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Statement of
Admiral John B. Nathman, U.S. Navy
Vice Chief of Naval Operations
before the Subcommittee on Military Readiness
of the House Armed Services Committee
March 3, 2005

INTRODUCTION

Chairman Hefley, Congressman Ortiz, and distinguished members of this subcommittee, I am privileged to appear before you today along with my Service counterparts to testify on the readiness of our military forces. The men and women of our nation's Navy are performing exceptionally well under difficult conditions and Congressional support has been fundamental to their success. The combat readiness required to win the Global War on Terror remains Navy's number one priority. We remain deployed around the world, around the clock - providing the reach, precision, persistence and awareness to fight and win our nation's wars as part of the Joint force, while also maintaining units in high readiness here, ready to surge if required.

Before I address our current budget submission, I would like to review some of the events and highlights of the past year.

FY 2004 IN REVIEW

In 2004, Navy instituted and tested improvements in the operational availability and combat readiness of its Fleet. In particular, we fully implemented the Fleet Response Plan (FRP) to consistently deliver six forward-deployed or ready-to-surge Carrier Strike Groups (CSGs) within 30 days plus two additional CSGs in 90 days or less, what we call "6+2".

The organizational discipline required to deliver the Fleet Response Plan instills a culture of readiness that enables Navy to surge 50 percent more combat power on short notice. For example, we were able to maintain the JOHN C. STENNIS Carrier Strike Group (CSG) in a "ready for war" state for 418 of the 509 days of its most recent readiness cycle that included deployed operations. Further, we successfully tested our true ability to deliver 6+2 to the nation in the multi-CSG surge exercise SUMMER PULSE '04. In that real-world test, we deployed seven CSGs across five theaters for three months and also surged USS

BATAAN, BOXER, and KEARSARGE and their embarked Marine Corps units for combat operations in Iraq.

In support of Operation IRAQI FREEDOM (OIF), Navy aircraft provided the reach, precision, persistence, and awareness in support of ground combat operations from sovereign strike groups at sea. Navy sea-based tactical aircraft flew more than 3,000 sorties and dropped more than 100,000 pounds of ordnance in close support missions, playing a vital role in the fight for Fallujah. Also in direct support, both sea-based and shore-based Navy aircraft supported our troops on the ground in Iraq, flying 5,000 hours of dedicated intelligence, surveillance, and reconnaissance missions. Hundreds of naval medical personnel have performed superbly in Iraq in support of Coalition Forces and the Iraqi citizenry and over 1,000 active and reserve Navy Seabees have provided construction support. At sea, Naval Coastal Warfare forces protect oil terminals in the Arabian Gulf to ensure Iraq's economic recovery and viability.

In the broader context of the Global War on Terror, your Navy is conducting Maritime Interdiction Operations (MIO), Non-combatant Evacuation Operations (NEO) and Humanitarian Assistance/Disaster Relief (HA/DR). MIO is one maritime element of the GWOT and its purpose is to deter, delay and disrupt the movement of terrorists and terrorist-related materials at sea, as we have done 2,200 times in the last year alone. The Navy's MIO capability will be heavily utilized as the Proliferation Security Initiative gains ground internationally. The Navy and Marine Corps team provided real-world non-combatant evacuation support in Liberia and conducted an unexpected peacekeeping mission in Haiti.

We are further increasing the Navy's overall operational availability to support FRP and the GWOT - organizationally and in terms of personnel readiness - through organizational alignment and our emerging Human Capital Strategy efforts.

Finally, your support in 2004 was instrumental in minimizing the overall budget impact of Cost of War adjustments and is greatly appreciated. \$3.2 billion was requested and appropriated in support of OIF operations with the balance of required funding diverted from baseline Navy accounts. In total, the Navy absorbed \$1.4 billion in corporate bills for Cost of War items not funded by the FY 2004 GWOT Supplemental. Specifically, \$200 million was charged to the Navy Working Capital Fund, \$515 million to Operations & Maintenance funds (including \$135 million from CNI Sustainment, Restoration and Modernization (SRM) funds), and \$687 million to our investment funds to fund force protection, equipment and personnel costs. These additional monies were required to directly support the higher OPTEMPO for flying hours, in-theater steaming days, combat support (for the Seabee construction battalions, medical corpsmen and other medical detachments, EOD, supply support, port handling, and security personnel), and transportation costs, including deploying and redeploying the Marines.

