corps have realized during the past year, the improvements in our warfighting readiness and capabilities that are supported by the President's FY 2004 budget request, and some details of our plans to transform and prepare for the challenges of the future. In assessing our request, it is important to note that our focus is on improving our ability to operate as an agile, lethal and effective member of a broader, networked joint warfighting force. To that end, we have given priority to the following overarching goals:

- Successfully prosecuting the Global War on Terrorism while sustaining our current readiness;
- Recapitalizing, modernizing and transforming our Navy and Marine Corps to meet the challenges of the future;
- Fully networking our forces at sea and ashore to operate seamlessly in a joint and coalition environment;
- Continuing to invest in our Sailors and Marines; and
- Sustaining the quality of our operational training.

In pursuing these principal objectives, we had to make some difficult tradeoffs within our proposed program. However, our FY 2004 budget request is the best balance possible among important, but often competing priorities.

## **II. Context for the FY 2004 Budget Request: Succeeding in a Time of Great Consequence**

Last year, our Navy and Marine Corps forces built on the historic response of our Sailors and Marines following the September 11, 2001 attacks on our Nation. Today, our forces continue leading the way on the front lines of the Global War on Terrorism. More than half of our Navy operating forces and over 60% of the Marine Corps operating forces are currently deployed around the globe. Since the beginning of Operation ENDURING FREEDOM more than 90,000 Sailors and Marines and 100 Navy ships have deployed in support of ongoing operations. Nine of our 12 aircraft carriers and half of our 12 Amphibious Ready Groups have seen action in this worldwide conflict. Additionally, over 5,000 members of the Naval Reserve and 15,000 members of the Marine Corps Reserve have been activated in support of these operations.

Even after the effective defeat of the Taliban and the liberation of Afghanistan, our Naval Forces, whether sea-based or on the ground, continue their missions. For example, Marines from the 4<sup>th</sup> Marine Expeditionary Brigade (Anti-Terrorism) provide support and security for the U.S. State Department and the U.S. Embassy in Kabul, while others serve in Tactical Air Operations Detachments in support of air and Naval Special Warfare operations in Afghanistan.

While the Global War on Terrorism remains our principal focus, the Navy-Marine Corps team still operates extensively, as in the past, representing U.S. interests throughout the world. In Southwest Asia, we maintained continuous carrier presence, conducting combat operations over Iraq in support of Operation SOUTHERN WATCH. At the same time, naval task forces continued Maritime and Leadership Interdiction Operations supporting United Nations economic sanctions against Iraq for the eleventh straight year. In addition to these operational commitments, over 2,000 Marines participated in EAGER MACE 2002, an amphibious assault exercise in Kuwait in late September 2002.

During May through August 2002, over 1400 Sailors, Marines, and Coast Guardsmen participated in the eighth annual Cooperation Afloat Readiness and Training (CARAT) exercise with countries including the Philippines, Thailand, Singapore, Indonesia, Malaysia and Brunei. Marines from the Third Marine Expeditionary Force participated with all CARAT nations in landing force operations as well as providing a Marine Security Element to advise and assist the armed forces of the Philippines in their efforts against global terrorism.

In the Mediterranean, Navy ships, including surface combatants, submarines and patrol craft operated with friends and allies in over 60 exercises with NATO and Western European nations to enforce United Nations sanctions in the Federal Republic of Yugoslavia. Marines from the 24<sup>th</sup> Marine Expeditionary Unit (Special Operations Capable) demonstrated their capability to offload and move inland to reinforce Kosovo Forces' security requirements.

Our ability to sustain the preceding breadth of capabilities, from combat operations to peacetime coalition-building exercises, came as a result of difficult choices we made -- choices that have proven wise by the manner in which history unfolded last year. As you recall, in last year's budget we placed great emphasis on fixing some of the chronic problems that had been threatening our long term ability to man, operate and sustain the fleet we have today. We made a conscious decision to give the highest priority to our personnel and current readiness accounts. Within our critical procurement accounts we undertook a major effort to make the foundations for our shipbuilding programs healthy, even at the expense of being able to procure only five new ships in FY 2003. While Congressional support for supplemental appropriations did much to decrease our maintenance backlog and fill our spare parts bins, we fully recognize our FY 2003 plan devoted fewer resources toward recapitalization than either the Department or the Congress would have wished. Having made that difficult prioritization we committed to translating a healthy procurement base in FY 2003 into earnest recapitalization in FY2004. We have kept that promise.

### **III. The FY 2004 Budget: Building from a Solid Foundation**

The Department's FY 2004 budget request reflects an increase of \$3.5 billion above the amount provided in the FY 2003 Defense Appropriations Act. It also reflects the Department's commitment to get the most out of every dollar provided by the American taxpayers. We do not come to the Congress with "hat in hand," but rather with a responsible request, optimally balanced across an entire department of competing priorities. In this budget request we have proposed an additional \$1.9 billion for our priority programs with funds identified through our own rigorous cost savings and divestiture initiatives.

