

**NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
SENATE ARMED SERVICES COMMITTEE**

**STATEMENT OF  
HONORABLE DONALD C. WINTER  
SECRETARY OF THE NAVY  
BEFORE THE  
SENATE ARMED SERVICES COMMITTEE  
29 MARCH 2007**

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# The Secretary of the Navy's FY 2008 Posture Statement

*Investing in the Present while Preparing for the Future*

## I. Introduction

Mr. Chairman, Mr. Ranking Member, and Members of the Committee, it is an honor to appear before you representing the brave men and women of the United States Navy and the United States Marine Corps – active, reserve, and civilian over 800,000 strong.

Over the past year, I have had many opportunities to meet with Sailors and Marines who are stationed both within the continental United States and abroad. I have traveled three times to the Central Command Area of Responsibility including Iraq. During my visits I have had countless conversations with our young Sailors and Marines. I am continually amazed at how dedicated and committed they are to carrying out their duties -- without question, without complaint. Our Sailors and Marines recognize the significance of their mission. They remain determined to win the current war and are committed to defending our Nation against future threats. They are the very best and they deserve the very best from their leadership in the Pentagon and on Capitol Hill.

Today, I am here to present the Department of the Navy's plan to support our Sailors and Marines in their mission to fight the Global War on Terror and to defend our Nation against future challenges. I believe the President's Fiscal Year 2008 budget request for the Navy and Marine Corps provides them what they need and I ask that you support this request-- submitted to Congress on February 5, 2007.

The Department of the Navy's budget signifies a vital investment in our Navy and Marine Corps. In its totality, this budget represents **\$160 billion** in requested funding for FY 2008, including the estimated costs of the Global War on Terror.<sup>1</sup>

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<sup>1</sup> "Highlights of the Department of the Navy's FY 2008 Budget", P 1-15

These funds are essential in enabling the Department of the Navy to maintain current readiness, sustain the operational tempo in the Global War on Terror, support the quality of life of our Sailors, Marines and their families, while preparing for a future of uncertainty. Our priorities for FY 2008 are simply stated:

We will

1. Fight the Global War on Terror by investing in the **present** needs of our Navy and Marine Corps, while we
2. Prepare for future challenges by investing in our **people, facilities, and capabilities.**

The development of this budget has not been easy -- tough decisions have been made and continue to be made throughout the Department to balance risk and to be responsible stewards of the tax dollars entrusted to us. Yet, we believe that this budget is appropriately structured and is a necessary investment to successfully meet both our present and future challenges.

The difficulty of preparing for future challenges has been striking the proper balance between building capabilities to support traditional and irregular warfare demands while transforming a blue water navy into one that can operate, fight and win in blue, green, and brown waters, and expanding the lethality and reach of the Marine Corps.

Justification of every program is important for Congress to understand the Department's intent and rationale, and we will do so. For the sake of brevity in this statement I will not go into detail on each program. Instead, I will call attention to areas crucial to our budget submission and I ask that the "Highlights of the Department of the Navy's FY 2008 Budget" book be submitted for the record as part of my statement.

## **II. Investing in the Present**

### **Fighting the Global War on Terror**

As we come before you today, I do not have to remind you that we are a Nation in our sixth-year of a long, irregular, and global war. Your Naval forces -- Sailors, Marines and civilians -- are engaged at home and around the world today in a full spectrum of operations in support of this war. They have answered the call to defend the Nation and they are carrying out their duties superbly. Yet while focusing on the present needs of the Global War on Terror, we must also keep a keen eye on an ever evolving strategic environment around the globe. The pace of change in today's world is very rapid. We have witnessed events -- such as North Korea's nuclear test last October and China's test of an anti-satellite weapon this past January -- that can change our strategic calculations

overnight. Even as these changes occur, our Sailors and Marines continue to stand guard across the world.

