

STATEMENT OF

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CHIEF OF NAVAL OPERATIONS

BEFORE THE CONGRESS

ON

FY 2013 DEPARTMENT OF NAVY POSTURE

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Distinguished members of the Committee, it is my honor and pleasure to appear before you to submit my first budget as Chief of Naval Operations. Thanks to our 625,000 active and reserve Sailors and Civilians and your continued support, the Navy–Marine Corps team remains vital to our national security and economic prosperity. Operating globally at the front line of our nation’s efforts in war and peace, our Fleet protects the interconnected systems of trade, information, and security that underpin our own economy and those of our friends and allies. Our Navy and Marine Corps are the first responders to international crises through combat operations or humanitarian assistance. And after U.S. ground forces have drawn down in the Middle East, the naval services will remain on watch with offshore options to deter aggression and—when necessary—fight and win on, over, and under the sea. Despite the economic and military challenges facing our nation, your Navy will evolve and adapt to fight and win our nation’s wars, remain forward, and be ready. I appreciate your continued support and look forward to working together in pursuing our national security objectives.

The Navy has been important to our nation’s security and prosperity

Today our Navy is the world’s preeminent maritime force – but that has not always been the case. Leading up to the War of 1812, Britain’s Royal Navy held that distinction. Our own Fleet, lacking warfighting capability, forward posture and readiness, was bottled up in port early in the war. It was unable to break the British blockade of the Atlantic Coast or stop the Royal Navy from wreaking havoc along the mid-Atlantic seaboard and burning parts of Washington, D.C. in 1814. Our nation’s economy suffered as shipping costs soared and imports from Europe and the Caribbean grew scarce. Soon, however, the Fleet developed a warfighting focus and engaged the British, winning victories on Lake Erie, at New Orleans, and in the Atlantic that, combined with concerns about France, brought Britain to the negotiating table. However, outside of a determined effort from privateers, the U.S. Navy still could not project power away from home, could not control the sea, and could not deter aggression against our interests. We needed these key capabilities - outlined in our Maritime Strategy – then, just as much as now. The War of 1812 offered a number of hard lessons, and for the next century our Navy focused on preventing an aggressor from restricting our trade or isolating us from the sea as our nation expanded across the North American continent.

Our Navy operated farther forward as our nation's economy grew and, by necessity, became more integrated with Eurasia. In the midst of the world's first wave of globalization, the Great White Fleet from 1907 to 1909 demonstrated to the world America's emerging power and capability to project it globally. These episodes of "operating forward" became sustained during World War I as our Fleet convoyed supplies and forces to Europe and combated German submarines across the Atlantic Ocean. And in World War II, our Navy established dominance in the air, sea and undersea domains, going forward around the world to protect sea lanes and project power to Europe and Africa, and take the fight across the Pacific to Asia. We sustained our maritime dominance and remained forward and global throughout the Cold War to contain Soviet expansion and provide tangible support to allies and partners with whom we were highly interdependent diplomatically, economically and militarily.

Our Navy today remains global, operating forward from U.S. bases and international "places" around the world. From these "places" we continue to support and operate with allies and partners who face a range of challenges, from piracy and terrorism to aggressive neighbors and natural disasters. "Places," from Guantanamo Bay to Singapore, enable us to remain present or have access to the world's strategic maritime crossroads – areas where shipping lanes, energy resources, information networks and security interests intersect. On any given day over the last year, more than 50,000 Sailors were underway or deployed on 145 of the Navy's 285 ships and submarines, 100 of them deployed overseas (see Figure 1). They were joined by more than 125 land-based patrol aircraft and helicopters, 1,000 information dominance personnel, and over 4,000 Naval Expeditionary Combat Command Sailors on the ground and in the littorals, building the ability of partners to protect their people, resources and territory.