CURRENT READINESS (FY 2005)

Navy has remained committed to current readiness in order to provide the President with strategic options, should they be needed. Congress' support has been critical in this regard and, as a result, Navy units deploy combat ready. We have also established a culture of readiness to produce a total combat ready force, constituting a vital reserve, which decreases our nation's strategic risk as we continue the fight in Iraq.

Today, there are 90 ships on deployment (about a third of the Fleet, which is typical) in areas of vital U.S. interest; including four aircraft carriers and two big deck amphibious ships (LHA/LHD). There are now approximately 18,000 Sailors deployed to the Central Command area of responsibility (AOR) in support of Operations ENDURING FREEDOM (OEF) and IRAQI FREEDOM (OIF). In addition to the more than 8,000 men and women of the HARRY S. TRUMAN Carrier Strike Group (CSG) and the BONHOMME RICHARD Expeditionary Strike Group (ESG), there are about 6,500 Navy personnel on the ground throughout the theater. Among them are more than 2,500 medical personnel in direct support of ground combat missions, and more than 1,000 Seabees managing construction projects for new Iraqi schools, bridges, roads and facilities and teaching construction skills to Iraqis as part of the Iraqi Construction Apprentice Program.

Navy forces continue to provide critical support for the South Asian tsunami victims in Operation UNIFIED ASSISTANCE. Our relief efforts in the wake of this tragedy highlight the value of sea basing, both in terms of responsiveness and access. Specifically, the ABRAHAM LINCOLN CSG and the BONHOMME RICHARD ESG (including Marines from the 15th Marine Expeditionary Unit) were on scene very quickly, delivering life-saving supplies in the critical early stages of disaster recovery. Our high-speed vessel SWIFT surged with Mexican relief supplies onboard, demonstrating that platform's unique flexibility. More than 6,000,000 pounds of relief supplies and equipment were delivered and the hospital ship USNS MERCY is now on scene as a base of operations for joint U.S. military medical organizations hand in hand with recognized international non-governmental and private relief organizations. More than 400 Seabees also assisted in disaster recovery efforts by restoring airfields, clearing roads, removing debris and assessing damage. This emergency response highlights the unique contribution of U.S. Navy forces operating forward at sea, providing critical capacity, timeliness and access when called upon in an emergency or crisis.

To support this level of operational availability, we continue to improve our maintenance processes and organizations. We established a Corporate Business Council to institutionalize Sea Enterprise's business process transformation and to foster a culture of productivity and continuous improvement. Innovative programs like SHIPMAIN and the Naval Aviation Readiness Integrated Improvement

Program (NAVRIIP) have delivered improvements in cycle times, reliability, and cost. Our logistic operations continue to improve as well and, as a result, parts availability has improved from 76.6% to 86.9%, backorders have dropped 41%, average customer wait time for parts declined 22%, and the number of items awaiting parts for repair at depots fell 65%. Moreover, this trend continued as the Navy surged seven CSGs during SUMMER PULSE, indicating that these improvements will sustain a surge ready force.

People Always

Navy's organizational efforts in the Fleet Response Plan have significantly improved the operational availability of our operating forces, and we are now in the process of increasing the operational availability of our human resources as well.

We continue to focus on three fronts – recruiting the right people, retaining the right people, and achieving targeted attrition – delivered to the Fleet through the Sea Warrior program while looking ahead to a comprehensive Human Capital Strategy. We have consistently met or exceeded our retention and recruiting goals and reduced attrition by nearly 33 percent since 2000.

Congressional commitment to competitive pay, base-pay raises and elimination of average out-of-pocket expenses for housing has greatly assisted Navy in maintaining a talented workforce. We have already used existing authorities and our Perform-to-Serve program to preserve the specialties, skill sets and expertise needed to continue the proper shaping of the force. To date, more than 4,000 Sailors have been steered to undermanned ratings, and more than 42,000 have been approved for in-rate reenlistment since the program began. Our Perform-to-Serve and early release programs are part of a deliberate, controlled, and responsible strategy to become a more experienced, better trained, but smaller force.