As I speak to you today, there are over 50,000 Sailors and Marines serving in the Central Command Area of Responsibility (AOR). Of those, over 21,000 Marines and 12,000 Sailors are serving on the ground in Iraq and Afghanistan. It also includes over 8,000 Sailors deployed as Individual Augmentees (IA) and 4,500 performing “in-lieu-of” missions often serving in non-traditional capacities but adding to the warfighting capability of our military forces with their expertise. Additionally, over 700 Sailors and Marines are in the Horn of Africa. Finally, on any given day, approximately 30% of our ships and submarines and over 45,000 of our Sailors are deployed worldwide serving in, on, or over the world’s oceans.

We are also key players in executing the President’s new strategy in Iraq. The strategy requires increased coalition military and civilian resources to include an additional two battalions of Marines to strengthen control of the Al Anbar Province. Approximately 4,000 additional Sailors and Marines will be part of this effort.

This ongoing pace of operations in fighting the Global War on Terror has had a financial impact on the Department of the Navy. Approximately 40-50% of the fleet continues to be at sea. This, coupled with the increased deployment of Marines across the globe, has placed a strain on our resources. The 2008 GWOT Request represents a critical investment in providing the adequate resources necessary to prosecute and win the Global War on Terror. The Department of the Navy is seeking approximately \$20 billion to directly support prosecution of the Global War on Terror and to reset the force.

## **Safeguarding our Forces in Harms Way**

Before we deploy our brave men and women in harm’s way we must do everything in our power to invest in their protection. Therefore, we are investing in measures to counter and protect our men and women from Improvised Explosive Devices (IED) with such platforms as the Mine Resistant Ambush Protected (MRAP) Vehicle. We are transitioning to a newly designed Modular Tactical Vest (MTV) and are committed to providing the best head protection to our warfighters. We are also investing in measures I am personally involved with seeking improved acquisition processes which will accelerate fielding of these new technologies.

Unavoidably, with war comes the tragedy of loss of life and injury to our young men and women. We are committed to providing the best medical care on and off the battlefield. The treatment of patients has been greatly enhanced by improvements in medical capabilities at the personal, unit and organizational levels -- yet we must never be satisfied with where we are. We will continue to seek advancements in medical care. Care for our wounded does not end at the field hospital. We continue to aggressively monitor post-deployment mental health screenings as well as, suicides, domestic violence,

and divorce rates and to assure the quality long-term physical and psychological welfare of our Sailors and Marines.

## **Resetting the Force**

While we endeavor to provide what is needed, we also recognize that war is a costly business, and this one is no different. Our Sailors and Marines will always do what it takes, but there is a significant price -- not only in their personal sacrifices -- but also in the financial cost of operations and on the equipment that we provide them. We must continue to invest in the present needs of our warfighters.

The ongoing intense combat operations and high operational tempo have had a significant impact on the quality, operability, and service life of Navy and Marine Corps equipment -- it is imperative that we support our brave men and women by replacing our rapidly aging equipment. In many cases it makes no sense to replace aging legacy equipment with more of the same. In the case where it makes smart financial or operational sense, we are purchasing next generation equipment and platforms to replace combat losses. Resetting the Navy and Marine Corps is essential, and we are investing significant resources to restore our combat capability and readiness. The FY 2008 GWOT Request includes \$3.8 billion -- \$2.1 billion for the Navy, \$1.7 billion for the Marine Corps -- toward reset requirements. These funds will refurbish or replace equipment damaged or lost during combat operations and restore the capability and readiness of the Navy and Marine Corps for future threats and operations. It should be noted that the reset requirement is dynamic and changes as conditions change.<sup>2</sup>

## **III. Investing in the Future**

As we fight the Global War on Terrorism, we cannot forget that the security challenges of the 21<sup>st</sup> Century are complex and varied. They range from the irregular, asymmetric threats of terrorists, and rogue states, to the sophisticated military technology of future peer competitors. The Department has also been called upon to conduct disaster relief and humanitarian assistance missions -- often being the first to respond to natural disasters around the world as in the case of the 2005 Indian Ocean tsunami, the earthquake in Pakistan and Hurricane Katrina in the Gulf Coast. Naval forces are uniquely balanced to address these diverse strategic challenges with the capability and capacity to rapidly project power anywhere in the world. We must continue to invest in this capability. *We cannot allow ourselves to be fixated on one threat alone.*