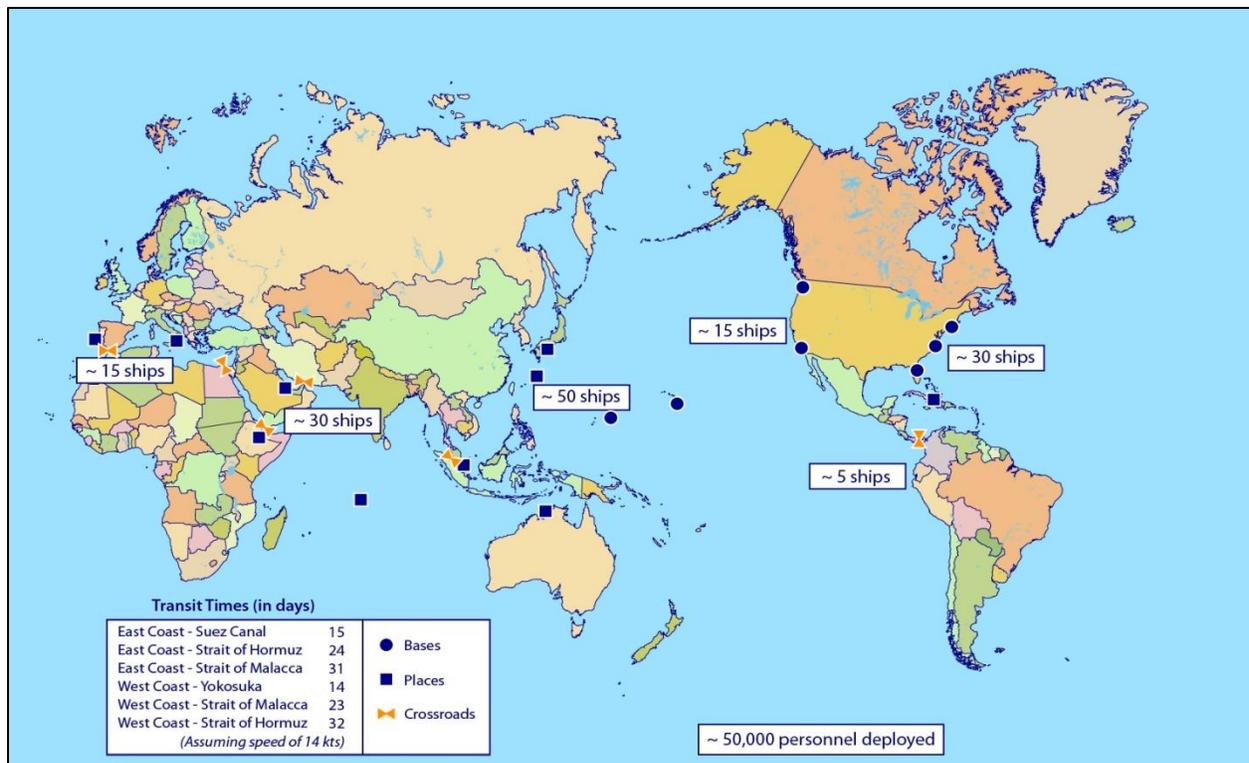


Figure 1

The security and prosperity of our nation, and that of our friends and allies, depends on the freedom of the seas, particularly at the strategic maritime crossroads. Twenty percent of the world's oil flows through the Strait of Hormuz, the center of a region where more than 12,000 Sailors on 30 ships combat piracy, smuggling and terrorism, deter Iranian aggression, and fly about 30 percent of the close air support missions in Operation ENDURING FREEDOM. These Sailors directly supported the special operations forces mission that resulted in the death of Osama Bin Laden, provided ballistic missile defense to our Arabian Gulf partners, and just last month rescued the crew of the Iranian dhow, AL MORAI, from Somali pirates. Our forces there depend on facilities in Bahrain, a U.S partner for more than 60 years, for supplies, communications, and repairs, while our maritime patrol and reconnaissance aircraft, patrol craft, and minesweepers in the region are based on the island. Our forces at sea are joined by another 10,000 Sailors on the ground, most supporting our combat forces in Afghanistan as we continue to transition that effort to the Afghan government.