Optimal Manning and Sea Swap offer significant potential and we will continue our experimentation in these initiatives. Having benefited from the analysis and insights of the Center for Naval Analyses and the Government Accountability Office concerning our initial 'proof of concept' experiments, the upcoming Atlantic Fleet Destroyer Sea Swap experiment will attempt to capture in detail the costs and benefits of Sea Swap in order to determine its impact on crew retention and morale, training proficiency, operational performance, operational impact, and material condition. Our goal is to plan and execute an experiment that will determine the extent of feasible implementation of Sea Swap in the Navy.

Outsourcing non-warfighting functions and civilian conversions also reduces endstrength requirements. Consequently, we are reducing our FY05 active duty endstrength by 2 percent to 365,900. Navy's continuous Zero Based Review (ZBR) will continue our efforts to align

reserve capabilities to improve the integration of our Total Force. On any given day, more than 20,000 Reservists are on active duty engaged in Fleet and joint operations throughout the world.

Navy's overarching Human Capital Strategy will leverage new technologies and competitive personnel policies that will shape our total force: streamline combat and non-combat active duty positions, improve the integration of our Reserve Forces, increase the efficient use of our civil servants while protecting employee benefits and core values, and leverage contractor support where appropriate. Sea Warrior will continue to mature and deliver the right person to the right place at the right time with the right training.

Fiscal Outlook

Your effort in providing the FY 2005 Bridge Supplemental is sincerely appreciated. It mitigated disruption of Navy accounts and \$494M has been applied to: incremental costs associated with activation of Reserve personnel and units, increased fuel consumption and spare parts, additional maintenance supporting higher usage of equipment, deployment of medical capabilities (hospital ships and deployable fleet hospitals), extended communications and intelligence support, and related transportation costs. Additionally, capital equipment destroyed or in need of replacement resulting from increased "wear and tear" from the higher operating tempos were included.

Concerning the FY05 supplemental the President recently submitted, approval of our \$5.034 billion supplemental request would provide funding for approximately 17,000 Active and Reserve personnel in the CENTCOM theater and for Joint operations, including personnel with expertise in the areas of military police/security/force protection, medical evacuation and service detachments, port handling, explosive ordnance, supply support and transportation, and construction and engineering units. This funding request pays for all military operations - such as flying hours, steaming days, combat and support unit costs, and includes aviation, ship, and ground equipment depot maintenance - necessary to reset those forces. Transportation costs to deploy, rotate and sustain our forces are also included, as well as reimbursement for South Asia tsunami humanitarian relief efforts.

ENSURING NAVY'S FUTURE READINESS - FY 2006 BUDGET SUBMISSION

Navy's priority remains winning the Global War on Terror while preparing for the future battlefield characterized by area denial strategies, anti-access systems and political access difficulties. The budget under consideration reflects a balance between keeping today's force combat ready and transforming for the future. The FY 2006 budget increases 2.5% (\$3.1 billion) over FY 2005 levels and by 2.6% (\$3.3 billion) in FY 2007 over FY 2006 levels. The appropriations are balanced among our operations and maintenance,

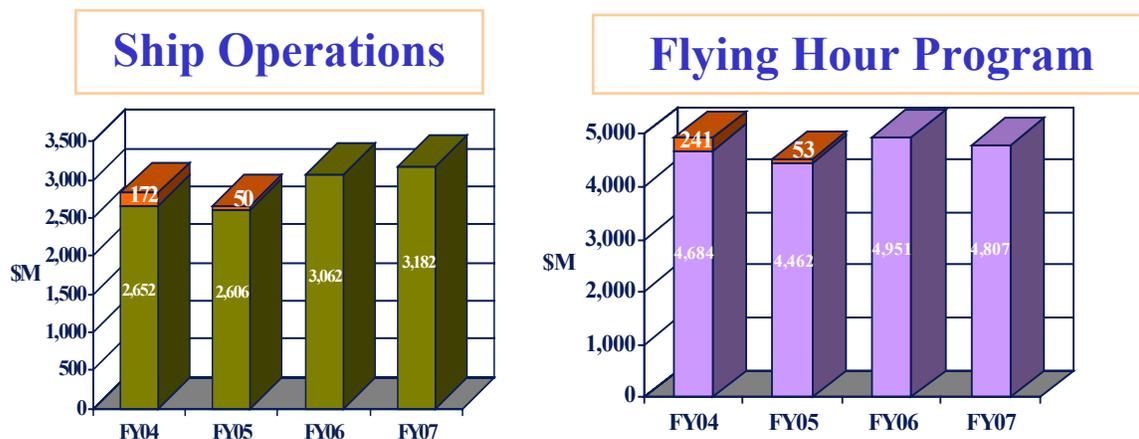
investment and military personnel accounts. Fundamentally, readiness is achieved by fielding capable platforms operated by proficient men and women, and well-supported by the Navy training and support organization. It supports appropriate readiness and personnel levels, preserves aircraft procurement, introduces new classes of ships, and continues to capture business and enterprise efficiency savings and cost avoidances.