Preparing for an uncertain future demands that the seas of the world remain safe for all nations. The Department of the Navy strongly supports U.S. accession to the Law of the Sea Convention. Joining the Convention, with the declarations and understandings reflected in Executive Report 108-10 (Senate Foreign Relations Committee), will enable

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<sup>2</sup> "Highlights of the Department of the Navy's FY 2008 Budget", P 2-10

the United States to exercise a leadership role in the future development of oceans law and policy. As a non-party, the United States does not have access to the Convention's formal processes in which over 150 nations participate in influencing future law of the sea developments, and is therefore less able to promote and protect our security and commercial interests. Additionally, by providing legal certainty and stability for the world's largest maneuver space, the Convention furthers a core goal of our National Security Strategy to promote the rule of law around the world.

This is also a time of unprecedented change in the Department of the Navy. We are executing a major transformation of the force at the same time that we are executing an array of operations in the Global War on Terror. This transformation is about people as much as it is about equipment.

## **Investing in our People**

The development and retention of quality people are vital to our continued success. America's naval forces are combat-ready due to the dedication and motivation of individual Sailors, Marines, civilians, and their families. The Department is committed to taking care of them by sustaining our quality of service/quality of life programs, including training, compensation, and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. The cost of manpower is the single greatest factor in the FY 2008 budget, but it is money well spent. We must continue to recruit, retain, and provide for our Sailors and Marines.

### **Recruiting and Retention**

We continue to invest in programs to recruit the right people, retain the right people, and achieve targeted attrition. The FY 2008 budget requests a three-percent raise in military base pay. This investment along with increased enlistment and re-enlistment bonuses, is necessary if we are to continue to man our forces with the highest levels of ability and character. These citizens are in high demand everywhere; since we ask so much of them, we owe them proper compensation. The Navy and Marine Corps are currently meeting recruiting and retention goals for most ratings and designators in the active and reserve components. In FY 2006, Navy achieved 100 percent of its overall active component enlisted recruiting goal and the Marine Corps also achieved over 100 percent of its accession goal.

### **Navy and Marine Corps End-Strength**

To avoid an adverse toll on our Sailors, Marines, and their families, and to prevent a decrease in readiness, the Secretary of Defense established a 1:2 deployment-to-dwell ratio goal for all Active Component forces. Our goal for the Marine Corps is to achieve that 1:2 deployment-to-dwell ratio for active component units and 1:5 for reserve units. Currently, the deployment length for Marine units in Iraq is seven months.

While our recruiting remains at impressive levels, it is important to focus on sizing the Department to achieve its overall objectives. As we develop and build more efficient and automated ships, aircraft, and combat systems, personnel reductions are inevitable; yet the skill level and specialization requirements increase. The Navy has reduced its end strength by approximately 40,000 over the last five years, and as we look ahead to more capable ships entering service in the next few years, we anticipate a stabilization of that trend at an end-strength of about 320,000 - 325,000.

For the Marine Corps the proposed increase to our Active Component end strength to 202,000 Marines, by 2011, is an investment in reducing the strain on the individual Marines and the institution of the Marine Corps while ensuring the Marine Corps can provide trained forces in support of other contingencies. Our first task will be to build three new infantry battalions and their supporting structure – approximately 4,000 Marines. We will then systematically build the additional units and individuals on a schedule of approximately 5,000 Marines per year.

### **National Security Personnel System**

It is important to note that while a considerable investment is taking place in the uniformed workforce, we are also placing emphasis on creating a proficient civilian workforce, whose pay and promotions are performance-based. Deployment of the National Security Personnel System began in FY 2006 and continued through FY 2007. A significant portion, over 50,000 employees, are scheduled to transition at the start of FY 2008.