In the Asia-Pacific, about 40 percent of the world's trade passes through the 1.7-mile wide Strait of Malacca, while the broader region is home to five of our seven treaty alliances and many of the world's largest economies. About 50 U.S. ships are deployed in the Asia-Pacific region every day, supported by facilities (or "places") in Singapore, the Republic of Korea, and Japan in addition to our bases on Guam. Our forward posture and ready and available capability proved invaluable to our allies in Japan following the Great East Japan Earthquake and Tsunami last March. Twenty four ships, 140 aircraft and more than 15,000 Sailors and Marines delivered over 280 tons of relief supplies to beleaguered survivors as part of Operation TOMODACHI. Working from offshore and unhindered by road and rail damage, Navy efforts helped save lives and fostered a stronger alliance.

Our combined readiness with our Pacific allies and partners is a result of the nearly 170 exercises and training events we conduct in the region each year. Our TALISMAN SABRE exercise with Australia last year brought together 18 ships and more than 22,500 Sailors and Marines to practice operations from maritime security to amphibious assault. Our MALABAR series of exercises continues to expand our interoperability with India, a key partner in an important part of the world. From simple maneuvers and replenishment-at-sea in 2002, MALABAR has gone on to include dual carrier flight operations, gunnery practice, anti-submarine warfare (ASW) training, and maritime interdiction exercises. And this year, the U.S. Navy will host Rim of the Pacific (RIMPAC), the world's largest maritime exercise, bringing together more than 20,000 Sailors from 14 nations to practice the entire range of maritime missions from counter-piracy to missile defense and ASW.

Africa is adjacent to several key strategic crossroads - Bab El Mandeb on the southern end of the Red Sea, the Suez Canal at its northern end, and the Strait of Gibraltar at the western edge of the Mediterranean. Events at each of these crossroads can significantly impact the global economy and regional security. Supported by our air and port facilities in Djibouti (Camp Lemonier), our ships form the backbone of multinational forces from more than 20 nations that combat pirates and terrorists around East Africa and the Arabian Peninsula. In the Mediterranean and Northern Africa our forward forces enabled a rapid response to the Libyan civil war. During NATO Operations ODYSSEY DAWN and UNIFIED PROTECTOR, our ships and submarines fired 221 Tomahawk Land Attack Missiles and *Growler* electronic attack aircraft (EA-18G)

redeployed from Iraq in less than 48 hours to suppress and destroy Libya's air defense network. The Navy-Marine Corps team aboard USS KEARSARGE supported NATO forces with air strikes and personnel recovery, while on USS MOUNT WHITNEY, NATO leaders managed and coordinated the fight.

We continue our commitment to our NATO allies in the Mediterranean and other waters around Europe. Supported by facilities in Rota, Spain, Souda Bay, Greece, and Naples, Italy, our destroyers and cruisers conducted, among other critical U.S. and NATO missions, continuous ballistic missile defense patrols in the Mediterranean to counter the growing Iranian ballistic missile threat. Europe also continues to be a source of security. Our Fleet trains routinely with allied navies from the Mediterranean to the Baltic in security cooperation exercises such as PROUD MANTA, NATO's largest ASW exercise. Outside the continent, we operate with our European allies and partners to address our shared concerns around the world, such as maintaining freedom of navigation through the Strait of Hormuz, countering piracy around the Horn of Africa, supporting our African partners with training and assistance, and responding to crises such as the conflict in Libya.

In Latin America, the ongoing expansion of the Panama Canal will increase the importance of that strategic maritime crossroad. Today the waters around Central America already experience a high level of illegal trafficking, which could adversely affect the increasing volume of shipping through an expanded canal. Our first Littoral Combat Ship (LCS), USS FREEDOM, made its first operational deployment to the region in 2011, preventing more than three tons of cocaine from entering the United States as part of Joint Interagency Task Force – South. We leveraged our port and airfield in Guantanamo Bay, Cuba, to continue supporting operations in the Gulf of Mexico and Caribbean. And as the capability of our Latin American partners has grown, so has the sophistication of our cooperation. In 2011 we conducted ASW training with Brazil, Peru, Colombia and Chile, where their diesel submarines helped to train our surface and submarine crews and our crews exchanged lessons learned on effective undersea operations.

Establishing first principles

These are challenging and dynamic times for the U.S. military services and the U.S. national security enterprise. We need to remain focused on our enduring principles and contributions that hold true regardless of funding, force structure size or day-to-day world events. Upon taking office as Chief of Naval Operations, I established these first principles for Navy leaders to follow in my “Sailing Directions.”