Together, these sources of additional funds have enabled us to "turn the corner" in our most pressing recapitalization efforts. Two thirds of our top line increase is dedicated toward increased procurement. This budget request reflects two more new construction ships and five more aircraft than appropriated by Congress last year. It increases our funding for transformational R&D initiatives by a half billion dollars while consolidating the critical gains in personnel and current readiness achieved in last year's budget. The following represents the priority funding in FY 2004 for the Department of the Navy:

- We propose 7 new construction ships and 100 new aircraft;
- We propose significant transformational capabilities, including the next-generation aircraft carrier (CVN-21), the next-generation destroyer (DD(X)), the Littoral Combat Ship (LCS), two more SSBN-to-SSGN conversions, the Joint Strike Fighter (JSF), the V-22 Osprey, the Advanced Amphibious Assault Vehicle (AAAV) and the Advanced Hawkeye (E-2C) Program;
- The Administration proposes a range of military pay increases from 2.0% up to 6.25%, targeted by rank and years of service, and additional reductions in out-of-pocket housing costs from 7.5% to 3.5%;
- We propose sustained funding for our key operational readiness accounts, including an increase by over \$200 million for aviation depot maintenance;

- We implement Navy – Marine Corps Tactical Aviation Integration, a process that will maximize our combat power, optimize the core capability of Naval aviation forces, and introduce 200 modern aircraft across the FY 2004 – FY 2009 program;
- We improve the quality of our operational training through our Training Resource Strategy, and provide \$61 million in FY 2004 toward this end.

Highlights of our FY 2004 budget request are provided in the sections below.

### **A. Current Readiness**

The FY 2004 budget request builds upon the best successive two years in readiness budgets in more than a decade. It funds an OPTEMPO of 54.0 days per quarter for our deployed forces. This level supports the Global Naval Forces Presence Policy in terms of Carrier Battle Group (CVBG) and Amphibious Ready Group (ARG) availability as required by national security policy. However, accelerated deployment timelines and increased OPTEMPO will cause current year execution to run ahead of the existing plan.

Funding for ship maintenance will achieve more than 96% of the FY 2004 notional goal. This reflects a virtually identical posture as compared to last year, both in terms of percent accomplishment and quantity of backlog remaining. The aggregate level of funding for ship maintenance declines from FY 2003 to FY 2004, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, and in part to the accelerated retirement of our oldest, least capable, and most maintenance-intensive ships.

Accelerating the retirement of these ships was one of the most difficult decisions we made in building this year's budget. While aggregate warfighting capability is a better metric than the number of ships in our inventory, we recognize that below a certain threshold numbers do matter. However, our analyses indicate that the near-term inactivations we are proposing provide an acceptable level of risk without compromising our ability to accomplish our mission, and that the fastest and most efficient way to recapitalize and transform the Fleet is to pursue vertical cuts in our least capable type-model series, both in ships and in aircraft, and apply those savings toward procuring new ships and aircraft.

The growing sophistication of potential threats, increasing complexity of modern warfare, advances in training technology, and the development of new weapons and tactics require more capable training facilities and methodologies. Under the leadership of Fleet Forces Command, the Department has produced the Training Resource Strategy (TRS), a multi-year plan to improve inter-deployment training for CVBGs, ARGs and Marine Expeditionary Units (MEUs). The Department is committed to implementing and fully funding these improvements.

The training technology, range and facility improvements programmed via the TRS will ensure the long-term combat readiness and effectiveness of our deploying forces and

produce a training capability superior to that existing today. The FY2004 budget will ensure deploying forces are fully prepared for the challenges of armed conflict in the 21<sup>st</sup> Century.

Military lands and training ranges, including land, sea and air training and operating areas (OPAREAs) are necessary to ensure that realistic training opportunities exist to prepare our Sailors and Marines. Population growth, economic development, expansion of conservation and recreational areas, and urban and suburban sprawl, along with state and federal environmental laws and regulations, have significantly restricted the military's access to and use of military lands, training ranges, and at-sea OPAREAs. This "encroachment" has markedly restricted our ability to train realistically and, unless checked, promises to produce further restrictions.

Our goal is not to roll back environmental protection, but to ensure that our Sailors and Marines are properly trained. We owe these young people realistic, quality training before we send them in harm's way. We are not looking for an exemption for everything the military does, but rather for a scientific approach that achieves an appropriate balance between environmental concerns and unique military readiness needs. We remain committed to our long tradition of excellent environmental stewardship, and our FY 2004 budget will ensure our deploying forces are fully prepared for every challenge they may encounter.

## **B. Personnel Readiness**

Our ships, submarines and aircraft have no "asset value" to the nation until manned by trained, educated, and motivated people. Sailors and Marines -- along with our civilian workforce -- remain the strong and steady foundation of our naval capabilities. The families of our service members also are vital to our readiness. It is a fact that we recruit Sailors and Marines, but we retain families, and we recognize that the effectiveness of our forces is dependent in large measure on the support they receive from their loved ones.

Over the past two years we realized significant gains in the manpower arena that translated directly into increased personnel readiness. In the process of maintaining an increased readiness posture while transforming Anti-Terrorism/Force Protection positions, Navy operated just below the Congressionally-allowed maximum end-strength flexibility in FY 2002. Doing so permitted us to sustain CVBG and ARG manning readiness near 100%. Our ability to surge deploy forces around the globe in response to recent events is testimony to the success of our personnel readiness posture. Over the course of FY 2003 and 2004, we anticipate end-strength will decrease slightly to reflect force structure changes.

**Active Duty.** The Navy and Marine Corps met recruiting and accession goals in 2002, and continue to attract America's finest young men and women to national service. The Marine Corps notched its seventh year of meeting monthly and annual recruiting goals. Navy achieved its recruiting goals for a fourth consecutive year. Both Services are well-positioned for success in meeting 2003 officer accession requirements. The Sailors and Marines entering active duty truly represent our country's best and brightest. In 2002, 92% of Navy's enlisted accessions were high school graduates (up from 90% in 2001), while the

Marine Corps accessions of high school graduates rose 1.3% to 97.5%.