### **Safety**

Fundamental to taking care of our Sailors, Marines and DON civilian employees is establishing a culture and environment where safety is an intrinsic and critical component of all decision making, both on and off-duty. Safety directly affects the readiness of our fighting forces and significant Mishap Reductions remains a key department-wide objective in FY 2008. We are refining our concept of Operational Risk Management (ORM), which calls for assessing risks prior to an evolution and then implementing mitigating actions during the evolution, to ensure it is more widely accepted and employed by our younger Sailors and Marines when making decisions off duty. We have placed great emphasis on reducing Private Motor Vehicle (PMV) mishap rates through new policy changes we believe will help reduce needless PMV-related injuries and fatalities. Other safety initiatives are aimed at the reduction of aviation mishaps and improving safety in the workplace.

### **Investing in Our Facilities**

Essential to recruiting and retaining the right people is maintaining their quality of life and service. The Department of the Navy continues to invest in our Sailors and Marines by sustaining our quality of life/quality of service programs and by ensuring

quality housing and facilities in which to live, work and train. We are developing Global Infrastructure Plans to analyze bottom line facility requirements. The Department of the Navy has been aggressively eliminating excess facilities and is on track to its footprint of 23.9 million square feet by 2013.

### **Military Construction**

The FY 2008 budget invests over \$2.1 billion toward 64 military construction projects for our active Navy and Marine Corps and 10 projects for our reserve forces.

### **Base Realignment and Closure**

The FY 2008 budget continues to fund BRAC initiatives. We are requesting \$733.7 million in the FY 2008 budget submission to continue implementation of the 2005 BRAC Commission recommendations. The FY 2008 request invests in construction (including planning and design), operational movements at key closure and realignment locations, and the necessary environmental studies at receiving locations to fulfill National Environmental Policy Act requirements.<sup>3</sup>

### **Carrier Homeporting**

Consistent with the 2006 Quadrennial Defense Review, the Navy plans to adjust its force posture to base at least six “operationally available” carriers in the Pacific while maintaining the flexibility to respond to threats around the world.<sup>4</sup> The Navy will achieve the six Pacific carrier posture in FY 2010 when the USS CARL VINSON (CVN 70) is homeported to the Pacific.

### **Realignment of our Forces in the Western Pacific**

As part of the Defense Policy Review Initiative (DPRI), a change in the US-Japan alliance to the security environment, the United States and the Government of Japan (GOJ) signed an agreement for the relocation of some Marines from Okinawa to Guam. This realignment requires a commitment to investment in our Western Pacific area of operations. The FY 2008 budget invests \$ 28 million for planning and continuation of the Environmental Impact Analysis.

### **Investment in Capabilities**

To meet the demands of the Global War on Terror and the uncertain threats of the future, the Department of the Navy must also invest in new generation capabilities and to transform the force. We must continue an acquisition program which seeks to build a fleet that is both affordable and meets the national security challenges of the 21st century. It must cover all facets of the surface, sub-surface, and aviation requirements. We must

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<sup>4</sup> “2006, Quadrennial Defense review”, P47



also invest in our expeditionary forces providing them with the capabilities to remain always ready and always capable of forcible entry. Our FY 2008 baseline budget invests almost \$46 billion for procurement programs.

As we invest in our naval force it is critical that we pursue a program of stable transformation. The core products that the Navy and Marine Corps buy face a significant time constraint -- we go into battle with assets that are built many years in advance; and a stable transformation can only be achieved if the Department of the Navy, in conjunction with Congress, follow a long-term path of program stability.

### **Building a Fleet for the Future**

We have initiated an aggressive investment strategy to build an affordable 313-ship fleet tailored to support the National Defense Strategy and the 2006 Quadrennial Defense Review. The Department plans to procure seven ships<sup>5</sup> in FY 2008 for the United States Navy, and we are serving as the executive agent for one Joint High-Speed Vessel for the United States Army -- an investment of over \$14.2 billion toward ship building and conversion<sup>6</sup>. As required by Congress, the Department of the Navy recently submitted its thirty-year shipbuilding plan which reinforces the 313-ship fleet introduced last year.<sup>7</sup> The FY 2008 thirty-year shipbuilding plan, unchanged from the FY 2007 plan, represents the Departments commitment to creating programs of stability and predictability which in turn minimizes disruption in shipbuilding and creates efficiency and effectiveness in our industrial base.