I believe historical and current events demonstrate that the Navy is most effective and best able to support our national security objectives when Fleet leaders and Sailors are focused on three tenets:

- Warfighting first
- Operate forward
- Be ready

I incorporated these tenets into “Sailing Directions.” Similar to their nautical counterpart, my directions describe in general terms where the Navy needs to go in the next 10-15 years, and the approach we will take to get there. We applied “Sailing Directions” to the final decisions we made in building our FY2013 budget submission and I believe they are consistent with the Defense Strategic Guidance that emerged from our collaborative efforts with the Chairman of the Joint Chiefs of Staff, the Secretary of Defense and the President. I am in the process of drafting a “Navigation Plan” to define our course and speed now that our defense strategy is established and our budget request submitted.

My guidance for the Navy and what we believe

We use these three tenets – Warfighting First, Operate Forward, and Be Ready – as “lenses” through which we view each decision as we organize, train and equip the Navy.

Warfighting First. The Navy must be ready to fight and win today, while building the ability to win tomorrow. This is our primary mission and all our efforts from the “wardroom to the boardroom” must be grounded in this fundamental responsibility. The recent posturing and rhetoric from Iran highlight the importance of our ability to deter aggression, promptly respond

to crisis, and deny any aggressors' objectives. This requires getting relevant and effective warfighting capability to the Fleet today, not waiting for perfect solutions on paper that may not arrive for ten years. We can no longer afford, strategically or fiscally, to let the perfect be the enemy of the good – or the good enough – when it comes to critical warfighting capability. Our history and the contemporary cases of Iran, North Korea, violent extremists, and pirates show that conflict is unlikely to appear in the form of the scenarios for which we traditionally plan. Therefore, our ships, aircraft and Sailors that operate forward must be able to decisively act and defeat an adversary's actions in situ to deter continued aggression and preclude escalation. To that end, in our FY2013 budget submission we shifted procurement, research and development, and readiness funds toward weapons, systems, sensors and tactical training that can be rapidly fielded to the Fleet, including demonstrators and prototypes that can quickly improve our forces' capability. I request that you support those investments.

Operate Forward. The Navy-Marine Corps team provides the nation offshore options to deter, influence and win in an era of uncertainty. Our naval forces are at their best when they are forward, assuring allies and building partnerships, deterring aggression without escalation, defusing threats without fanfare, and containing conflict without regional disruption. We keep the Fleet forward through a combination of rotational deployments from the United States, Forward Deployed Naval Forces (FDFNF) in Japan, Guam and Italy, and forward stationing ships in places such as Bahrain or Diego Garcia. Our ability to operate forward depends on our U.S. bases and strategic partnerships overseas that provide “places” where the Navy-Marine Corps team can rest, repair, refuel and resupply.

Our FY2013 budget submission supports several initiatives to establish our forward posture including placing FDFNF destroyers in Rota, Spain, and forward stationing Littoral Combat Ships (LCS) in Singapore and Patrol Coastal ships (PC) in Bahrain. We are also now collaborating with Headquarters Marine Corps to determine the support and lift needed for Marines to effectively operate forward in Darwin, Australia. In the FDFNF construct, the ships, crews and families all reside in the host nation. This is in contrast to forward stationing, where the ship's families reside in the United States and the crew rotates to the ship's overseas location for deployment. We will rely on both of these basing constructs and the "places" that support them to remain forward without increases to the Fleet's size. I request you support funding for

these initiatives so our Navy-Marine Corps team can continue delivering the rapid response our nation requires of us. We will continue to pursue innovative concepts for operating forward such as rotational crewing and employing new classes of ships such as Joint High Speed Vessels (JHSV), Mobile Landing Platforms (MLP), and Afloat Forward Staging Bases (AFSB).