Our Navy budget request for FY06 and the future includes:

- **Ship & Aviation Operations.** The Navy remains a rotationally deployed force in areas of vital U.S. interest. Under FRP, the Navy also maintains units here at home at a higher level of readiness in order to surge as necessary. Maintaining current readiness is critical given the great uncertainty inherent in the GWOT and other recent world developments. Consequently, Navy is continuously assessing and validating our readiness requirements to ensure these resources are efficiently spent with a clear return on investment.

Our FY06 budget request continues to efficiently fund our validated readiness requirements. Readiness investment supporting the Fleet Response Plan includes sustained funding for ship and aircraft operations, aviation depot maintenance, precision guided munitions, and improvements in ship scheduling for maintenance and training to maximize surge capability.

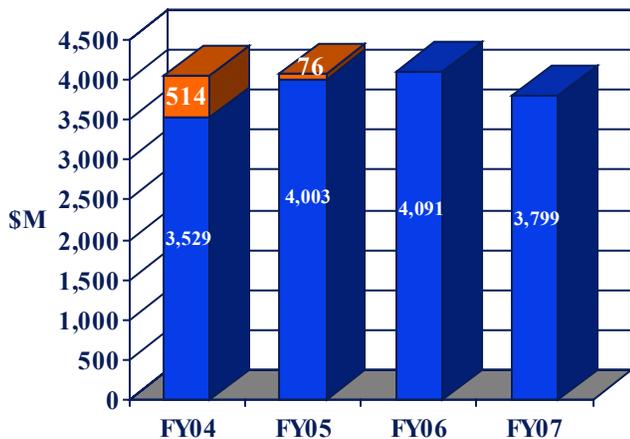
Our request for the Ship Operations Program funds a ship OPTEMPO of 51 underway days per quarter for our deployed forces and 24 underway days per quarter for our non-deployed forces. The Flying Program request supports aviation training, readiness and operational requirements at the right level. This level of support for the steaming and flying hours will enable our ships and air wings to achieve the required readiness over longer periods, and as a result, it will improve our ability to surge in crisis and sustain readiness during deployment.



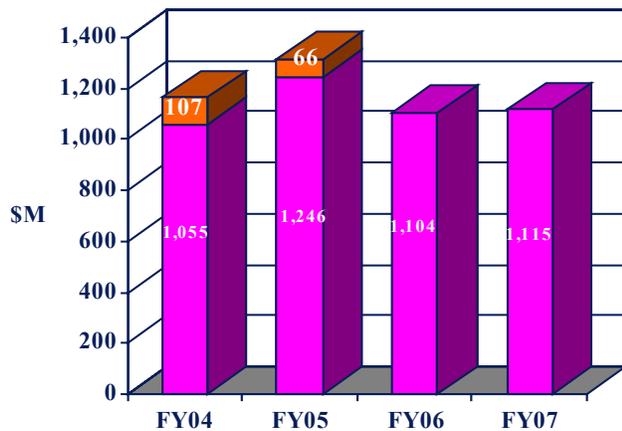
- Ship and Aviation Maintenance.** We have made significant improvements these last few years by reducing major ship depot maintenance backlogs and aircraft depot-level repair back orders; improving aircraft engine spares; adding ship depot availabilities; ramping up ordnance and spare parts production; maintaining steady "mission capable" rates in deployed aircraft; fully funding aviation initial outfitting; implementing Distance Support for ships at sea and investing in reliability improvements.