The FY 2008 budget continues investment in the shift to next generation warships. The surface ships and submarines which make up the fleet of the future will be more capable than ever to respond to enhanced threats across the globe. Several critical shipbuilding programs in support of the thirty-year shipbuilding plan include:

- The lead ship of the CVN 21 Program -- Gerald R. Ford (CVN78) with expected delivery in 2015 -- will replace USS Enterprise (CVN65). Program funding is requested over two-years with forty-percent, approximately \$ 2.7 billion, in FY 2008 and the remaining sixty-percent in FY 2009.
- The DDG1000 program, formerly known as the DDX, is the next generation of multi-mission surface combatants. Under the dual lead ship strategy, a lead ship will be constructed at both Northrop Grumman Ship Systems and General Dynamics Bath Iron Works. Contracts for detail design were awarded to the shipbuilders in August 2006. Construction contracts of the dual lead ships are expected to be awarded in FY 2007. The FY 2008 budget provides the second increment of funding, approximately \$ 2.8 billion, required to complete the two FY 2007 lead ships.

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<sup>5</sup> "Highlights of the Department of the Navy's FY 2008 Budget", P 3-5

<sup>6</sup> "Highlights of the Department of the Navy's FY 2008 Budget", P 1-15

<sup>7</sup> DON 30-year Shipbuilding Plan, submitted to Congress on Feb 5, 2007

- The Littoral Combat Ship (LCS) will be a fast, agile and networked surface combatant with capabilities optimized to assure naval and joint force access into contested littoral regions. The Navy has awarded contracts for construction of the first four LCS sea frames. LCS 1 was launched in September 2006. The Navy intends to continue with a plan to procure a reduced number of ships in fiscal 2008 and 2009 within existing budget resources. LCS is needed now to fill critical, urgent warfighting requirements gaps that exist today. Operational experience and analyses indicate that potential adversaries will employ asymmetric capabilities to deny U.S. and allied forces access in critical coastal regions to include strategic choke points and vital economic sea lanes.
  
- In the past year the second and third Virginia Class fast attack submarines joined the fleet. Construction of the Virginia Class continues to be performed under a teaming arrangement between General Dynamics Electric Boat Corporation and Northrop Grumman Newport News Shipbuilding. Six Virginia Class submarines are under construction. The FY 2008 Budget invests approximately \$1.8 billion in the tenth Virginia Class submarine and is the fifth of five Virginia class submarines covered under a multiyear procurement contract.

A number of Congressional authorities are necessary in order to maintain the stability of the thirty-year shipbuilding plan. Key to achieving cost reductions in our Virginia Class program is the ability to enter into multiyear ship contracts. We are asking Congress to continue Multiyear Procurement Authority for Virginia Class Submarines. As we modernize our carrier force to the new Gerald R. Ford Class (CVN78), we will drop below our carrier requirement by one ship during a two-year period. Through adjustments to refueling availabilities and by carefully managing our Nimitz Class service life, we will be able to mitigate the impact of this drop in the short-term and long-term. We are asking Congress to authorize a temporary waiver of the carrier requirement from eleven to ten ships.

### **Enhancing Expeditionary Warfare Capabilities**

The 2006 Quadrennial Defense Review describes the reorientation of joint ground forces from dependence on large, permanent overseas garrisons toward expeditionary operations. This includes a focus on greater capability to conduct irregular warfare. Naval forces are inherently prepared for this role through our ability to project power ashore. Amphibious warships and MAGTF capability are essential to the Navy-Marine Corps ability to conduct forcible entry. The Department of the Navy will invest in several key procurement programs to enhance our expeditionary warfare capability.

- The San Antonio (LPD 17) Class of amphibious warfare ships represents the Department of the Navy's commitment to a modern expeditionary power projection fleet. The rapid off-load capability of the San Antonio Class will enable our naval force to operate across the spectrum of warfare. The FY 2008 budget invests \$1.4 billion to fully fund the construction of the ninth ship in the San Antonio Class.

