

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE

STATEMENT OF
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CHIEF OF NAVAL OPERATIONS
BEFORE THE
SENATE ARMED SERVICES COMMITTEE
25 FEBRUARY 2003

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Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today. The investment you've made in America's Navy has been vital to the nation's security and your Navy's ability to project more power, more protection and more freedom to the far corners of the earth. I speak for the entire Fleet in thanking you for your exceptional and continuous support.

I: Your Navy Today - Enhanced Capabilities for the Joint Force

This is a time of tremendous challenge and accomplishment for our Navy. Our men and women operating in the air, on and under the sea, and on the ground are at the leading edge of the Global War on Terrorism.

Today, there are 151 ships on deployment, fully half of the Navy; this includes six of twelve aircraft carriers, and eight of our twelve big deck amphibious ships (LHA/LHD). They are deployed in support of the nation's interests in the Persian Gulf, the Mediterranean, the Indian Ocean and the Western Pacific. Still others are preparing for deployment or continuing operations like strategic deterrent and counter-drug patrols in support of other national imperatives.

Aircraft Carrier Battle Groups



6 of 12 Carriers are forward deployed

The Navy's Military Sealift Command (MSC) is also actively engaged in supporting the war on terrorism; today, almost 75 percent of MSC's total force is carrying combat equipment for land-based forces and logistics support for Navy carrier battle group and amphibious ready groups. 19 of our 20 large, medium-speed roll-on/roll-off ships (LMSRs), all eight fast sealift ships, and half of our 72 ship Ready Reserve Fleet are actively supporting the joint force.

These forces are operating with purpose, leading the defense of the United States away from our own shores and our own homes. After all, this new century is fraught with profound dangers: rogue nations in possession of weapons of mass destruction, potential conflict between regional competitors, widely dispersed and well-funded terrorist organizations, and failed states that deliver only tyranny and despair to their people.

We frequently talk about the asymmetric challenges such enemies might present, assuming these advantages belong only to potential adversaries. Your Navy possesses asymmetric strengths all its own: its persistence, precision, independence and agility are but a few.

More importantly, our naval strengths are critical to our joint combat effectiveness. Our forward deployed, combat ready naval forces - sustained by naval and civilian shipmates around the world - are proving every day the unique and lasting value of sovereign, lethal forces projecting offensive and defensive power from the sea.

There are numerous recent examples of the enhanced capability our Navy brings to the joint force.

- In Operation ENDURING FREEDOM, Navy aircraft carrier-based tactical aircraft and long range, land-based Air Force tankers and bombers combined with Navy SEALs on the ground and Army Special Forces on horseback to deliver devastating strikes on Taliban and Al Qaeda targets in Afghanistan. Since then, our newest combat aircraft, the F/A-18 E/F Super Hornet, has been flying combat sorties from the USS ABRAHAM LINCOLN in Operation SOUTHERN WATCH, demonstrating its increased range and payload capability. In combination with Tomahawk missiles from widely dispersed ships and submarines, this joint power projection force gives the nation the ability to reach across the globe with precise, persistent striking power.

- The PELELIU and BATAAN Amphibious Ready Groups, operating in the Arabian Sea, launched and sustained Marines from the 15th and 26th Marine Expeditionary Units more than 450 miles inland at "Camp RHINO," to support the initial forward operating base in Afghanistan. This was the longest-range expeditionary airfield seizure operation ever launched from amphibious ships at sea. During the same timeframe, the carrier KITTY HAWK also provided an agile, sovereign Afloat Forward Staging Base (AFSB) for joint Special Operations Forces and their lift, attack and command and control assets. Permanently installed command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) suites and information technologies on all these ships enhanced the entire joint team's knowledge superiority picture and connected these joint forces with other forces and commands in the theater and around the world; all from the security our ships enjoy in the maritime domain.

- The AEGIS cruiser USS LAKE ERIE (CG 70) completed three medium range ballistic missile defense tests last year, successfully acquiring, tracking and hitting target ballistic missiles in the mid-course or ascent phases with a Standard Missile 3 (SM-3) in all three tests. LAKE ERIE and the AEGIS destroyer USS JOHN PAUL JONES also supported three successive Missile Defense Agency intercontinental class ballistic missile tests; the AEGIS system performed exactly as predicted in each of these tests, acquiring the targets immediately and passing high fidelity digital track data to national nodes ashore. These cruisers' and destroyers' organic AEGIS Weapons System and their SPY-1 multi-function, phased array radars, demonstrate the capability and capacity to conduct a sea based missile defense against those ballistic missiles that can target our homeland, allies, forward operating bases, and joint forces ashore. They could also provide important surveillance and cueing of intercontinental class weapons directed at our homeland.

- The Navy's Military Sealift Command, is actively providing combat logistics support to US Navy ships; is prepositioning joint military supplies and equipment at sea; and is providing sealift and ocean transportation of defense cargo. MSC's high quality shipping, augmented by charters, continues its sealift of the Army's 3rd and 4th Infantry Divisions, the 82nd and 101st Airborne Divisions, and V Corps. Fifteen of our deployed Maritime Prepositioning Ships (MPS) provide the majority of combat supplies and equipment for our Marine force, and eleven of these have already offloaded equipment in support of contingency operations. MSC is also delivering fuel and

aviation support equipment and supplies to deployed Air Forces. In short, 95% of all equipment and supplies needed by U.S. forces in time of crisis moves by sea on MSC controlled ships.

- The USS FLORIDA (SSBN 728), an Ohio-class fleet ballistic missile submarine, successfully launched two Tomahawk missiles, confirming the ability to launch a Tomahawk from a configuration similar to the tightly packed cluster of Tomahawk All-Up-Rounds (AUR) we will use in the SSGN. This experiment was conducted in support of the SSGN program's Sea Trial experiment, Giant Shadow, which also explored how a network of forces, including special warfare forces, and various unmanned aerial, underwater and ground vehicles and sensors could be used to provide surveillance, collect real-time intelligence, and develop and launch a time critical strike in support of the joint force commander. This included the first vertical launch of a UUV, testing of nuclear-biological-chemical sensors, and the insertion of SEALs from one of the submarines we will convert to an SSGN.

These examples represent the return on investment the American people have made in our Navy: an agile, connected fleet that enhances deterrence, sustains our access, conducts precision strikes, exercises joint command and control, enhances knowledge superiority, responds to crisis, projects, sustains and operates with the joint force ashore, and leverages the priceless advantage of our command of the seas. It is why we are a critical component of the nation's joint defenses in peace, in crisis, and in conflict.

None of the foregoing would be possible without the energy, expertise, and enthusiasm of our active and reserve Sailors, and our Marine and civilian shipmates in the Department of the Navy. After all, it is people that put capability to practice, and it is their dedicated service that makes these capabilities ready - around the world and around the clock.

II: A Culture of Readiness - A Commitment to Transformation

This century's dangerous and uncertain strategic environment places a premium on credible combat forces that possess speed of response, immediate employability, and the flexible force packaging that brings the right capability to bear at the right time. It demands forces that can pair this capability with readiness, both today and in the future.

Readiness is the Navy's watchword. Readiness is the catalyst that brings combat power, speed of response, and the ability to disrupt an enemy's intentions in both crisis and conflict. Readiness brings capability to bear wherever and whenever it is needed. We are making readiness a key element of our Navy's culture.