Retention rates in 2002 remained at record levels, with 58% of eligible first-term Sailors deciding to "stay Navy." The Marine Corps met retention goals in 2002 in record time, achieving its highest occupational specialty match to date while also experiencing its highest officer retention rate in 18 years. Sailors and Marines have a sense of purpose and the desire to serve during this critical juncture in our nation's history. We provide them unique opportunities to grow professionally and personally, to achieve and be recognized, and to lead. They see improvements to their quality of service, and they appreciate the outstanding compensation and benefits provided to them and to their families. Our recruiting and retention success is reflected in the fully manned and operationally capable CVBGs and ARGs currently on station around the globe.

We are fully committed to providing the finest education and training for these bright young minds, as befits their place as future leaders of the Navy and Marine Corps. Graduation from "Battle Stations" or the "Crucible" is but the first step toward achieving the technologically advanced force required to conduct naval warfare in the 21<sup>st</sup> Century. Our "Revolution in Training" is establishing a career-long learning continuum, ensuring the continuous personal and professional development of every service member.

Successful as we are in attracting and retaining the best, we must not lose focus on people programs. Our immediate goals include:

- Increase Navy recruit high school graduation rates from 92% to 94%. Marine Corps recruit high school graduation rates are currently between 97% and 98%;
- Increase the percentage of enlisted Navy recruits with previous college experience or technical/vocational training;
- Continue the Training Transformation started by Navy Task Force EXCEL (Excellence through Commitment to Education and Learning), and Marine Corps training continuum synchronization, including partnering with industry and academia to impart individual training and education;
- Continue to develop a live, virtual and constructive training environment both within the Department and for use in conjunction with the Joint National Training Capability; and
- Explore innovative manning initiatives such as the Optimum Manning program, which relies on new technologies and creative leadership to reduce ship manning.

Congressional support for a targeted pay raise in FY 2004, which recognizes and reaffirms the value of our career force, is critical to staying the course. So, too, is continuing the reduction of out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. Selective Reenlistment Bonus remains an important tool for retaining our critical skill personnel.

**Reserves.** Our reserve community remains an integral part of our Navy and Marine Corps team, with 88,000 Naval Reservists and 40,000 Selected Marine Corps Reservists serving today. The seamless integration of the reserve and active components as a Total

Force in the Global War on Terrorism has been a resounding success. The dedicated service, invaluable resources, and selfless sacrifices to duty each of these “citizen Sailors and Marines” provides on a daily basis are integral to operational success. We have recalled over 15,000 Navy and Marine Corps Reservists as of mid-January 2003. These patriots have provided force protection, staff augmentation, intelligence, and warfighting skills to the Nation’s war efforts.

The Naval Reserve constitutes 19% of the Navy’s Total Force, with an additional 69,000 Sailors serving as Individual Ready Reservists (IRRs). In 2002 the Naval Reserve met both its officer and enlisted recruiting goals, the result of significant recruiting program efforts. These reserve forces provide our inter-theater airlift, harbor defense, Naval embarked advisory teams, and Naval Coastal Warfare capabilities. In addition, a large portion of the Navy’s port cargo handling support, Mobile Construction Battalions, intelligence, and medical capabilities are resident in the reserves.

The Selected Marine Corps Reserve comprises nearly 25% of the Marine Corps’ warfighting capability, with an additional 58,000 Marines serving as Individual Ready Reservists (IRRs). The Marine Corps Reserve’s contribution to the Global War on Terrorism continues with individuals and units mobilized to provide a wide variety of support. The additional mobilization of hundreds of Individual Mobilizations Augmentees and IRRs provided a critical surge of ready expertise and staff augmentation to warfighting commands, both Joint and Marine.

**Civilian Personnel.** The civilian workforce, currently totaling approximately 186,000, forms an essential role as part of our Total Force. Hard-working and dedicated civilian employees can be found in every major command, working alongside our Sailors and Marines, performing the vital work of the Department. We continually refine and shape this vital work force for current and future missions. Twenty-one civilian occupational groups are targeted specifically for intensive active management. These include science and engineering, logistics, contracting, human resources, and financial management. Just as it is essential to recruit and retain the very best Sailors and Marines, it also is essential to recruit and retain the best and brightest civilians. We are in a competition for talent, and your support for a flexible set of civilian human resource management tools will enhance our efforts to hire, develop, and retain this quality work force.

### **C. Shipbuilding**

The FY 2004 budget request provides funding for seven new construction ships, the final two of four planned SSBN-to-SSGN conversions, and the first ship in our Cruiser Conversion program. In all, our shipbuilding program includes \$11.4 billion, a significant increase above last year. Additionally, we invest more than \$1.5 billion for Research and Development (R&D) in transformational shipbuilding programs such as CVN-21, DD(X), LCS and SSGN, discussed later in this statement. The seven new ships include:

- Three ARLEIGH BURKE Class (DDG-51) destroyers. These ships are being procured as part of a multi-year procurement (MYP) of 10 DDG-51 ships over the



period FY 2002 through FY 2005. In addition to the cost savings from this MYP, the Navy and its two principal DDG builders successfully negotiated a workload swap arrangement in June 2002 in which General Dynamics' Bath Iron Works will transfer LPD-17 ship construction work to Northrop Grumman Ship Systems in exchange for additional DDG-51 work. This arrangement will optimize production efficiencies and stabilize workload at all shipyards building DDG-51 and LPD-17 Class ships.