Our FY06 request continues the improved availability of non-deployed aircraft and meets our 100 percent deployed airframe goals. Our ship maintenance request continues to "buy-down" the annual deferred maintenance backlog and sustains our overall ship maintenance requirement. We are making strides in improving the visibility and cost-effectiveness of our ship depot maintenance program, reducing the number of changes in work package planning and using our continuous maintenance practices when changes must be made. Mission funding of ship maintenance activities has proven to be the most agile and least costly response in meeting Fleet Response Plan and emergent operational requirements. Financial visibility and performance accountability under mission funding is still maintained, while efficiency and effectiveness are greatly improved in a dynamic requirements environment.

Ship Depot Maintenance

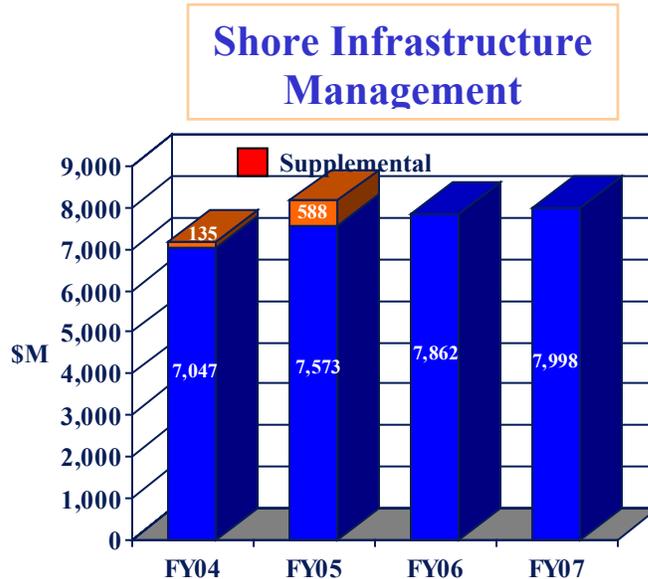


Aircraft Depot Maintenance



- Shore Installations.** Our Facilities Sustainment, Restoration and Modernization (SRM) program remains focused on improving readiness and quality of service for our Sailors. Our FY06 Military Construction and Sustainment program reflects difficult but necessary tradeoffs between shore infrastructure and fleet recapitalization. Facilities sustainment is 95 percent in FY06, the

same as in FY05. Our budget request keeps us on a course to achieve the DoN goals to eliminate inadequate family and bachelor housing by FY07 and provide Homeport Ashore Bachelor Housing by FY08. With the establishment of Commander, Navy Installations, we have improved our capability to manage dispersed facility operations, conserve valuable resources, establish enterprise-wide standards and continue to improve our facility infrastructure.



- Training Readiness.** We continue to make significant strides in this critical area. In FY04, the Congress supported two important programs to advance our training readiness. First, you endorsed the Training Resource Strategy (TRS) to provide more complex threat scenarios and to improve the overall realism and value of our training. Additionally, you funded the Tactical Training Theater Assessment and Planning Program to provide for a comprehensive training range sustainment plan. Our FY06 budget continues this work.

We are working to make the Joint National Training Capability a reality and we have established a single office to direct policy and management oversight for all Navy ranges. Oversight includes serving as the resource sponsor for all training ranges, target development and procurement, and the Navy portion of the Major Range Test Facility Base (MRTFB).

Delivering effective training to our ships and squadrons has been accomplished by judicious use and stewardship of taxpayer dollars. We have moved rapidly to take advantage of the opportunities that simulation and modeling technology affords us. Where appropriate, this results in elimination of expensive underway exercises and live training with no compromise in the training value. We have found

that the computer generated training scenarios and high speed data links have proven to be of equal or better training value in most cases. Our recent success with a series of Multi-Battle Group Inport Exercises (MBGIE), including Joint participation in the latest one, is an example of the progress we've made in this area. We have also worked diligently with our sister Services to craft agreements for joint use of the air, sea, and land space at numerous Department of Defense bases throughout the nation, including sharing operational training on ranges previously dedicated solely to test and evaluation.