The forces we've placed forward today - the six carrier battle groups - the three Amphibious Ready Groups, the Amphibious Task Forces comprised of fourteen additional amphibious ships, and the eleven offloaded Maritime Preposition Ships all supporting a Marine Expeditionary Force of 50,000 Marines - our multi-mission surface ships and submarines - the dozens of Military Sealift Command ships transporting the rest of the joint force - are the most ready force in our history; properly manned, superbly trained and well provisioned with ordnance, repair parts and supplies so they can provide both rotational deployment and surge capability. Our operational forces are ready earlier and are deploying at a higher state of readiness than ever before.

A greater percentage of our ships are underway today than at any time in the last dozen years. Our ability to do so is the direct result of two things: the investment of the American people and the extraordinary commitment and accomplishment of our men and women in the Navy this past year. We made a concerted effort in last year's budget request to improve our current readiness and reduce our immediate operational risk and I am proud to report to you today that this force is ready to fight and win!

At the same time, it is apparent that the 21st century sets the stage for tremendous increases in precision, reach, and connectivity, ushering in a new era of joint operational effectiveness. We clearly will be able to integrate sea, land, air, and space through enhanced network technology to a greater extent than ever before. And in this new, unified battlespace, the sea will provide the vast maneuver area from which to project direct and decisive power.

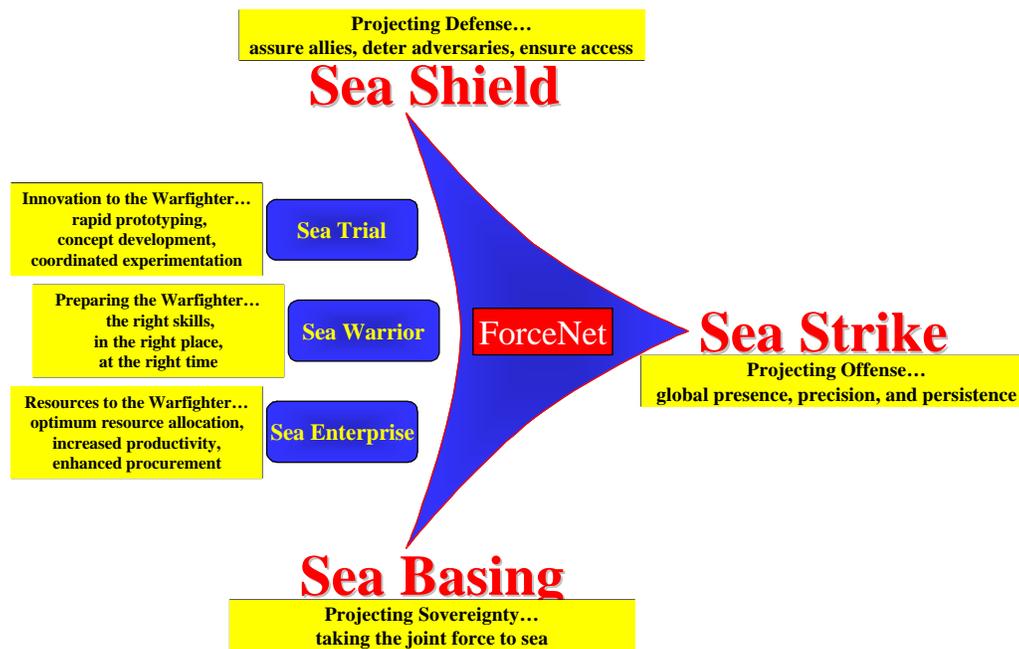
To navigate the challenges ahead and realize the opportunities, we developed this past year a clear, concise vision - **Sea Power 21** - for projecting decisive joint capabilities from the sea. It is a vision that stresses our asymmetric strengths of information dominance, advanced technology, and highly skilled and motivated professionals.

Sea Power 21 advances American naval power to a broadened strategy in which naval forces are fully integrated into global joint operations across this unified battlespace and against both regional and transnational aggressors. It provides the transformational framework for how we will organize, align, integrate, and transform our Navy to meet the challenges that lie ahead.

It also includes the transformed organizational processes that will accelerate operational concepts and technologies to the fleet; shape and educate the workforce needed to operate tomorrow's fleet; and harvest the efficiencies needed to invest in the Navy of the future.

The capabilities needed to fulfill this broadened strategy are grouped into three core operational concepts: **Sea Strike**, **Sea Shield**, and **Sea Basing**, which are enabled by **FORCENet**. The triad of transformed organizational processes that supports these concepts is: **Sea Warrior**, **Sea Trial**, and **Sea Enterprise**.

SEA POWER 21



Together, these concepts will provide increased power, protection, and freedom for America.

- **Sea Strike** is the projection of precise and persistent offensive power. Sea Strike operations are how the 21st century Navy will exert direct, decisive and sustained influence in

joint campaigns. Sea Strike capabilities will provide the Joint Force Commander with a potent mix of weapons, ranging from long-range precision strike, to clandestine land-attack in anti-access environments, to the swift insertion of ground forces.

- **Sea Shield** is the projection of layered, global defensive assurance. It is about extending our defenses beyond naval forces, to the joint force and allies and providing a defensive umbrella deep inland. Sea Shield takes us beyond unit, fleet and task force defense to provide the nation with sea-based theater and strategic defense.

- **Sea Basing** is the projection of operational independence. Sea Basing will use the fleet's extended reach of modern, networked weapons and sensors to maximize the vast maneuver space of the world's oceans. It is about extending traditional naval advantages to the joint force with more security, connectivity, and mobility from netted forces at sea.

- **FORCEnet** is the enabler of our knowledge supremacy and hence, Sea Strike, Sea Shield, and Sea Basing. It is the total systems approach and architectural framework that will integrate warriors, sensors, networks, command and control, weapons, and platforms into a networked, distributed force and provide greater situational awareness, accelerated speed of decision, and greatly distributed combat power.

Our transformed organizational processes are:

- **Sea Warrior** is our commitment to the growth and development of our Sailors. It serves as the foundation of warfighting effectiveness by ensuring the right skills are in the right place at the right time.

- **Sea Trial** is a continual process of rapid concept and technology development that will deliver enhanced capabilities to our Sailors as swiftly as possible. The Commander, U.S. Fleet Forces Command is leading this effort and developing new concepts and technologies, such as the Joint Fires Network and High Speed Vessels.