Be ready. We will harness the teamwork, talent and imagination of our diverse force to be ready to fight and responsibly use our resources. This is more than simply completing required maintenance and ensuring parts and supplies are available. Those things are essential, but “being ready” also means being proficient and confident in our ability to use our weapons, employ and rely on our sensors, and operate our command and control, communication and engineering systems. This requires practice, so in our FY2013 budget submission we increased readiness and procurement funding for training deploying personnel and for exercise ordnance - funding that I request you support. Further, we are employing simulation and adjusting our Fleet Readiness and Training Plan (FRTP) to afford more time to train prior to deployment. Our FY2013 budget submission provides the opportunity to build on events such as this year’s BOLD ALLIGATOR, our largest amphibious assault exercise in more than a decade, which brought together more than 20,000 Sailors and Marines and 25 ships from five nations. Fundamentally, being ready depends on our ability to train, lead and motivate our Sailors and Marines through events such as BOLD ALLIGATOR. As we continue to move through challenging times strategically and fiscally, we will increasingly depend on their resolve and imagination.

PB13 shaped by three main priorities of the CNO

The Budget Control Act of 2011 placed new constraints on our budget, which required hard choices and prioritization to address. I applied our tenets to my three main investment priorities as we built our FY2013 budget submission to support the new Defense Strategic Guidance.

Priority 1: Remain ready to meet current challenges, today

Readiness means operational capability where it needs to be to deter aggression, respond to crises, and win our nation’s wars. I will continue to prioritize readiness over capacity and focus our warfighting presence on the Asia Pacific and Middle East. Our FY2013 decision to decommission seven *Ticonderoga* class guided missile cruisers (CG) and two Dock Landing

Ships (LSD) exemplify our resolve to provide a more ready and sustainable Fleet within our budget constraints. The resources made available by these retirements will allow increased funding for training and maintenance. To ensure these investments improve readiness, we adjusted the FRTP to be more sustainable and provide units adequate time to train, maintain and achieve the needed “fit” and “fill” in their manning between deployments. The FRTP is aligned to and supports the FY2013 Global Force Management Allocation Plan (GFMAP), which is the authoritative, Secretary of Defense-approved plan for supporting Combatant Commander presence requirements.

A ready Fleet requires proper maintenance of our ships and aircraft, and our long-term force structure inventory plans require each of them to affordably reach expected service life. Our FY2013 budget submission fully funds ship maintenance and midlife modernization periods. We are also continuing a series of actions to address surface ship material condition. We increased the number of Sailors in select surface ships and established Integrated Material Assistance Teams to ensure adequate personnel for preventive maintenance and at-sea repairs. To improve maintenance planning and budgeting, the new surface ship life cycle engineering and support organization develops comprehensive plans for maintenance and modernization of non-nuclear ships. These plans will allow us to refine our assessments of ship material condition, improve our ability to estimate maintenance costs, and identify actions needed to achieve expected service life. These initiatives, supported in this budget submission, have tangibly improved ship readiness and enable more efficient maintenance periods. Our FY2013 budget submission also funds aircraft depot maintenance requirements to 94 percent, meeting our goal for available airframes and engines.

Readiness involves more than material condition. Our capabilities must also be “whole,” meaning our weapons, combat systems, and sensors must be able to interface with one another, are available in adequate numbers, and our Sailors are proficient and confident in their use. We emphasized training in our FY2013 budget submission – allocating time, ordnance and targets for increased live-fire training as well as funds to improve the fidelity, capacity and interoperability of our Fleet simulators. Our FY2013 budget submission also funds improved data links and radar reliability to enhance the interoperability and availability of weapons and

sensors. In aviation, we fully funded the Flying Hour Program and invested in F/A-18 A-F life cycle sustainment and system capability upgrades to ensure these “workhorses” of the carrier air wing remain ready and relevant. F/A-18 A-F sustainment helps ensure our strike fighters reach their expected service lives and our strike fighter inventory remains sufficient to meet anticipated needs. Ashore, we fully funded air and port operations and nuclear weapons infrastructure and security. Our FY2013 budget submission accepts some risk in facilities sustainment and recapitalization, but we anticipate minimal impact on Fleet readiness. We will continue to closely monitor our shore infrastructure to ensure it remains capable of supporting the needed level of Fleet operations. Our FY2013 budget submission maintains funding for Homeport Ashore to provide quality housing for our single Sailors and increases funding for family readiness programs such as child development centers.