- One VIRGINIA Class (SSN-774) fast attack submarine. The FY 2004 ship marks the initial year of a seven-ship, five-year MYP that will achieve significant savings while increasing submarine procurement to two per year starting in FY 2007. The first VIRGINIA Class submarine (SSN-774) will deliver in June 2004.
- One SAN ANTONIO Class (LPD-17) amphibious transport dock. The FY 2004 budget provides full funding to procure the sixth ship of this class. The program is on track, and represents an urgently needed contribution to the Marine Corps' amphibious lift requirements.
- Two LEWIS AND CLARK Class (T-AKE) auxiliary cargo and ammunition ships. FY 2004 funding procures the fifth and sixth ships of this class to continue recapitalization of our support fleet. Delivery of the lead ship is expected in FY 2005.

Beginning in FY 2004, the Cruiser Conversion Program will provide selected TICONDEROGA Class Aegis-equipped cruisers with essential land attack, force protection, and Area Air Defense Commander capabilities, extending their mission-relevant service life to 35-plus years.

Beyond the new construction ships and conversions, the FY 2004 budget request provides additional incremental funding for LHD-8, service life extension for three Landing Craft Air Cushioned, and initial R&D efforts on the LHA Replacement (LHA(R)), scheduled for procurement in FY 2007. In LHA(R) the Department is pursuing a far more capable replacement for aging amphibious ships such as the LHA. While the initial stages of design move forward, LHA(R) will offer many improvements over the LHA it will replace, and will set the stage for further development toward a new design that could offer capabilities such as concurrent flight operations of helicopters and fixed wing aircraft.

#### **D. Aircraft**

The Department's FY 2004 budget maximizes the return on aviation investment, primarily through the use of MYP arrangements for the F/A-18E/F (both airframe and engine), the E-2C, and the MH-60S. We also have agreed to enter a joint MYP contract with the Air Force to procure KC-130Js to replace the Marine Corps' fleet of KC-130F/Rs. In all, the FY 2004 budget procures 100 new aircraft, including:

- 53 tactical, fixed wing aircraft (42 F/A-18E/F, 2 E-2C and 9 MV-22);

- 28 helicopters (13 MH-60S, 6 MH-60R and 9 UH-1Y / AH-1Z);
- 16 trainer aircraft (15 T-45 and 1 T-39); and
- 3 support aircraft (2 UC-35 and 1 C-40A)

The F/A-18E/F Super Hornet is the Navy's principal tactical aviation recapitalization program until we get to the JSF. The FY 2004 budget includes \$3.0 billion for 42 planes, which constitutes the final installment of an FY 2000 – FY 2004 MYP contract. Deliveries remain ahead of schedule, and the first squadron of F/A-18E/F recently conducted combat operations aboard USS ABRAHAM LINCOLN (CVN-72). Of note, a variant of the F/A-18 airframe, the EA-18G Growler, has been selected as the Navy platform to replace the aging EA-6B Prowler. By using a common airframe, the EA-6B follow-on will deliver at lower cost while providing growth potential for improved future electronic warfare systems. The Marine Corps expects to fly the EA-6B (ICAP III) until approximately 2014 to 2015 before transitioning to a new Electronic Attack aircraft.

Based on successful flight testing results, the Department felt confident to continue the minimum sustaining rate for the V-22 Osprey program and has requested nine MV-22s along with two CV-22s requested by the Air Force. Additionally, FY 2004 funding supports key elements of the Department's helicopter master plan. We have requested procurement of 13 MH-60S platforms (organic mine countermeasures, combat search and rescue, special operations and logistics missions) and 6 MH-60R platforms (tactical support missions for surface combatants and aircraft carriers). Together, these will continue replacing the Department's aging fleet of H-46, SH-3, SH-60B and SH-60F helicopters. FY2004 will mark the first year of procurement in the AH-1Z/UH-1Y program. These aircraft improve many capabilities for the Marine Corps, including increased payload, range and time on station, improved sensors and lethality, and 85% component commonality.

## **E. Weapons**

The FY 2004 budget request supports the Department's objective to develop, upgrade and replace weapons and weapon systems to ensure we maintain our warfighting edge.

Our precision guided munitions inventory will continue to improve in FY 2004 as the Tactical Tomahawk (TACTOM) system ramps up to full rate production. TACTOM will accelerate the transition of our land attack missile inventory from the older Tomahawk Land Attack Missile to the newer, more capable, less costly TACTOM. The budget request sustains the maximum Department of the Navy production rate for the Joint Direct Attack Munition of 1,000 units per month while procuring over 5,000 Laser Guided Bomb kits. Production of the Joint Standoff Weapon (JSOW) baseline variant (dispenser) increases in FY 2004, and the JSOW unitary variant (penetrator) enters full rate production.

Several land attack R&D efforts central to future littoral warfare continue in FY 2004. Advanced naval gun technologies will enhance fire support to Marines operating ashore. Evolving toward a FY 2005 "shoot-off," either the Extended Range Guided Munition or the Autonomous Naval Support Round will enhance the range and accuracy of Navy 5-inch

guns. The Advanced Gun System will provide the next generation of surface combatants with a modular, large caliber gun system including an automated magazine handling system.

## **F. Key Warfighting “Core Competencies”**

While the FY 2004 budget request devotes a significant amount of resources toward recapitalizing and transforming to meet future requirements, it also provides solid support for our longstanding naval “core competencies” of Anti-submarine Warfare (ASW), Mine Warfare (MIW), Ship Self Defense (SSD) and Air Defense (AD).