- The Marine Expeditionary Fighting Vehicle (EFV) is the Marine Corps' largest ground combat system acquisition program. It will replace the aging Assault Amphibious Vehicle that has been in service since 1972. The FY 2008 budget invests \$288 million from the Research, Development, Test and Evaluation account toward EFV development to ensure that EFV meets all requirements for performance and reliability before entering into production.
- The Mine Resistant Ambush Protected (MRAP) Vehicle is playing an increased role in protecting our Sailors and Marines in harm's way. MRAPs are employed to protect against the three primary kill mechanisms of mines and improvised explosive devices—fragmentation, blast overpressure, and acceleration. These vehicles provide the best available protection against improvised explosive devices. The FY 2008 GWOT Request procures over 255 MRAP vehicles for the Navy and Marine Corps team. We continue to assess this need as is necessary.

### **Recapitalizing Aviation Capacity**

The Department of the Navy requires a robust aviation capacity including attack, utility, and lift capabilities. The Department is in the midst of an extensive, long-term consolidation and recapitalization of all aircraft in the naval inventory in order to develop the optimum balance between requirements and usage. We are increasing our investment in our aviation programs. In FY 2008 we plan to procure 188 aircraft for the Navy and Marine Corps team.<sup>8</sup> Particularly critical programs include the Joint Strike Fighter (JSF), the F/A-18E/F Super Hornet, the EA-18G Growler, the P-8A Multi-Mission Maritime Aircraft (MMA), the MV-22, and helicopter programs. The Department also serves as the executive agent for the modernization of the fleet of Presidential Helicopters which will be replaced by the VH-71.

- The Joint Strike Fighter (JSF) (STOVL, CV, CTOL) is the next-generation strike fighter weapons system designed to counter the threats of 2010 and beyond. Low rate initial production (LRIP) long lead funding for initial Conventional Take-off and Landing (CTOL) aircraft was awarded in March 2006. A significant upcoming milestone for JSF is the Defense Acquisition Board in spring 2007 for approval of LRIP 1 full funding and LRIP 2 long lead contract awards.
- The F/A-18E/F Super Hornet is the Navy's multi-mission strike fighter. Currently in its eighth year of full production, 65% of the total procurement objective has been delivered (298/460). The FY 2008 budget requests funding for 24 F/A-18E/F Super Hornets. An additional 12 F/A-18E/F Super Hornets are requested in the FY 2008 GWOT Request to bridge the projected shortfalls due to excessive operational use which will shorten ESL.
- The EA-18G Growler is the Navy's replacement for the legacy EA-6B and will assume the role for Airborne Electronic Attack. First flight for the Growler occurred in August 2006. EA-18G aircraft are being procured as part of the F/A-18E/F

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<sup>8</sup> "Highlights of the Department of the Navy's FY 2008 Budget", P3-15

Multi-Year Procurement II contract. The FY 2008 budget invests \$1.3B which procures 18 E/A-18G aircraft.

- The P8A MMA replaces the Navy's P-3C Orion and fills Combatant Commander requirements for long-endurance naval aircraft in fulfillment of many missions in major combat operations, GWOT and homeland defense. The program, now in detailed design phase, will achieve Initial Operational Capability in FY 2013 -- initial production buys will begin in FY 2010.
- The MV-22 Osprey Tilt Rotor aircraft will supplement and replace the CH-46 with enhanced mission capabilities. The CH-46E is over forty years old, with limited lift and mission capabilities to support the Marine Air-Ground Task Force (MAGTF) and the GWOT. MV-22 Initial Operational Capability is scheduled for fall 2007 with a continued transition of two CH-46E squadrons per year thereafter. The FY 2008 budget includes a request for 21 MV-22 aircraft.
- Helicopters continue to provide essential lift capability to the Navy and Marine Corps. Critical to this capability are the MH-60R/S and the UH-1 programs. The MH-60R will replace the aging SH-60B and SH-60F helicopters with the primary mission of undersea and surface warfare. The MH-60S will support the CSG and ESG combat logistics, search and rescue, vertical replenishment, anti-surface warfare, airborne mine countermeasures, combat search and rescue, and naval special warfare mission area. The FY 2008 budget invests in 27 MH-60R and 18 MH-60S helicopters. The UH-1 continues to fulfill the Marine Corps utility helicopter missions. The FY 2008 budget supports the UH-1Y new build strategy and procures 20 UH-1Y helicopters.