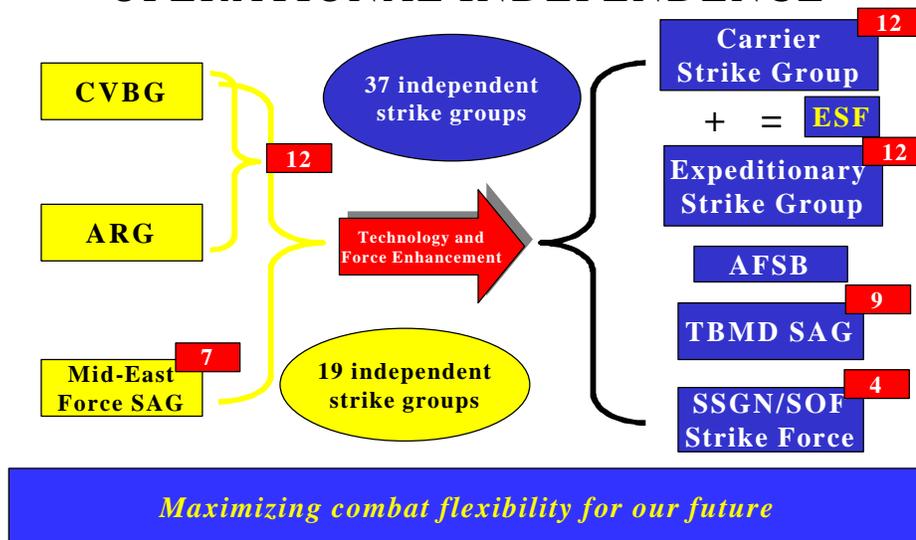
- **Sea Enterprise** is our process to improve organizational alignment, refine requirements, and reinvest the savings to buy the platforms and systems needed to transform our Navy. It is the means by which we will capture efficiencies and prioritize investments.

Sea Power 21 is dedicated to a process of continual innovation and is committed to total jointness. It extends American naval superiority from the high seas, throughout the littorals, and beyond the sea. It both enhances and leverages persistent intelligence, surveillance and reconnaissance capabilities and precision weaponry to amplify the nation's striking power, elevate our capability to project both defense and offense, and open the door to the afloat positioning of additional joint capabilities, assets and forces.

Sea Power 21 will extend the advantages of naval forces - speed of response, agility, immediate employability, and security - to the unified, joint warfighting team. It will increase our deterrence, crisis control and warfighting power. It will ensure our naval forces are fully integrated into global joint operations to bring more power, more protection, and more freedom to America.

We will put our Sea Power 21 vision into practice through a new **Global Concept of Operations** (CONOPs) to distribute our combat striking power to a dispersed, networked fleet. This will optimize our flexible force structure and create additional, scalable, independent operating groups capable of responding simultaneously around the world. This distribution of assets will take us from 19 strike capable groups to 37 strike capable groups with the full implementation of the Global CONOPs.

OPERATIONAL INDEPENDENCE



- *Carrier Strike Groups* will remain the core of our Navy's warfighting strength. No other force package matches their

sustained power projection ability, extended situational awareness, and survivability.

- *Expeditionary Strike Groups* will augment our traditional Amphibious Ready Group/Marine Expeditionary Unit team with strike-capable surface combatants and submarines to prosecute Sea Strike missions in lesser-threat environments. When combined with a Carrier Strike Group, the resulting Expeditionary Strike Force will possess the full range of our netted, offensive and defensive power. We will deploy at least one pilot ESG this year.

- *Missile-Defense Surface Action Groups* will increase international stability by providing security to allies and joint forces ashore from short and medium range ballistic missile threats.

- Our future *SSGN* forces - specially modified Trident submarines - will provide large volume clandestine strike with cruise missiles and the capability to support and insert Special Operations Forces.

- An enhanced-capability Combat Logistics Force and Maritime Prepositioned Force will sustain a more widely dispersed and capable Navy/Marine Corps team.

It is our intention to continue to nurture this culture of readiness and invest in this vision in the years ahead.

III. Our FY04 Budget Request

This past year the Navy improved its current readiness by properly funding our current readiness accounts, deepening the growth and development of our people, and developing innovative operational concepts and capabilities.

This year, we intend to:

- ***Sustain our current readiness gains*** to support the war on terror;
- ***Deepen the growth and development of our people*** into the 21st Century, high-technology personnel force that is our future; and
- ***Invest in our bold new Navy vision -- Sea Power 21 -- to recapitalize and transform our force*** and improve its

ability to operate as an agile, lethal and effective member of our joint, networked warfighting team.

At the same time, we will continue to **actively harvest the efficiencies needed to fund and support these priorities** in both FY04 and beyond. Our Navy budget request for FY04 supports this intent and includes:

- 7 new construction ships, two more SSBN-to-SSGN conversions, one cruiser conversion and 100 new aircraft;
- Investment in accelerated transformational capabilities, including the next-generation aircraft carrier (CVN-21), the transformational destroyer (DD(X)) and Littoral Combat Ship (LCS), the Joint Strike Fighter, the Advanced Hawkeye (E-2C RMP) Upgrade Program and the EA-18G Electronic Attack aircraft;
- An 4.1% average pay increase in targeted and basic pay raises, and a reduction in average out-of-pocket housing costs from 7.5% to 3.5%;
- Investment in housing and Public Private Venture that will help eliminate inadequate family housing by FY07 and enable us to house shipboard Sailors ashore when their vessel is in homeport by FY08;
- Continued investment in key operational readiness accounts that includes an increase in aviation depot maintenance funding, improvement in our annual deferred maintenance backlog for our ships, submarines and aircraft carriers, and sustained funding for our ordnance, ship operations and flying hours accounts;
- Navy - Marine Corps Tactical Aviation Integration, a process that will maximize our forward-deployed combat power, optimize the core capability of naval aviation forces, introduce 200 modern aircraft across the FY04 - FY09 program and save billions of dollars;
- Divestiture of aging, legacy ships, systems and aircraft, producing nearly \$1.9B in FY04 for reinvestment in recapitalization;
- Improvements in the quality of our operational training through a Training Resource Strategy; and

- Investment in transformational unmanned underwater vehicles (UUV), unmanned aviation vehicles (UAV), experimental hull forms and other technologies.

A. Sustaining our Current Readiness

Your investment last year produced the most ready force in our history! Training, maintenance, spare parts, ordnance, and fuel accounts enabled our Fleet to be ready earlier, deploy at a higher state of readiness, and as we are witnessing today, build a more responsive surge capability. These investments were vital to sustaining the war on terrorism, assuring friends and allies and leading the nation's global response to crisis.

- **Ship Operations and Flying Hours** requests funds for ship operations OPTEMPO of 54.0 days per quarter for our deployed forces and 28 days per quarter for our non-deployed forces. The flying hours request receives an additional \$137M this year to sustain the investment level we established in support of last year's budget. This level of steaming and flying hours will enable our ships and airwings to achieve required readiness six months prior to deployment, sustain readiness during deployment and increase our ability to surge in crisis. However, sustained OPTEMPO at levels above this force-wide target, as is beginning to occur during FY03's time of accelerated and extended deployments, will cause our current year execution to run both ahead and in excess of the existing plan.

- **Ship and Aviation Maintenance.** Last year, we reduced our major ship depot maintenance backlog by 27% and aircraft depot level repair back orders by 17%; provided 32 additional ships with depot availabilities; ramped up ordnance and spare parts production; maintained a steady "mission capable" rate in deployed aircraft; and fully funded aviation initial outfitting. Our request for FY04 aviation maintenance funding adds over \$210M to FY03's investment and will increase the number of engine spares, improve the availability of non-deployed aircraft, and meet our 100% deployed airframe goals.

Our ship maintenance request continues to 'buy-down' the annual deferred maintenance backlog and sustains our overall ship maintenance requirement. The aggregate level of funding for ship maintenance actually declines from FY03 to FY04, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, in part to the accelerated retirement of the oldest and

most maintenance-intensive surface ships, and as a result of scheduling and timing.