**ASW.** ASW remains a challenging mission area, particularly in the shallow water littoral regions populated by modern, quiet submarines. The FY 2004 budget request supports numerous improvements in ASW. The Improved Extended Echo-Ranging is incorporated into the USQ-78B Acoustic Processor, which will improve large area acoustic search capability on our Maritime Patrol Aircraft. Further enhancements to our capability for large area search will be provided by acquiring the Automatic Periscope Detection and Discrimination system. Additionally, the capability for our surface combatants to survive attacks from threat torpedoes will be enhanced through the Surface Ship Torpedo Defense effort. The success of the Acoustic Rapid COTS Insertion (A-RCI) program in providing significant improvement in ASW sensor processing for our submarine force has spawned similar efforts in submarine combat control, communications, and upgrades to the surface fleet’s SQQ-89 combat suite. These programs validate the Navy’s decision to use commercially available technology to deliver superior performance at less cost.

**MIW.** The Navy continues to make advances in MIW capabilities, and our emphasis on organic capabilities to counter the growing mine threat is enhancing our ability to “get to the fight.” The FY 2004 budget continues the development and acquisition of the Long-Term Mine Reconnaissance System (LMRS), which is on track for an FY 2005 IOC on LOS ANGELES Class submarines. LMRS will provide a clandestine reconnaissance capability for mines and mine-like objects. The FY 2004 budget also includes funding for the development and acquisition of the Remote Mine-hunting System (RMS), a surface ship – launched and recovered semi-submersible vehicle. RMS has an FY 2005 IOC with near-term fielding planned for DDGs 91-96. RMS also is a strong candidate for future deployment on the Littoral Combat Ship (LCS). To meet the Department’s goal of an organic mine warfare capability by FY 2005, the FY 2004 budget continues the development and integration of five Organic Mine Subsystems into the MH-60S platform.

**SSD.** We continue to invest in upgrading our Ship Self Defense programs. FY 2004 funding covers the spectrum from electronic countermeasures to missiles to guns. The Surface Electronic Warfare Improvement Program (SEWIP) is a spiral development effort initiated to provide a robust, full spectrum electronic warfare system following cancellation of the Advanced Integrated Electronic Warfare System in FY 2002. SEWIP will build on the legacy SLQ-32 system to field capabilities against next-generation threats. The current budget expands procurement of the Close-in Weapons System, Block 1B. The internationally-procured Rolling Air Frame Missile will provide ship self-defense against missiles as part of a layered defense. Additionally, we are pursuing installation of minor

caliber guns on our deploying ships to improve our ability to counteract a small boat threat in the 0 to 8,000 yards range. We soon will install stabilized minor caliber guns on two DDGs.

**AD.** The FY 2004 budget requests funds to develop the Extended Range Active Missile (ERAM). ERAM will enable over-the-horizon engagements against the most advanced anti-ship and land attack cruise missiles, and represents an important step in projecting area defense landward from the sea.

## **G. Maneuver Warfare**

The FY 2004 budget supports the continued development and fielding of all equipment used by the Marine Corps' maneuver forces. This year we identify approximately \$340 million for R&D and procurement of the Advanced Amphibious Assault Vehicle (AAAV). Last year we procured the first AAAV, which will serve as a full-up system, live-fire test vehicle. We will procure 186 systems over the remainder of the FY 2004 – FY 2009 program. Scheduled for IOC in FY 2008, the AAAV will provide a unique combination of offensive firepower, nuclear-chemical-biological protection, and high speed mobility on land and on sea.

The FY 2004 budget will fund the next 60 Lightweight 155mm (LW155) Howitzers. These units will provide significant improvements in Marine Corps fire support over the current M198 system. Compatible with all U.S. and NATO 155mm rounds, the smaller footprint of the LW155 will reduce strategic sealift requirements while providing improved accuracy and greater lethality.

## **H. C4I , Space and Network Initiatives**

The Department's Command, Control, Communication, Computers, and Intelligence (C4I) and space programs are an integral part of network centric operations, enhancing the combat capability of our Naval Forces and serving as critical enablers of a transforming Navy and Marine Corps. Our concept of Information Technology for the 21st Century (IT-21) is providing a common backbone for C4I systems to be linked afloat, ashore, and to the Internet. IT-21 combines satellite and line-of-sight communication paths with commercial IT hardware and software to establish secure and unclassified Internet Protocol network connectivity for ashore and mobile Naval forces. This is a critical first step toward transformational network centric operations.

Our next major objective is to integrate the successes of IT-21 and incorporate them across the full spectrum of naval operations to achieve significant improvement in knowledge management and operational performance. This full dimensional approach, called FORCENet, will provide the operational construct and architectural framework for naval warfare in the information age. We will address FORCENet in greater detail later in this statement.

Support from space is essential to many Navy and Marine Corps operations today, and grows increasingly important as the force becomes more network centric. The FY 2004

budget supports the Department's expanding efforts in space, including assured, high data rate satellite communications, precision navigation and targeting, intelligence, surveillance and reconnaissance systems and environmental support.

The FY 2004 budget continues critical enhancements that will provide our forces with a common tactical picture. Cooperative Engagement Capability (CEC) will provide real time exchange of fire control quality data between battle force units and will permit a single, identical tactical picture. The Block 2 version will reduce cost, size and weight, with procurement beginning in FY 2006. The Naval Fires Control System and Joint Fires Network will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.