We must continue improving our fuel efficiency to sustain a ready and relevant Fleet and our goal remains to reduce our tactical energy use 15 percent by 2020. We will combine modernization, research and development, acquisition, and efficient behavior by operators at sea and on the waterfront to achieve that goal. Our FY2013 budget submission continues to incorporate technological advances incrementally, but steadily. Our *Lewis and Clark* class supply ships now employ all-electric propulsion, as will our new *Zumwalt* class destroyers (DDG). Our new hybrid-electric powered amphibious assault ship USS MAKIN ISLAND saved more than \$2 million in fuel costs on its maiden voyage from the Gulf Coast to its San Diego homeport. The insights we gain from these efforts will be applied in developing requirements for future ships, where energy usage was established last year as a key performance parameter.

Priority 2: Build a relevant and capable future force

Our Navy will evolve to remain the world’s preeminent maritime force in the face of emerging threats and our shipbuilding and aircraft construction investments form the foundation of the future Fleet. In developing our aircraft and ship procurement plans, we focused on three approaches: Sustaining serial production of today’s proven platforms, rapidly fielding new platforms in development, and improving the capability of today’s platforms through new payloads of weapons, sensors and unmanned vehicles.

First, sustained production of today's platforms maintains the Fleet's capacity, improves the affordability of ships and aircraft, and fosters the health of the industrial base. Examples of this serial investment in our FY2013 budget submission include *Arleigh Burke* DDG, MH-60R/S *Seahawk* helicopters, F/A-18 E/F *Super Hornet* and *Virginia* class submarines (SSN). These proven ships and aircraft represent a known quantity to both the government and contractor and provide opportunities for cost savings through multi-year procurement. Our FY2013 budget submission requests multi-year procurement of nine *Arleigh Burke* DDGs and nine *Virginia* SSNs. Your support for continued block purchases of DDGs and SSNs is essential to our Fleet's capacity over the next decade when decommissionings and the procurement of the new ballistic missile submarine (SSBN) combine to reduce the number of these Fleet workhorses. In addition to the capacity they bring, our experience with proven platforms also allows us to incrementally improve their capabilities with new weapons, sensors and unmanned vehicles, such as we are doing with *Arleigh Burke* DDG by adding the Surface Electronic Warfare Improvement Program (SEWIP), SM-6 missile, Advanced Missile Defense Radar (AMDR), and MQ-8 *Firescout* unmanned air vehicles.

Second, we will rapidly field the classes of ships and aircraft in development which are needed to recapitalize the Fleet and pace emerging threats. Each of these platforms are nearing completion or are in initial production and offer a significant return on our research and development investment over the past two decades. We will harvest this return and focus on capability improvement via new weapons, sensors and unmanned systems before we begin our next generation of platforms. Our FY2013 budget submission prudently moves into sustained production of *Freedom* and *Independence* class LCS, MQ-4C Broad Area Maritime Surveillance (BAMS) unmanned air system (UAS), *Poseidon* maritime patrol and reconnaissance aircraft (P-8A) and *Lightning II* strike fighter (F-35C). We slowed production of the F-35C to allow lessons from testing to be better incorporated into the aircraft and it will be a key element of the future carrier air wing. The FY2013 budget submission continues funding for *Gerald R. Ford* aircraft carriers (CVN), although the delivery of CVN-79 was delayed to most cost effectively maintain our Fleet of 11 CVNs by not delivering the ship ahead of need. Our budget submission continues funding for the *Zumwalt* class DDG, which will provide an exceptional improvement in littoral and land-attack capability while also proving several new technologies to be incorporated into

future ships. To sustain our capacity for amphibious operations, our FY2013 budget submission funds continued production of the *America* class amphibious assault ships (LHA), the first of which (LHA-6) is nearing completion. Each of these new platforms is designed to be adaptable and allow future capability evolution through new payloads. The physical and electronic open architecture of LCS, for example, will allow it to change missions in a short refit, but will also allow it to be widely adaptable over its lifetime. The P-8A has a similar reserve capacity for adaptation, as well as an operating profile which will allow it to do a wide range of missions, depending on the weapons and sensors placed aboard.