- **Shore Installations.** The FY04 request provides 93% of the modeled sustainment cost for facilities, an increase from FY03's 84%. Although the overall investment in facility recapitalization has reduced from last year, slowing the replacement rate of facilities, our increased investment in sustainment will better maintain existing facilities as we continue to pursue innovations to improve our base infrastructure. Our Base Operations Support funding request is based on sustaining the current level of common installation and important community and personnel support functions; we have factored in management and business efficiencies to reduce the cost of providing these services. We continue to support a Base Realignment and Closure effort in FY2005 to focus our future investment and improve our recapitalization rate in the years ahead.

- **Precision Guided Munitions** receive continued investment in our FY04 request with emphasis on increasing inventory levels for the Joint Stand-Off Weapon (JSOW), optimizing the Navy's Joint Direct Attack Munition (JDAM) production rate and commencing full rate production under multi-year procurement for the Tactical Tomahawk (TACTOM). Our partnership with the Air Force in several of our munitions programs will continue to help us optimize both our inventories and our research and development investment.

- **Training readiness.** The Training Resource Strategy (TRS) has been developed to provide for more complex threat scenarios, improve the training of our deploying ships, aircraft, Sailors and Marines, and support the range and training technology improvements necessary to ensure the long-term combat readiness of deploying naval forces. The TRS has identified the training facilities necessary to provide this superior level of training as well. Their dispersed character is more like the battlefield environment our forces will face today and tomorrow and will better challenge our deploying forces - before they are challenged in combat. Our FY04 request includes \$61M to support the Training Resource Strategy.

At the same time, encroachment and environmental issues continue to impact our ability to maintain an acceptable level of access to our valuable testing and training ranges and operating areas. As a result, we are looking for a balanced approach that would protect our environmental obligations and our ability to both train in realistic scenarios and develop

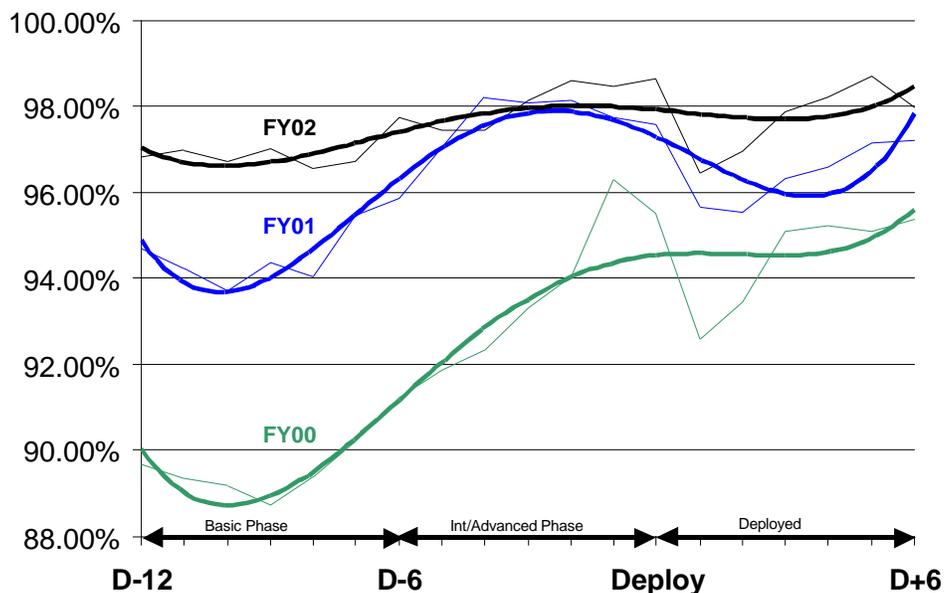
transformational systems for our future. Our approach would be limited to only the most critical issues, such as the designation of critical habitat on military lands designated for military training, and the scientific measurements that achieve an appropriate balance between our environmental concerns and our obligation to ensure our Sailors are properly trained and our transformational systems are properly tested. We will focus the use of our ranges for these purposes while continuing to be an excellent steward of these environmental resources. We look forward to working with the Congress and the American people on this important and urgent issue impacting our Sailors and Marines.

B. Deepening the Growth and Development of our People

We are winning the battle for people. Thanks to superb leadership in the fleet and the full support of the American people and Congress, we are making solid progress in addressing long-standing manpower and quality of service issues vital to having what it takes to win the competition for talent today and tomorrow.

We are enjoying now, the best manning I have witnessed in my career. With few exceptions, we achieved C-2 manning status for all deploying battle group units at least six months prior to deployment. These accomplishments enabled our Navy to develop a more responsive force - one that surged forward with the right people, at the right time to fulfill our national security requirements.

Normalized Battle Group Manning

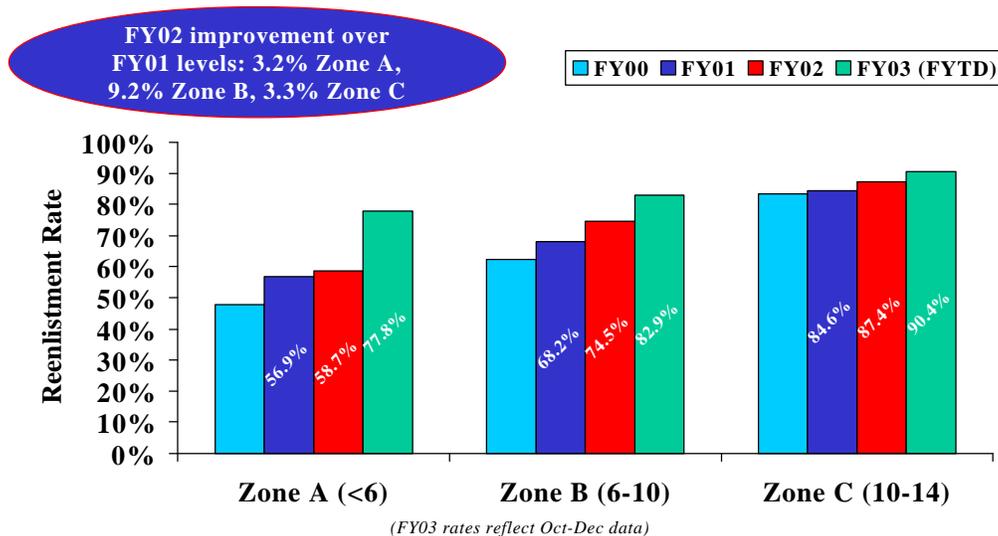


Retention is at record levels and recruiting has never been better. We achieved a 58.7% Zone A (<6 Years of service (YOS)) reenlistment rate, 74.5% Zone B reenlistment rate (6-10 YOS), and a Zone C (10-14 YOS) reenlistment rate of 87.4% in 2002. While we are also off to a great start in FY03, we are instituting measures to ensure our annualized reenlistment rate meets our established goals (Zone A - 56%, B - 73%, C - 86%).

Additionally, attrition for first term Sailors was reduced by 23% from FY01 levels. 92% of our recruits are high school graduates and 6% of them have some college education.