The Navy/Marine Corps Intranet (NMCI) serves as the principal element of the IT-21 effort ashore and is a key enabler of IT transformation. Business Case Analyses conducted over the last two years have demonstrated that the NMCI strategy, characterized by having a single private sector entity provide IT services under a long-term commercial seat management contract is, in fact, a sound business decision compared to the way IT requirements previously were satisfied. Last year Congress approved a two-year extension to the base performance period of the original NMCI contract, extending coverage through FY 2007. FY 2004 funding of \$1.6 billion continues user seat roll-out and cutover to the NMCI architecture, progressing toward a target end-state of 365,700 seats.

## **I. Missile Defense Initiatives**

The Department of the Navy is poised to contribute significantly in fielding initial sea-based missile defense capabilities to meet the near-term ballistic missile threat to our homeland, our deployed forces, and our friends and allies. We are working closely with the Missile Defense Agency (MDA) to upgrade six DDGs in calendar year 2004 and another six in calendar year 2005 for ICBM surveillance and tracking duties. We also are supporting MDA's procurement of up to 20 Standard Missile interceptors to provide a limited at-sea capability to intercept ballistic missiles in the ascent and mid-course phases of flight. Finally, USS LAKE ERIE (CG-70) will be assigned to MDA to facilitate a more robust testing program for missile defense. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes to accelerate development of this vital capability for our Nation.

## **J. Shore Infrastructure**

The Department remains dedicated to maintaining and improving the quality of our support to Sailors and Marines. Maintaining and improving an aging infrastructure, while recapitalizing our operating forces, requires disciplined choices and innovative approaches.

The FY 2004 housing program continues the Department's course toward the goal of eliminating inadequate family housing by 2007. The Navy's three-pronged strategy of improving allowances to service members, privatizing, and continuing traditional military

construction is proving very successful. Increased Basic Allowance for Housing (BAH) is spurring local communities to provide necessary housing on the open market. Recent analysis shows we have reduced the total requirement for government furnished housing by over 9,500 units.

Public/Private housing ventures are allowing us to achieve more with less commitment of resources. In FY 2003 we will privatize over 10,400 homes in five locations; in FY 2004 we are increasing this by another 7,000 units. Where BAH and privatizing do not apply we are renovating or replacing our inventory.

We are building on our successes in Family Housing to help achieve our Homeport Ashore Program. Three bachelor housing Public-Private Venture (PPV) projects are being developed that could triple the number of spaces we would have been able to provide in San Diego, Norfolk and Camp Pendleton under traditional Military Construction.

The FY 2004 Military Construction and Sustainment program reflects difficult but necessary trade-offs between shore infrastructure and fleet recapitalization. The Department remains committed to achieving a 67-year recapitalization rate by FY 2008. In pursuing that goal we will explore innovative solutions to provide safe, efficient installations for our service members, including design-build improvements, more efficient facilities and BRAC land sales via the GSA Internet.

## **K. Business Practices**

We have embarked on a mission to improve the business practices of the Department. Every dollar saved by working smarter or by ending outdated methods of operations is another dollar that can be used for our Sailors and Marines to equip, train or fight.

Information is key to improving the way we do business. Better information makes for better decision making, both on the battlefield and at the budget table. We have four pilot programs in place utilizing enterprise resource planning, or ERP, which aim to improve the quality of information available to our decision makers. These pilot projects will eliminate dozens of incompatible computer databases and the business processes that once supported those databases. Even more importantly, ERP should produce financial and managerial information that is more complete, more accurate and more timely. Our focus now is on converging these pilots to achieve even greater synergy of management information across a broader spectrum of the Department, and working with the Department of Defense Comptroller to ensure these efforts are advancing the uniform business management architecture under development.

In addition to better information, we need flexible and innovative tools to help manage the Department. Some of these tools, like strategic sourcing, are being used already. Competition helps achieve the best quality support to the Sailor and Marine at the lowest possible cost by introducing the discipline of the marketplace. The acquisition process still needs considerable reform. We owe it to every Sailor and Marine to ensure that today's technology arrives in their hands today, not tomorrow. It still takes too long from lab to live

fire. Finally, the Navy and Marine Corps need better tools to recruit and manage the civilians who support our warfighter.

#### **IV. Naval Power 21: A Transformational Vision for the 21<sup>st</sup> Century**

Fundamentally, our Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea. Our vision, Naval Power 21, is built upon three pillars:

- We assure access. We assure sea-based access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts.
- We fight and win. We project power to influence events at sea and ashore both at home and overseas.
- We are transforming continually to improve. We are transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education and our approach to people.

Although the Navy and Marine Corps team remains the greatest maritime force in the world, the emerging challenges of the 21<sup>st</sup> Century demand a joint, netted, power projection force that offers modern and ever-evolving combat capability. Together, under the supporting service visions of Seapower 21 and Marine Corps Strategy 21, we will provide funding for a full array of transformational initiatives in our R&D, investment and operational programs. Evidence of the scope and magnitude of these changes is highlighted by our transformation:

- from a single new class of destroyer to a family of surface combatants tailored for the full range of 21<sup>st</sup> Century missions;
- from a Cold War force of 18 SSBNs to a 21<sup>st</sup> Century force of 14 SSBNs and 4 SSGNs;
- from evolutionary aircraft carrier improvements to the revolutionary promise of CVN-21;
- from no ballistic missile defense (BMD) capability to limited sea-based BMD capability; and
- from competing Navy and Marine Corps tactical aviation to an integrated Naval tactical aviation.