- **Environmental Readiness.** The Navy is committed to responsible environmental stewardship. We protect 185 federally listed endangered and threatened species on Navy properties and will spend more than \$745 million in FY05 on environmental maintenance and remediation programs. I would like to thank this committee and Congress for the amendments to the Endangered Species Act (ESA), the Marine Mammal Protection Act (MMPA) and the Migratory Bird Treaty Act (MBTA) enacted in the 2003 and 2004 NDAA. These amendments have directly improved both our training and environmental stewardship. DoD's Readiness and Range Preservation Initiatives (RRPI) continue these efforts, while ensuring both the protection of our nation's natural resources and the readiness of our troops. Clarifying our current and future responsibilities and providing assurances that these standards will remain constant is helping us to plan and resource for stable, long-term programs that will benefit both fleet readiness and the land and life that abounds on and around our ranges.

Maritime Investments

Future readiness is dependent on the choices we make today in fielding new ships, their capabilities and the overall investment strategy that supports the future force. In our proposed FY 2006 budget, there are four (4) new construction ships requested, each a new class of ship designed after the Cold War:

- One (1) SSN 774
- One (1) Littoral Combat Ship
- One (1) T-AKE
- One (1) LPD-17

The investment plan across the future year's defense plan (FYDP) calls for 49 new construction ships, all of which are post-Cold War design, including DD(X), SSN-774, CVN-21, LHA(R), LCS, LPD-17 and MPF(F). This sweeping shift to newer platforms, outfitted with more capable systems, supports our transformational objectives to meet future warfighting requirements.

CVN-21 will start construction in FY 2008. It will have a new electrical generation and distribution system, an electromagnetic aircraft launching system, a new/enlarged flight deck, weapons and material handling improvements, and a smaller crew by at least 500.

DD(X) provides all weather, volume precision firepower at long ranges in support of forces ashore. Advance procurement funding is provided in FY2006 to support lead ship detail design and construction contract award in FY 2007.

LCS is a fast, agile, stealthy, relatively small, and affordable surface combatant capable of operating against anti-access and asymmetric threats in the littorals. Secondary missions include homeland defense, maritime intercept, and special operation forces support. The detail design and construction of the first LCS flight 0 ship commenced in FY 2005 and the second ship will start in FY2006.

The FY 2006 budget also provides for procurement of one Auxiliary Cargo and Ammunition Ship (T-AKE) in the National Defense Sealift Fund (NDSF) as well as funding for the development of the FY 2009 Maritime Prepositioned Force (Future) ship and the FY 2009 T-AOE(X) fast combat support ship.

The FY 2006 budget funds the third of five Virginia class submarines under a multi-year procurement contract awarded in January 2004. The Advanced SEAL Delivery System also made its first deployment with USS GREENEVILLE this year and we started conversion of the third of four SSBNs for conventional strike and SOF insertion. The budget also funds the continued development of improvements to lightweight and heavyweight torpedoes to increase capabilities against modern diesel submarines in the littorals.

Other maritime munitions programs in the FY2006 budgets include upgrading the Standard Missile programs to the more capable Block IIIB missiles, continues procurement of the improved Rolling Airframe Missile (RAM) Guided Missile Launching System and Block I missile upgrades which provide an enhanced guidance capability along with a helicopter, air, and surface mode.

Additionally, the FY 2006 budget provides funding to continue production of the evolved Sea Sparrow Missile (ESSM) and the Tactical Tomahawk missile continues full rate production via multi-year procurement.

The FY 2006 budget includes funding to continue support of Navy's organic mine warfare capability while maintaining funding for a potent and dedicated Mine Countermeasure force. The FY 2006 budget continues the development and integration of two key organic systems: the AQS-20A Minehunting System (IOC of 2007) and Airborne Laser Mine Detection System (ALMDS) (IOC of 2008) on the MH-60S platform. The budget also continues the development of the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the

Organic Airborne and Surface Influence Sweep (OASIS) System, with IOC planned in FY 2007 for AMNS and OASIS, FY 2008 for RAMICS. Funding is also included to establish a fully integrated mid-term organic mine warfare capability on the MH-60S helicopter. These systems will make up the mine warfare mission modules slated for use on LCS.

Multi-Year Procurements (MYP) have proven fiscally beneficial in the procurement of SSN 774 (VIRGINIA) and DDG 51 (DDGs 89-112) as well as aviation programs. MYPs provide long-term vendor relationships and assures program stability throughout a program's training/deployment/maintenance/modernization cycles, significantly reducing program costs, uncertainty and risk. The fiscal constraints that the Navy will be under in the future make MYP an attractive means for procurement of future platforms.