Navy Enlisted Reenlistment

...the percentage of Sailors at a career decision point who choose to stay Navy



These tremendous accomplishments allowed us to reduce at-sea manning shortfalls last year and reduce our recruiting goals. We were also able to increase the overall number of E-4 to E-9s in the Navy by 1.3% to 71.5% working toward a goal of 75.5% by FY07. This healthy trend allows us to retain more of our experienced leaders to manage and operate the increasingly technical 21st century Navy.

Targeted pay raises, reenlistment bonuses, improved allowances, enhanced educational benefits, retirement reforms, support for improved family services, and better medical benefits are making a difference and can be directly attributed to Congressional support and the outstanding work of our Navy leaders in our ships, squadrons, bases and stations.

Our FY04 request capitalizes on last year's accomplishments and provides the opportunity to align our manpower and skills mix to balance our end strength and shape our 21st century workforce. As part of Sea Power 21's transformed organizational process improvements we will begin our **Sea Warrior** process.

Our goal is to create a Navy in which all Sailors are optimally assessed, trained, and assigned so that they can contribute their fullest to mission accomplishment. It is important that we sustain our manpower progress by furthering our supporting initiatives, to include:

- *Perform to Serve* will align our Navy personnel inventory and skill sets through a centrally managed reenlistment program. This initiative makes Commander, Navy Personnel Command the final authority for first term reenlistments and extensions and will steer Sailors in over manned ratings into skill areas where they are most needed. It provides the training necessary to ensure these sailors will succeed in their new rating. Most importantly, it will help us manage our skills profile.

- *Navy Knowledge Online* introduces our integrated web-based lifelong learning initiative for personnel development and learning management. It connects Sailors to the right information in a collaborative learning environment; tracks their individual skills and training requirements; and provides lifelong support between our rating, leadership and personal development Learning Centers and our Sailors.

- *Task Force EXCEL* (Excellence through our Commitment to Education and Learning) is transforming the way we train and educate our people. A more responsive organizational structure has been established to include the Navy Chief Learning Officer, Naval Personnel Development Command, and Human Performance Center. We also partnered with Fleet, industry, and academia to improve individual training and education; and with colleges, through the Commissioned Navy College Program, to provide rating-related Associate and Bachelor degrees.

- *Project SAIL* (Sailor Advocacy through Interactive Leadership), will web-base and revolutionize the personnel assignment process by putting more choice in the process for both gaining commands and Sailors. It will empower our people to make more informed career decisions and for the first time, create a more competitive, market-oriented process.

Our Sea Swap initiative is underway now, with the first crew-change on USS FLETCHER taking place in the Western Australia port of Fremantle last month. We will continue this pilot with another crew change this summer and we intend to continue to examine pilot programs in optimal manning, rotational crewing, assignment incentive pay, rating identification tools, and rate training.

Your support of our FY04 request for a targeted pay raise that recognizes and reaffirms the value of our career force and acts as an incentive to junior personnel to stay Navy is critical to staying the course. So, too, is continuing the reduction of average out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. All these efforts enable our Navy to sustain our forces in the war on terrorism, continue the increase in our Top 6 (E4 to E9), and develop the 21st Century, high-technology personnel force that is our future.

C. Investing in Sea Power 21

Our 21st Century Navy will be a joint, netted, dispersed power projection force and Sea Power 21 is the framework for how our Navy will organize, integrate, and transform. It prescribes a strategy-to-concepts-to-capabilities continuum by which current and future Naval Forces will exploit the opportunity that information dominance and rapid, highly accurate power projection and defensive protection capabilities bring to us.

Together, these concepts will compress our speed of response and provide the nation with immediately employable, secure and sovereign forward "capability sets" from which to project firepower, forces, command and control, and logistics ashore.

The following describes the core capabilities, and our initial investments in our highest priority programs that support this vision.

Sea Strike is the projection of precise and persistent offensive power. The core capabilities include Time Sensitive Strike; Intelligence, Surveillance and Reconnaissance; Ship to Objective Maneuver; and Electronic Warfare and Information Operations. We are already investing in impressive programs that will provide the capabilities necessary to support Sea Strike; these include the following FY04 priorities:

SEA STRIKE

REPRESENTATIVE PROGRAMS			
<ul style="list-style-type: none"> • Unmanned Combat Air Vehicle • Joint Strike Fighter • Tactical Tomahawk 	<ul style="list-style-type: none"> • MV-22 Osprey • Enhanced Range Guided Munition • Expeditionary Strike Group 	<ul style="list-style-type: none"> • Navy Global Hawk 	<ul style="list-style-type: none"> • EA-18G Aircraft • Naval Network Warfare Command
<ul style="list-style-type: none"> • Super Hornet • Joint Direct Attack Munition • Laser Guided Bomb 	<ul style="list-style-type: none"> • Advanced SEAL Delivery System • Air Cushion Landing Craft 		<ul style="list-style-type: none"> • Improved Capability (ICAP-III)
Time Sensitive Strike	Ship to Objective Maneuver	Intelligence Surveillance & Reconnaissance	Electronic & Information Warfare



- F/A-18E/F Super Hornet. The F/A-18E/F is in full rate production and when combined with this year's request for the EA-18G, will be the backbone of Navy sea-based precision and time-critical strike, electronic attack and airborne tactical reconnaissance. It is in the fifth of a five-year multi-year procurement (MYP) contract (FY00-04) that will yield \$700M in total savings.

The second multi-year contract for 210 aircraft will yield approximately \$1B in savings as compared to the single-year price. The Super Hornet employs new knowledge dominance technologies, such as the Joint Helmet Mounted Cueing System, Advanced Tactical Forward Looking Infrared System, Shared Reconnaissance System, and Multi-Informational Display System data link. It provides 40% increase in combat radius, a 50% increase in endurance, 25% greater weapons payload, 3 times the ordnance bring back, and is more survivable than our older Hornets; most importantly, it has the growth capacity to remain a mainstay of our tactical aviation for years to come. Three of these squadrons are already deployed today at one-third the operational cost of our legacy F-14 aircraft. FY04 budgets for 42 E/F aircraft; this program maximizes the return on our procurement dollars through a multi-year procurement contract and a minimum economic order quantity buy.

- EA-18G. The EA-18G will replace the aging EA-6B Prowler for joint force electronic attack. Using the demonstrated growth capacity of the F/A-18E/F, the EA-18G Growler will quickly recapitalize our Electronic Attack capability at lower procurement cost, with significant savings in operating and support costs and three years earlier than previously planned; all while providing the growth potential for future electronic warfare (EW) system improvements. It will use the Improved Capability Three (ICAP III) receiver suite and provide selective

reactive jamming capability to the war fighter. This will both improve the lethality of the air wing and enhance the commonality of aircraft on the carrier deck. It will dramatically accelerate the replacement of our aging Airborne Electronic Attack capability. Engineering and developmental efforts commence with our FY04 budget request.

- JSF. The Joint Strike Fighter will enhance our Navy precision with unprecedented stealth and range as part of the family of tri-service, next-generation strike aircraft. It will maximize commonality and technological superiority while minimizing life cycle cost. The FY04 budget requests \$2.2B in accelerated development funds; initial production is planned for FY06.