## **Research and Development**

As we look to transform our force with new generation platforms, we must also actively seek out new innovations and niche technology. Our FY 2008 budget continues investment in the Research and Development, Science and Technology (S&T), and the Research, Development, Test, & Evaluation (RDT&E) management support accounts. In FY 2008, the RDT&E account decreases by over eight percent, reflecting technology maturation and the transition to production of programs previously in RDT&E. Funding for science and technology (S&T) is kept relatively constant to enhance capabilities for the Naval forces of today, tomorrow, and the future. To maximize our return on S&T funding, we have developed a newly integrated Naval S&T Strategic Plan focused on areas where the Department of the Navy needs to be a world leader and an early adopter of technologies. RDT&E accounts also support the transition of technologies and the development of critical new weapon systems. Critical shipbuilding programs include CVN 21, SSN 774 VIRGINIA Class Submarine, DDG 1000, LCS, LPD 17, T-AKE, and Joint High Speed Vessel. Critical manned aviation programs include the F-35, VH-71, P-8A, CH-53K, E2D, and EA-18G. As a final part of the RDT&E account, our Test and Evaluation communities are ensuring that technologies will perform as required in the field.

## **Cultivating a Stable Acquisition Environment**

While our investment strategy is forward-leaning -- so must our procurement process be. It is clear that we must better define our programs early in the acquisition process. A key emphasis must be to properly incentivize contractors to bid in a responsible manner and then to diligently execute to the accepted proposal. I intend to focus a significant part of my remaining time as Secretary of the Navy in getting this right. This year we are focusing our efforts to take on the challenges of (1) revising and reinstituting our policy on contractor performance assessment, (2) controlling cost growth and reducing program volatility, and (3) building rapid acquisition processes. We have established acquisition guidelines concerning urgent warfighting needs, addressing schedule priority, source selection criteria and contract performance. Specific acquisition policies emphasize rapid deployment capability, rapid acquisition processing, controlling cost growth, and contractor performance assessments. An acquisition reengineering effort addressing (1) an open systems business model, (2) accountability and portfolio assessment, (3) human capital planning, and (4) program formulation and capability planning has been initiated. These four threads are aimed at making the acquisition process more responsive and delivering the agreed-upon warfighting capability within the agreed-upon cost and schedule.

In addition to acquisition reform, we are investing in methods to increase efficiency and maximize the return on our investments. Though still maturing, the Navy is developing the Navy Enterprise Framework which will better leverage the value streams consisting of people, dollars, and materiel needed to deliver warfighting readiness to Navy Component and Combatant Commanders. The Department is also seeking to use "best practices" of the private sector through the deployment of Lean Six-Sigma (LSS). LSS is being implemented throughout the Department to increase quality of work life, safety levels, speed of decisions and transactions, and to decrease total cost of ownership. The vision is to create a critical mass of leaders and personnel who routinely apply LSS methodologies for continuous process improvement.

The Department will continue to seek ways to transform the way we do business resulting in improved efficiency, better decision-making, and an organizational culture that is performance-based.

## **IV. Conclusion**

Investing in our present needs and fighting the Global War on Terror are on the forefront of our priorities -- but we must not forget that the world is an ever evolving environment. We must be prepared to respond to emerging threats of an uncertain future. To accomplish these goals we must continue to invest in our national defense.

Thanks to the continuous support of the Congress our naval forces are superior to all others. But developing and maintaining capable naval forces requires our Nation to

take a long-term view. It requires time, constant strategic planning, and significant commitment of resources to develop and maintain the world's premier naval force. Together, we have made tough decisions and I believe that this budget submission is adequately structured to support the needs of the United States Navy and the United States Marine Corps.

Only through the collaborative efforts of the Congress and the Department of the Navy and with the support of the American people can we provide the Nation the naval force it needs to fight the Global War on Terror and prepare for the challenges of the future.

Thank you.