However, MYP are not sufficient to relieve the financial pressure caused by high procurement costs. As the CNO recently testified, the Navy is very interested in working with OSD, the Congress and industry to begin the work of determining what issues must be addressed in the way the nation develops and funds ships for the Navy. The reduced number of ships the Navy procures today, compared to 30-40 years ago, requires a fresh look at the process and funding strategy options.

Aviation Investments

Procurement of 138 new aircraft is requested for FY06, including the first four EA-18G aircraft and three Firescout unmanned aerial vehicles (UAVs). The budget continues to maximize return on procurement dollars, primarily through the use of multi-year procurement contracts for the F/A-18E/F and EA-18G, the E-2C, and the MH-60S programs. We continue research and development investments in the Joint Strike Fighter (JSF), Multi-mission Maritime Aircraft (MMA), and the Advanced Hawkeye.

We are deploying F/A-18E/F Super Hornet squadrons in support of OIF, providing 40% more combat range, 25% more weapons payload, critical mission tanking and a platform that is five times more survivable than the F/A-18C. The Shared Reconnaissance Pod (SHARP), the Advanced Targeting Forward-Looking Infrared (AT-FLIR), the Joint Helmet Mounted Cueing System and the Multi-Functional Information Distribution System (MIDS) arrived in the Fleet and significantly enhanced the F/A-18E/F's ability to conduct surveillance and generate targets for Joint Force Air Component Commander.

Munitions Investments

We continue to invest in precision guided munitions in our FY06 request with emphasis on the Joint Stand-Off Weapon (JSOW), Joint Direct Attack Munition (JDAM), Tactical Tomahawk (TACTOM), and Laser-Guided Bomb (LGB) inventory levels. Tactical Tomahawk has entered

service with in-flight target re-programming that increases our time critical strike capabilities. In view of the Joint Common Missile termination, we will consider increasing our inventories of the AGM-114 Hellfire in the interim while we address solutions appropriate to meet our future needs.

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<u>Precision Guided</u>							
TACTOM	298	379	372	467	386	389	379
JSOW	405	420	400	453	496	494	502
JDAM	6,620	3,400	3,400	1,500	1,500	1,500	1,500
LGBs	5,536	3,228	3,150	2,298	-	-	-
<u>Other Munitions</u>							
Trident II	5	-	-	-	12	24	24
AMRAAM	46	101	150	140	150	150	150
AIM-9X	135	165	213	195	181	181	181
Standard Missile	75	75	75	75	90	100	105
RAM	90	90	90	90	90	90	90
ESSM	71	116	108	108	108	21	-

Navy continues important development of the AGM-88E Advanced Anti-Radiation Guided Missile (AARGM) that adds multi-sensor and geo-locating capabilities to the AGM-88 HARM missile system. This will enable Time Critical Strike and bring to the fight new lethal capabilities against integrated air defense systems.

Information & Unmanned Systems

Our cooperation with our Joint partners includes collaboration with the Air Force in developing an Airborne Networking strategy for tactical as well as command and control aircraft. In that vein, we have begun to align the C4ISR concepts of all the Services: FORCENet (Navy and Marine Corps), C2 Constellation (Air Force) and LandWarNet (Army). We have also enhanced joint and coalition interoperability in our deploying ships by installing CENTRIX and COWAN nets.

Our investment in transformational unmanned underwater vehicles (UUV) like the Mission Reconfigurable UUV System, and unmanned aviation vehicles (UAV) such as the Firescout VT UAV. The budget also requests funding for experimental hull forms like the X-Craft, and other advanced technologies including the Joint Aerial Common Sensor (JACS).

Personnel - Implementing a Human Capital Strategy

Navy has been experiencing historically unprecedented recruiting, retention and attrition-reduction successes over the past several years. Congressional support for legislative improvements and pilot program authorities has been integral in this success. Increased special and incentive pay caps, pay table adjustments, retirement reforms, enhancements to health care and medical benefits, and support for CNO's recent Sea Warrior initiatives are continuing to have the desired impact.

In anticipation of future manpower challenges, Navy is restructuring our personnel management system to compete for talent in the 21st Century marketplace. Navy's Human Capital Strategy (HCS) will increase the speed and agility by which we assign the right people, with the right skills, to the right place, at the right time, and provide them with the professional and personal tools needed to succeed.