- MV-22. The Joint Service MV-22 Osprey tilt-rotor, Vertical/Short Take-Off or Landing (V/STOL) aircraft represents a revolutionary change in aircraft capability. It will project Marines and equipment ashore from our amphibious shipping, operationalizing Ship to Objective Maneuver from the Sea Base and improving our expeditionary mobility and force entry needs for the 21st century. The MV-22 program has been restructured, redesigned, rebuilt and is undergoing testing to deliver an operationally deployable aircraft on the restructured schedule. The MV-22 will replace the Vietnam-era CH-46E and CH-53D helicopters, delivering improved readiness, upgraded capability, and significantly enhanced survivability. It is overwhelmingly superior to our legacy CH-46E providing twice the speed, five times the range, and three times the payload capacity.

- Unmanned Air Vehicles (UAV). We increased our commitment to a focused array of unmanned air vehicles that will support and enhance both Sea Shield and Sea Strike missions with persistent, distributed, netted sensors. We are initiating the Broad Area Maritime Surveillance (BAMS) UAV this year to develop a persistent, multi-mission platform capable of both Sea Shield and Sea Strike surveillance and reconnaissance of maritime and land targets, communications relay and some intelligence collection. We have provided funding for testing, experimentation and/or demonstration of the Fire Scout Demonstration Systems, Global Hawk Maritime demonstration and the Unmanned Combat Aerial Vehicle - Navy (UCAV-N) demonstration vehicle as well.

Sea Shield is the projection of layered, global defensive power. It will soon enhance deterrence and warfighting power by way of real-time integration with joint and coalition forces, high

speed littoral attack platforms setting and exploiting widely distributed sensors, and the direct projection of defensive powers in the littoral and deep inland. It will enhance homeland defense, assure, and eventually sustain our access in the littorals and across the globe. Sea Shield capabilities include, Homeland Defense, Sea and Littoral Control, and Theater Air and Missile Defense.

SEA SHIELD

REPRESENTATIVE PROGRAMS		
<ul style="list-style-type: none"> •Ballistic Missile Defense •Coast Guard Deepwater Project 	<ul style="list-style-type: none"> •Organic Mine Warfare Systems •Advanced Deployable Sonar System •UUV •Multi-Mission Aircraft 	<ul style="list-style-type: none"> •Extended Range Active Missile •Volume Search Radar •Cruiser Conversion
<ul style="list-style-type: none"> •Nuclear/Biological/Chemical Response Capability •Anti-Terrorism/Force Protection •National Maritime Intelligence Center 	<ul style="list-style-type: none"> •MH-60R/S Sea Hawk Helicopters •Close In Weapon System 1B •Lightweight Torpedo •P-3C Aircraft Improvement Program 	<ul style="list-style-type: none"> •Area Air Defense Commander Modification •Cooperative Engagement Capability •Standard Missile-III •Rolling Airframe Missile
Homeland Defense	Sea / Littoral Control	Theater Air & Missile Defense



Our highest priority Sea Shield programs this year include:

- Missile Defense. Our 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 and we are working closely with the Missile Defense Agency (MDA) to that end. As partners, USS LAKE ERIE will be transferred to MDA to facilitate a more robust testing program for missile defense. In turn, MDA is requesting funds to upgrade three AEGIS guided missile destroyers (DDG) for ICBM surveillance and tracking duties and procurement of up to 20 Standard Missile interceptors to help us provide a limited at sea capability to intercept short and medium range ballistic missiles in the boost and ascent phases of flight. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes and developing a vital capability for our Nation.

- CG Conversion. The first Cruiser Conversion begins in FY04. The Cruiser Conversion Program is a mid-life upgrade for our existing AEGIS cruisers that will ensure modern, relevant combat capability well into this century and against evolving threats. These warships will provide enhanced land attack and area air defense to the joint force commander. Core to these conversions is installation of the Cooperative Engagement Capability, which enhances and leverages the air defense capability of these ships, and the 5"/62 Gun System with Extended Range Guided Munitions to be used in support of the Marine Corps Ship-to-Objective-Maneuver doctrine. These converted cruisers could also be available for integration into ballistic missile defense missions when that capability matures.

- Unmanned Underwater Vehicles (UUV). We will continue development of UUVs for minefield reconnaissance in the littoral and other surveillance missions; including funding that will result in initial operating capability for the Long-term Mine Reconnaissance System (LMRS) in FY05.

Sea Basing is the projection of operational independence. Our future investments will exploit the largest maneuver areas on the face of the earth: the sea. Sea Basing serves as the foundation from which offensive and defensive fires are projected - making Sea Strike and Sea Shield a reality. Sea Basing capabilities include, Joint Command and Control, Afloat Power Projection and Integrated Joint Logistics. Our intent is

to minimize as much as possible, our reliance on shore-based support nodes.

Our highest priority investments include:

Sea Basing

REPRESENTATIVE PROGRAMS		
<ul style="list-style-type: none"> •Deployable Joint Command and Control System •Coalition Wide Area Network 	<ul style="list-style-type: none"> •CVN(21) Aircraft Carrier •CG(X) Cruiser •DD(X) Destroyer •Littoral Combat Ship •LHA(R) Assault Ship •SSGN Strike Submarine 	<ul style="list-style-type: none"> •Maritime Pre-positioned Force (Future) •Heavy Load Air Cushioned Landing Craft •High Speed Vessels
<ul style="list-style-type: none"> •Mobile User Objective System •Global Command & Control System-Maritime 	<ul style="list-style-type: none"> •CVN-77 Aircraft Carrier •LHD-8 Assault Ship •LPD-17 Amphibious Warfare Ship •SSN-774 Submarine •DDG-51 Destroyer 	<ul style="list-style-type: none"> •T-AOE(X) Supply Ship •T-AKE Dry Cargo Ship
Command and Control	Afloat Power Projection	Logistics

Sea Basing

- Littoral Combat Ship (LCS). Our most transformational effort and number one budget priority, the Littoral Combat Ship will be the first Navy ship to separate capability from hull form and provide a robust, affordable, focused-mission ship to enhance our ability to establish sea superiority not just for our *Carrier Strike Groups* and *Expeditionary Strike Groups*, but for future joint logistics, command and control and pre-positioned ships moving to support forces ashore. They will be dispersed and netted, both leveraging and enhancing the knowledge superiority and defense of the theater joint force. We will separate capability from hull form by developing 'tailorable' mission modules that we can use to "forward fit and fight" these small, minimally manned, persistent, high-speed vessels across the globe. They will counter anti-access threats, namely small, fast surface craft carrying anti-ship missiles, torpedo-armed ultra-quiet diesel submarines, and large numbers of inexpensive mines. They will be the backbone of our carrier and expeditionary strike group organic mine warfare capability. By employing networked sensors, modular mission payloads, a variety of manned and unmanned vehicles, and an innovative hull design, they will have the inherent capacity for further transformation by developing future modules for other missions. We will capitalize on DOD initiatives, spiral development, and new acquisition methods to streamline the acquisition process, and begin construction of the first LCS by 2005. The FY04 budget accelerates development and construction of 9 LCS in the FYDP, key to ramping surface force structure to Global CONOPs levels outside the FYDP.