##### **A. Transformational Capabilities to Assure Access and Project Power**

The Navy and Marine Corps continue to meet the imperative of transformation. Our “way ahead” for the future capitalizes on transformational ideas that facilitate our recapitalization goals. The FY 2004 budget request includes funding for initiatives in shipbuilding, aviation and C4I that promise dramatic improvements in assuring access and projecting power.

In shipbuilding, we are fulfilling the President's stated goal to "skip a generation" of technology by restructuring our previous two-step (CVNX-1 and CVNX-2) evolutionary acquisition approach into a single transformational ship design that accommodates continuous evolution through the life of the class. The new design, named CVN-21, sustains the original development and construction schedule from CVNX-1, but accelerates many critical technologies previously planned for the second step ship, CVNX-2. CVN-21 will feature a new propulsion plant, a greatly expanded electrical generation and distribution system, a new/enlarged flight deck, an improved sortie rate generation over CVNX-1, an electro-magnetic aircraft launching system (EMALS), a new advanced arresting gear, improved weapons and material handling systems, and improved survivability features – all with 800 fewer crew members. In support of this technology acceleration we have added significant funding across the FY 2004 to FY 2009 program while providing \$1.5 billion in FY 2004 alone.

The centerpiece warship of our future surface combatant "family of ships," the DD(X), is on track to move to an initial construction contract award in FY 2005. FY 2004 funding of \$1.05 billion will enable further development of key electric drive, power grid, and combat system components. Through a spiral development acquisition process, DD(X) will be the principal technology engine that will feed the entire family of ships.

The FY 2004 budget requests approximately \$160 million in R&D to begin moving out with the next member of our future surface combatant "family of ships," the Littoral Combat Ship (LCS). A networked, lethal, small, fast, stealthy, and highly maneuverable ship, LCS will be designed from the keel up as a focused mission ship capable of employing manned and unmanned mission modules to counter some of the most challenging anti-access threats our naval forces may encounter close to shore – mines, quiet diesel submarines and swarming small boats. Last year, we continued experimenting with a range of innovative hull forms, and the Congress supported us so we could get the program moving this year, avoiding a critical one-year delay. The FY 2004 effort will be aimed at defining requirements, improving our knowledge base for selecting an LCS design, and beginning mission module development.

The FY 2004 budget request contains nearly \$1.2 billion for SSBN-to-SSGN conversion. This effort will provide a near-term transformational capability to the Nation by removing four OHIO Class submarines from their strategic mission, refueling their reactors to permit an additional 20 years of operation, and converting them into conventional strike platforms capable of carrying more than 150 Tomahawk missiles and deploying over 60 special operations forces. Funding to commence the first two conversions was provided in FY 2003; this year's request supports beginning the final two conversions.

The FY 2004 budget provides \$2.2 billion to continue development of the Joint Strike Fighter (JSF), a stealthy, multi-role fighter aircraft designed to be an enabler for Naval Power 21. JSF replaces the Navy's F-18A/C Hornet variants and the Marine Corps' AV-8B Harrier and F/A-18C/D Hornet while complementing the Navy's F/A-18E/F Super Hornet. JSF offers dramatic improvements in affordability and supportability. It has completed all major milestones to date on time, and remains on track to IOC for the Marine Corps in 2010 and for



the Navy in FY 2012.

A critical enabler of transformational intelligence, surveillance and reconnaissance, the E-2C Advanced Hawkeye Program will provide a robust overland capability against current and future cruise missile-type targets. The FY 2004 budget invests over \$350 million for continued development. IOC is planned for FY 2008 with a total procurement of 66 systems.

As the Global War on Terrorism has demonstrated, unmanned technology will play an ever-increasing role in the battleground of the 21<sup>st</sup> Century. The Department's FY 2004 budget invests more than \$300 million across a series of Unmanned Aerial Vehicle (UAV) programs, including Tactical UAVs, Maritime Surveillance UAVs and an Unmanned Combat Air Vehicle (UCAV) initiative, developed in partnership with the U.S. Air Force. Beneath the sea, we will invest more than \$80 million in Unmanned Undersea Vehicles (UUVs) that are being developed to enhance capabilities in minefield reconnaissance and other submarine missions.

## **B. Transformational Organizations and Operational Concepts**

Beyond pure technology, transformation also includes revolutionary methods for achieving dramatically greater utility out of our existing assets. The Department's initiative to integrate its tactical aviation capabilities is one such transformational story. Navy and Marine Corps Tactical Air Integration will maximize forward deployed combat power and optimize the core capability of naval aviation forces. Its positive impact will be felt across the Department's entire tactical aviation enterprise, from leaner, more capable fighting formations to streamlined procurement requirements (tactical and training) to manpower savings. In total, this innovative program promises to save \$975 million over the FY 2004 – FY 2009 program and provide approximately \$19 billion in cost avoidance from FY 2007- FY 2012.

To support the ability of forward based naval forces to respond to a host of scenarios, the Navy and Marine Corps are exploring more robust strike capabilities for the ARG/MEU team. The Expeditionary Strike Group pairs the traditional ARG with surface combatants and an SSN so the force has greater capability to conduct independent operations in the “deter” and “swiftly defeat” scenarios outlined in our defense strategy.