And third, we will evolve the force to maintain our warfighting edge by exploiting the ability of new payloads to dramatically change what our existing ships and aircraft can do. A focus on what our platforms carry will be increasingly important as anti-access/area-denial (A2/AD) threats including new radars and more sophisticated surface-to-air and anti-ship missiles limit the ability of manned platforms to get close to an adversary in wartime. Our Air-Sea Battle Concept, developed with the Marine Corps and the Air Force, describes our response to these growing A2/AD threats. This concept emphasizes the ability of new weapons, sensors, and unmanned systems to expand the reach, capability, and persistence of our current manned ships and aircraft. Our focus on payloads also allows more rapid evolution of our capabilities compared to changing the platform itself. This approach is exemplified by our FY2013 investment in LCS, which will carry an adaptable portfolio of unmanned vehicles, weapons, manned helicopters, and personnel. In aviation, new weapons such as the Small Diameter Bomb, Joint Standoff Weapon and Mark-54 torpedo will give our legacy aircraft the stand-off range, penetration, and lethality to defeat adversaries even if they employ advanced A2/AD capabilities.

Our focus on payloads includes unmanned systems such as the *Firescout* UAS (MQ-8B), which already demonstrated in Libya and the Middle East how it can add significant capability to our legacy frigates (FFG) and Amphibious Transport Dock (LPD) ships. Our FY2013 budget submission continues production of the MQ-8B and adds the longer-range, higher-payload MQ-8C. The submission also continues our investment in the Unmanned Combat Air System (UCAS) demonstrator and the follow-on Unmanned Carrier Launched Air Surveillance and

Strike system (UCLASS), which will expand the reach and persistence of our current carrier-based air wings.

Improved sensors and new unmanned systems are essential to our continued domination of the undersea environment. Our FY2013 budget submission funds the development of *Virginia* SSN payload modules that will be able to carry a mix of missiles, sensors and unmanned undersea vehicles (UUV) such as the new Large Displacement UUV. These undersea systems are joined by investments in the P-8A and *Arleigh Burke* DDG to improve cueing and close-in ASW operations. Our undersea superiority provides U.S. forces an asymmetric advantage in being able to project power or impose unacceptable costs on adversaries. Our FY2013 budget submission funds continued development of a new SSBN to begin replacing the *Ohio* class late in the next decade and sustain the most survivable element of the nation's nuclear triad. Our FY2013 budget submission also includes funding to study the possible use of *Ohio* class guided missile submarine (SSGN) and *Virginia* class SSN as platforms for a future conventional prompt strike capability.

While we currently dominate the undersea domain, cyberspace and the electromagnetic spectrum present a different set of challenges and a lower barrier to entry for our potential adversaries. Our FY2013 budget submission furthers our goal to operate effectively in cyberspace and fully exploit the electromagnetic spectrum. Investments including the Surface Electronic Warfare Improvement Program (SEWIP), EA-18G, Consolidated Afloat Network Enterprise System (CANES), *Hawkeye* (E-2D) early warning aircraft, Next-Generation Enterprise Network (NGEN) and Mobile User Objective System (MUOS) support development of a common operational picture of cyberspace and the electromagnetic spectrum. They also support robust defense of our networks and improve our ability to use non-kinetic effects to defend our ships from attack, conduct offensive operations, and conduct superior command and control.

It is imperative as we pursue these three approaches to the future force that we consider both affordability and "jointness." Our fiscal situation makes affordability essential to sustaining the fleet's capacity and improving its capability. Working with the Secretary of the Navy's staff, we are ensuring cost is considered as an entering assumption in developing requirements for new

systems, while controlling the “requirements creep” that impacts the cost of our programs already in development. Joint capabilities may also be a way to improve affordability, although we are primarily concerned with how they can improve our warfighting effectiveness. Our Air-Sea Battle Concept describes how naval and air forces will develop and field capabilities in a more integrated manner to allow them to defeat improving A2/AD threats through tightly coordinated operations across warfighting domains. Using the Air-Sea Battle Concept and Joint Operational Access Concept (JOAC) as the starting point, the Navy-Marine Corps team will continue to expand our integration with the Air Force and Army in doctrine, systems, training, and exercises to sustain the ability of U.S. forces to project power.