- DD(X). The DD(X) advanced multi-mission destroyer will bring revolutionary improvements to precision strike and joint fires. Transformational and leap ahead technologies include an integrated power system and electric drive; the Advanced Gun System with high rate of fire and magazine capability; the new Multi-Function Radar/Volume Search Radar suite; optimal manning through advanced system automation, stealth through reduced acoustic, magnetic, IR, and radar cross-section signature; and enhanced survivability through automated damage control and fire protection systems. Armed with an array of land attack weapons it will provide persistent, distributed offensive fires in support of joint forces ashore. The capacity in both hull form and integrated electric power system will allow us to spiral its development to CG(X) and other transformational systems, like the electro-magnetic rail gun, in the years ahead.

- CVN-21. We have accelerated transformational technologies from the CVNX development plan into CVN-21 while

sustaining the CVNX-1 development schedule submitted last year. This is the first new carrier design since 1967. The FY04 budget request provides \$1.5B in RDT&E and advanced procurement for the first CVN-21 and programs for split-funded construction beginning in FY07. The transformational technologies include a new electrical generation and distribution system, improved flight deck design with Electro-Magnetic Aircraft Launching System (EMALS), improved sortie generation, enhanced survivability, reduced manning, and incorporation of a flexible infrastructure that will allow the insertion of new capabilities as they evolve. CVN-21 will be the centerpiece of our Carrier Strike Groups in the future and will replace USS ENTERPRISE in FY14.

- VIRGINIA-class submarine (SSN-774). The first four ships of this class are under construction: *Virginia* will commission in 2004; the keel was laid for *Texas* (SSN-775) in July 2002; *Hawaii* (SSN-776) was begun in 2001; and *North Carolina* (SSN-777) in 2002. This class will replace LOS ANGELES-class (SSN-688) attack submarines and will incorporate new capabilities, including an array of unmanned vehicles, and the ability to support Special Warfare forces. It will be an integral part of the joint, networked, dispersed fleet of the 21st Century.

- SSGN Conversions. We have requested two additional conversions in FY04; these ships will be configured to carry more than 150 Tomahawk missiles, enabling covert, large-volume strike. The SSGN will also have the capability to support Special Operations Forces for an extended period, providing clandestine insertion and retrieval by lockout chamber, dry deck shelters or the Advanced Seal Delivery System, and they will be arrayed with a variety of unmanned systems to enhance the joint force commander's knowledge of the battlespace. We will leverage the existing TRIDENT submarine infrastructure to optimize their on-station time. The first two ships, the USS OHIO and USS FLORIDA, enter the shipyard in FY03 to begin their refueling and conversion. USS MICHIGAN and USS GEORGIA will begin their conversion in FY04. We expect this capability to be operational for the first SSGN in FY07.

- Maritime Prepositioning Force Future (MPF(F)). MPF(F) ships will serve a broader operational function than current prepositioned ships, creating greatly expanded operational flexibility and effectiveness. We envision a force of ships that will enhance the responsiveness of the joint team by the at-sea assembly of a Marine Expeditionary Brigade that arrives by high-speed airlift or sealift from the United States or

forward operating locations or bases. These ships will off-load forces, weapons and supplies selectively while remaining far over the horizon, and they will reconstitute ground maneuver forces aboard ship after completing assaults deep inland. They will sustain in-theater logistics, communications and medical capabilities for the joint force for extended periods as well.

Other advances in sea basing could enable the flow of Marine and Army forces at multiple and probably austere points of entry as a coherent, integrated combined arms team capable of concentrating lethal combat power rapidly and engaging an adversary upon arrival. The ability of the Naval Services to promote the successful transformation of deployment practices of the other Services will dramatically improve the overall ability of the Joint Force to counter our adversaries' strategies of area-denial and/or anti-access. We are programming RDTE funds to develop the future MPF and examine alternative sea basing concepts in FY08.

FORCEnet is the enabler of the foregoing capabilities, and the operational construct and architectural framework for naval warfare in the joint, information age. It will allow systems, functions and missions to be aligned to transform situational awareness, accelerate speed of decisions and allow naval forces to greatly distribute its combat power in the unified, joint battlespace. It puts the theory of network centric warfare into practice. We are just beginning this effort and we have requested \$15M in funds to administer the development of FORCEnet, the cornerstone of our future C4I architecture that will integrate sensors, networks, decision aids, warriors and weapons. Programs that will enable the future force to be more networked, highly adaptive, human-centric, integrated, and enhance speed of command include:

- E-2C Advanced Hawkeye Radar Modernization Program. E-2 Advanced Hawkeye (AHE) program will modernize the E-2 weapons system by replacing the current radar and other aircraft system components to improve nearly every facet of tactical air operations. The modernized weapons system will be designed to maintain open ocean capability while adding transformational surveillance and Theater Air and Missile Defense capabilities against emerging air threats in the high clutter and jamming environment. The advanced Hawkeye will be a critical contributor to Naval Integrated Fire Control-Counter Air, and to Sea Strike and Shield. The FY04 budgets over \$350M for continued development with first production planned for FY08.

- Navy and Marine Corps Intranet (NMCI). NMCI continues to bring together Navy personnel, government civilians and contractors into a single computing environment. This program is fostering fundamental changes in the way we support critical war fighting functions, conduct Navy business, and train and advance Sailors. FY04 funding of \$1.6B continues user seat rollout and cutover to the NMCI architecture, progressing toward a target end-state of 365,000 seats. Although NMCI seat cutover was slowed initially by the need to resolve the challenges of numerous, disparate legacy applications, the transition to NMCI has succeeded in eliminating more than 70,000 legacy IT applications and we are on track for the future.

Sea Trial. Commander, U.S. Fleet Forces Command (CFFC) is now in charge of our Navy's revitalized process of experimentation, and is rapidly developing emergent concepts and experimenting with new technologies to speed delivery of innovation to the fleet. CFFC will reach throughout the military and beyond to coordinate concept and technology development in support of future warfighting effectiveness. Embracing spiral development, the right technologies and concepts will then be matured through targeted investment and rapid prototyping.

CFFC is working in concert with the U.S. Joint Forces Command to refine the Sea Trial process and integrate select wargames, experimentation and exercises. We are already testing new operational concepts and technologies like the Collaborative Information Environment, Joint Fires Initiative, and the Navy Joint Semi-Automated Force Simulation in operations and exercises. We will continue to pursue evaluation of multiple platforms and systems, including experimental hull forms and electro-magnetic rail guns, among others.

The Systems Commands and Program Executive Offices will be integral partners in this effort, bringing concepts to reality through technology innovation and application of sound business practices.