FORCENet is the Department of the Navy's catalyst for operational transformation. In the realm of network centric warfare and operations, it will enable orders of magnitude increases in combat power to ensure decisive influence and warfighting success across the full spectrum of military operations in the information age. FORCENet is not a system. It is the architecture by which we will integrate our sensors, networks, decision aids, weapons and warfighters into a networked, distributed combat system, scalable across the entire range of conflict from seabed to space and sea to land. Leveraging powerful network infrastructure ashore, including NMCI and the various constituents of IT-21, with legacy and developing tactical networks at sea, including those as diverse as CEC, Joint Fires Network and the E-2C Advanced Hawkeye Program, FORCENet will bring a dramatically expanded “toolbox” of

capabilities to the joint warfare commander. Through FORCEnet the Navy and Marine Corps will transform to a joint, netted, distributed and forward stationed force.

### **C. Transformational Initiatives for our People**

Sea Warrior is the process of developing 21<sup>st</sup> Century Sailors. Curriculum Mapping is the Marine Corps equivalent. These initiatives identify the knowledge, skills, and abilities needed for mission accomplishment; apply a career-long training and education continuum; and employ a responsive, interactive career management system to ensure the right skills are in the right place at the right time.

Modern Naval Forces are manned by streamlined teams of Sailors and Marines who fight and manage some of the most complex systems in the world. We need Sailors and Marines who are highly educated and expertly trained. They must be creative thinkers and life-long learners, and it is for them that we undertook the Revolution in Training. They also deserve a human resource management and detailing system that provides information and choice, both to the Sailor and gaining commands, so that informed career decisions can be made. To this end, we are moving toward an interactive and incentivized distribution system that includes team detailing, web job listings, an information call center, and comprehensive and extensive engagement of our detailers with individual Sailors to help shape their careers.

At sea, we are exploring two initiatives that promise a revolution in the way we man our ships. First, we have begun an “Optimal Manning Experiment” on board USS MILIUS (DDG-69) and USS MOBILE BAY (CG-53) to develop a more efficient model for the shipboard manning requirements of the 21<sup>st</sup> Century. Also, we have begun a crewing experiment, entitled “Sea Swap,” in which we will deploy two destroyers for 18 months consecutively, rotating the entire crews at six-month intervals. This initiative will realize significant operational savings by avoiding multiple six-week transits to and from the deployed operating areas.

### **D. Transformational Initiatives for Doing Business**

Our ability to recapitalize and transform stems in large measure from a vigorous divestiture program that forced us to make hard choices across every facet of the Department’s operations. We looked hard at older systems with their limited capabilities and high infrastructure costs (maintenance, parts, training, etc.) and ultimately decided to accelerate retirement of 11 ships and 70 aircraft. We reorganized and then reduced the Secretary of the Navy Headquarters Staff by 25 %. We divested ourselves from more than 50 systems and eliminated 70,000 legacy IT applications from an original baseline of 103,000. In the aggregate, these difficult decisions yielded \$1.9 billion for reinvestment in higher priorities.

In addition to divestiture initiatives, we are transforming the way we manage the entire Department’s internal affairs. Perhaps nowhere is this more evident than in our shipbuilding programs. Instead of locking ourselves into “pre-ordained obsolescence” through rigid designs for hull, combat and information systems that take years to execute, we

are capitalizing on computer-aided, design-build strategies in which we harvest commercial, “state-of-the art” technologies and insert them at the optimum time as the construction process moves from hull to combat system suite to information systems. We have undertaken some remarkable initiatives within our acquisition community that have stabilized key industrial bases, expanded our ability to capitalize on the best commercial practices, and laid a strong foundation for controlling the costs of our major acquisition programs.

We are working with industry as partners across the full breadth of our shipbuilding programs. The tri-partite agreement between Navy, General Dynamics and Northrop Grumman stabilized both our DDG-51 and LPD-17 programs, avoided a “second lead ship” challenge for the LPD program, and produced savings sufficient to purchase a third DDG in FY 2004 and FY 2005. We are working with the software industry to open all Navy architectures. These efforts are intended to lead to the development of a truly open architecture that can be shared between all of our current and future combatant ships. Finally, we have imposed a discipline on ourselves that severely limits change during the critical phases of our major shipbuilding programs. This discipline also has been implemented in the JSF program through a configuration steering board. By controlling the scope and timing of change, we hope to implement necessary changes in our programs in a planned fashion where we know what it will cost and how we will install it in the most economical manner.

Through these transformational business initiatives and others, our Department will emerge with an optimal force structure; a healthy industrial base and an efficient and appropriately sized infrastructure.

## **V. The Way Ahead: Positioning Today’s Navy and Marine Corps for Tomorrow’s Challenges**

Although the Global War on Terrorism is closer to the beginning than the end, our Navy and Marine Corps, as members our nation’s joint battle force, have disrupted terrorist networks and freed the people of Afghanistan. Our Nation can take pride that, in 2002, the Navy-Marine Corps Team continued its record of combat excellence, improved operational readiness and retained our magnificent people at historic rates.

Much has been accomplished, but much remains to be done. The Department’s FY 2004 budget request positions today’s Navy and Marine Corps to support tomorrow’s joint warfighting environment by sustaining hard-fought advances in personnel and operational readiness, investing in critical shipbuilding and aircraft programs, fueling transformational capabilities, and building a global, agile and fully networked force. As our Navy and Marine Corps Team confronts a future with challenges already visible on the horizon, we thank you for your terrific support of our Naval Forces, and urge your continued support for the course upon which we have embarked to fight and win our nation’s wars while preparing to meet the demands of an uncertain tomorrow.