The purpose of Navy's HCS is to implement our warfare capabilities and operational readiness strategies. Time, money and manpower are fundamental building blocks by which to cost-efficiently generate combat power. We currently lack the agile processes, knowledge and focal-points-of-accountability needed to understand and render visible the capability/readiness trade-off decisions, as well as the risks associated with manpower decisions. A robust and strategic HCS will be key to setting us on the right course.

Historically, we have been stove-piped into various categories, e.g., active and reserves, uniformed and civilian, sea and shore and officer and enlisted. Our vision for the future is a more truly integrated workforce, wholly committed to mission accomplishment. This must include a total force approach that can functionally assess missions, manpower, technology and training to produce an enterprise-wide resource strategy. Total force refers to the collective labor force: both the active and reserve components, officer and enlisted personnel, civilian employees and contractors. Ultimately, the strategic management of human capital is the right thing to do - critical to mission success. The strategic plan will be responsive to near-term and long-term changes within Navy and Department of Defense - agile, flexible and resilient - to accommodate today's scenarios as well as those of the future. It provides a strategic roadmap to enhance workforce capability for global mission-accomplishment.

We also continue to challenge our manning strategies at every level. The Fleet is currently implementing best practices from last year's optimal manning experiments to identify the right mix of talent for pilot programs in USS NIMITZ and Carrier Air Wing ELEVEN, while the surface force continues exploration of the Sea Swap concept.

We seek your strong support for funding included in the FY06 President's budget for the following essential items:

- **Pay & Benefits.** Fair and competitive compensation is, and will remain, a significant factor in the quality and readiness of our fighting forces. A 3.1 percent basic pay raise for Sailors, 2.3 percent pay raise for federal civilian employees, and investment in housing and public-private ventures to eliminate inadequate barracks and family housing by FY07, and permit all shipboard Sailors to reside ashore when their vessels are in homeport, by FY08, are key quality of service influencers.
- **Selective Reenlistment Bonus (SRB).** SRB and other targeted bonuses are critical to Navy's ability to retain our highly trained and talented workforce in the face of stiff competition from corporate America, which clearly recognizes the value of, and aggressively pursues, the experienced, disciplined and dedicated labor pool in which we have invested.
- **Assignment Incentive Pay (AIP).** AIP enhances combat readiness by permitting market forces to efficiently distribute Sailors where they are most needed, through judicious application of assignment bonuses. An integral part of our *Sea Warrior* effort, the AIP pilot program, initiated in 2003, has distributed nearly 3,500 volunteers to traditionally hard-to-fill, or otherwise demanding, duty stations or billets, out of more than 12,000 bids processed. It has also made Sailors available for sea duty assignments by eliminating the awarding of sea duty credit, historically used to incentivize many overseas assignments.
- **Integrated Learning Environment (ILE)** revolutionizes Navy training by providing Sailors worldwide with learning plans, strength and weakness assessments, and tailored professional and personal education. Sailors will manage their career requirements, training and education records, and the system will match content to career requirements so training is delivered appropriately.
- **Force Shaping Tools.** The Navy needs more flexibility and funding to shape our force as part of a broader 21st Century Human Capital Strategy. Current statutory authorities help us recruit and retain high quality personnel but we have only limited means to stimulate voluntary separation among personnel in overmanned skill areas.

Retraining and converting personnel from overmanned skill areas to undermanned skills is our primary approach for retaining highly trained personnel while simultaneously improving the balance of the force. In many cases, however, retraining and conversion is neither feasible nor cost-effective. Therefore, we are currently evaluating statutory authorities that provide voluntary separation incentives, which would help shape our force in the short term, while maintaining

a positive tone that will not detract from recruiting and retaining talented professionals.

CONCLUSION

Chairman Hefley, Congressman Ortiz, and distinguished members of this subcommittee, on behalf of the men and women in uniform, I thank you for your commitment, service and continued support of the armed forces as we continue to execute the War on Terror and continue challenging operations in critical areas overseas.

Naval forces are at a high level of combat readiness today and the current plan extends that same high level of readiness - balanced with other budget priorities - throughout the Five Year Defense Plan. Our budget plan makes sound investments and is a firm foundation for current and future readiness.

Thank you again for this opportunity to appear today. I am happy to answer any questions you may have.

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