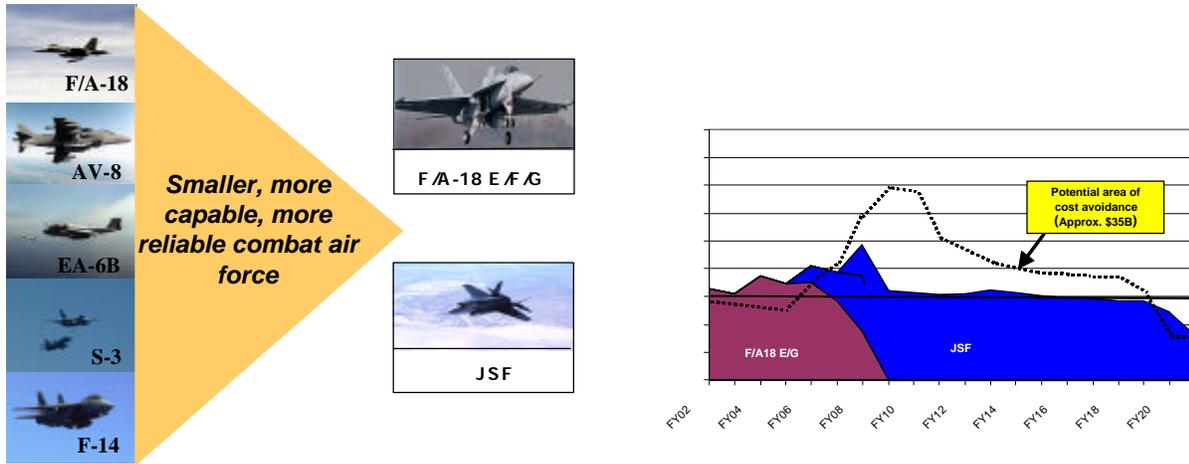
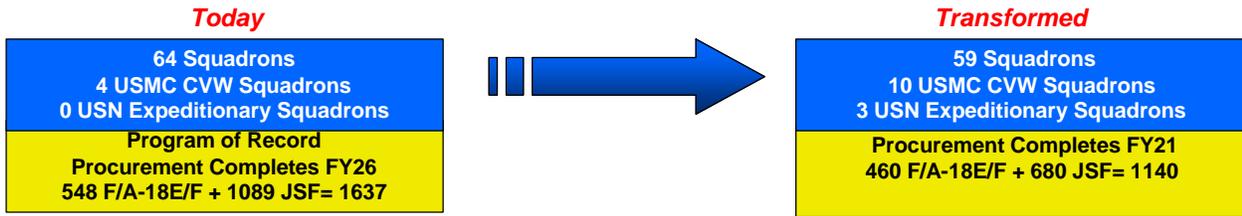
IV. Harvesting Efficiencies for Transformation

We are working hard to identify and harvest the efficiencies needed to balance competing priorities and invest in our Sea Power 21 vision. Called **Sea Enterprise**, this process is intended to ensure our warfighting capability both now and in the future. It will help identify and produce those initiatives

that both optimize our warfighting capability and streamline our organization and processes; to make it operate more efficiently, to reduce our overhead and to produce the savings needed for investment in recapitalization and our future. We have already identified several initiatives that have produced over \$40B in savings and cost avoidance across the defense program - and many more billions outside the FYDP - to help fund our future. A few of the highlights include:

- *USN-USMC Tactical Aviation (TACAIR) Integration* plan shows the promise of cross-service partnerships. It will maximize forward deployed combat power, enhance our interoperability, more fully integrate our services, and save \$975M across the FYDP. This aggressive effort introduces 200 modern aircraft in the next six years while retiring legacy F-14, F/A-18A/B, S-3, and EA-6B airframes, and it reduces our F/A-18 E/F and JSF total buy requirements by 497 aircraft while enhancing our warfighting capability. There is more than \$30B in projected cost avoidance outside the FYDP as well.

TacAir Integration



Success depends upon proper numbers of E/F/G and on IOC of JSF

- *Partnerships.* We are pursuing other promising partnerships to include new munitions with the US Air Force, common communications and weapons systems with the US Coast Guard's Deepwater Integrated Systems program, and joint experiments with high-speed vessels with the US Army. We will continue to leverage the gains made in programs like joint weapons development (JDAM, JSOW, AMRAAM) as well.

- *Identifying savings within the force for recapitalization.* Last year we promised we would sharpen our focus on our force structure in the years ahead - to buy the ships, aircraft and the capabilities needed for tomorrow's Navy. At the same time, we cannot overlook the important gains our focus on current readiness made these last few years; it produced the more responsive force on deployment today. As a result, we are obligated to look hard at the ways we could balance these priorities and our discretionary investments to both satisfy the near term operational risks and prepare for the long term risks of an uncertain future. This year we made some

hard choices across the Fleet to do more to address our future risk, sustain our current readiness gains and strike this balance. We identified several aging, legacy systems with limited growth potential and high operating and support costs, and ultimately, we accelerated the retirement of 11 ships and 70 aircraft, divested more than 50 systems and eliminated 70,000 legacy IT applications. We are using the savings to recapitalize, modernize other legacy platforms, and invest in Sea Power 21. These initiatives result in an acceptable operational risk in the near term because of our emphasis on sustaining our current readiness gains. Equally important, these difficult decisions yielded \$1.9 billion for reinvestment and will do much to help reduce our future risk.

- *Improved business operations and processes.* We are improving both the way we run the Fleet and our ability to control costs. The LPD-DDG swap produced savings sufficient to purchase a third guided missile destroyer in FY04. We are using multi-year procurement contacts and focusing where possible on economic order quantity purchase practices to optimize our investments. We conducted the Workload Validation Review, and made Performance Based Logistics improvements. Other initiatives like piloting mission funding for two of our public shipyards, Enterprise Resource Planning, strategic sourcing, NMCI and eBusiness are helping us find the funds necessary to emerge with the optimal force structure, a healthy industrial base and an efficient and appropriately sized infrastructure.

- *Installation Claimant Consolidation.* In October 2003 we will establish a single shore installation organization, Commander, Navy Installations Command (CNIC), to globally manage all shore installations, promote "best practices" development in the regions, and provide economies of scale, increased efficiency, standardization of policies where practicable and improved budgeting and funding execution. This initiative has the potential to save approximately \$1.6B in the next six years.

We will continue to pursue the efficiencies that improve our warfighting capability. We are committed to producing the level investment stream that will help implement our bold new Navy vision and produce the number of future ships, aircraft and systems we need to counter the 21st Century threat. Harvesting savings for reinvestment is an important part of that effort, and we will continue to examine the potential efficiencies while weighing the operational risks, both now and in the future.

V. Conclusion

We are affecting positive change in our Navy. We will continue our culture of readiness and our commitment to transformation while pursuing those efficiencies that both make us good stewards of the public's funds, and improve our warfighting capability. I have made it plain to our men and women in the Navy that mission accomplishment means *both* warfighting effectiveness and resourcefulness.

At the same time, our people remain at the heart of all we do; they are the real capital assets in our Navy. We have invested heavily to do what is right for the people who are investing themselves in our Navy. "Growth and development" is our byline. As we look to the future, we will build on the impressive progress we have made in recruiting, assigning, and retaining our military and civilian professionals. Active leadership is making it happen today and will do so in the years to come.

There are still more challenges and opportunities in the year ahead. We will continue prosecuting the global war on terrorism. This entails being ready to respond - to surge and sustain warfighting capabilities - in support of the war, as well as preparing our force for the battles of tomorrow.

But by implementing our bold new Navy vision, harvesting efficiencies for reinvestment, adding potent new platforms to the Fleet, and launching an integrated Navy-wide experimentation plan, we are creating the future capabilities and force structure required to counter these 21st century threats.

I thank the Committee for your continued strong support of our Navy, our Sailors, and our civilian shipmates. Working together, I am confident we will make our great Navy even better and provide our Nation with more power, more protection, and more freedom in the years ahead.