Priority 3: Enable and support our Sailors, Navy Civilians and their families

Today’s active and reserve Sailors and Navy Civilians are the most highly trained, motivated and educated force we have ever employed. Our people are the source of our warfighting capability and our FY2013 budget submission continues the investments needed to ably lead, equip, train and motivate them.

Our personnel programs deliver a high return on investment in the readiness of our Sailors and Civilians. We fully funded our programs to address operational stress, support families, prevent suicides, eliminate the use of synthetic drugs like Spice and aggressively reduce the number of sexual assaults. I view each of these challenges as safety and readiness concerns that can be just as damaging to our warfighting capability as operational accidents and mishaps. To ensure Sailors and their families have a quality environment in which to live, we sustained our support for quality housing, including Homeport Ashore for Sailors, and expanded our child development and youth programs.

Our wounded warriors are a top priority. Our FY2013 budget submission fully funds programs that support the mental, emotional and financial well-being of our returning warriors and their families.

The Navy continues to face a unique manpower challenge. Retention is high, attrition remains steady at a very low level and highly qualified people continue to want to join the service. To continue bringing in new Sailors with new and diverse backgrounds and ideas, we

must have turnover in the force. To manage our end strength, sustain upward mobility and address overmanning in some specialties, we selected 2,947 Sailors for separation in 2012 by conducting an Enlisted Retention Board (ERB). These Sailors served honorably and we are now focused on providing the best transition possible for them, including early retirement for Sailors selected for ERB who will have completed at least 15 years of active service as of September 1, 2012. Thank you for providing this Temporary Early Retirement Authority (TERA) in the FY2012 National Defense Authorization Act (NDAA). We do not plan another ERB for FY2013. Nor do we plan to offer early retirement more broadly, but we will evaluate this option if overmanning in individual specialty ratings/warfare communities again becomes a concern.

We will continue to use a range of force shaping tools to ensure we keep our best performers and align our people with needed skills and specialties. Perform-to-Serve (PTS), our centralized reenlistment program, will remain the principal method to shape the force. While in some cases we will be unable to offer reenlistment for Sailors due to high retention and overmanning, PTS also offers Sailors the opportunity to change specialties or enter the reserves when they come up for reenlistment if their current specialty is overmanned. We will continue to offer and regularly adjust Selective Reenlistment Bonuses and incentive pays for critical specialties to ensure we properly sustain the skills required in the force.

By managing the size and composition of the force, we are able to bring in new Sailors and Civilians. Our FY2013 budget submission continues to invest in recruiting quality people, including diversity outreach and programs to develop science, technology, engineering and mathematics candidates for the service. Our future depends on the innovation and creativity that people with diverse backgrounds, experience and ideas can bring to the Navy.

DoD and Navy's turning point – and the need for a new strategy

We built our FY2013 budget submission by applying the tenets of *Warfighting First*, *Operate Forward*, and *Be Ready* to our three enduring priorities. This approach focused our resources on investments that are most important to the Navy's ability to be relevant to the challenges we face as a nation. Today, three main trends place America and our Navy at a turning point. First, the federal government has to get its fiscal house in order by reducing deficits and putting the federal budget on a path toward balance. Second, the security

environment around the world is becoming more dynamic as exemplified by the “Arab Awakening,” ongoing piracy and terrorism, and the continued threat of aggression from countries including Iran and North Korea. Third, after a decade of war in the Middle East, we are completing ground operations and stabilization efforts in Iraq and Afghanistan.

This confluence of factors was emerging when I wrote my Sailing Directions and, as they clarified, were the drivers behind the Defense Strategic Guidance *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* issued by the President and Secretary of Defense. The Defense Strategic Guidance was developed in a collaborative and transparent process and I believe it is aligned with Sailing Directions. The guidance calls for a more agile, lethal and flexible force to address the challenges and opportunities facing our nation and has clear implications for the Navy as a force provider, including:

Emphasize readiness over capacity

We will not let the force become “hollow” by having more force structure than we can afford to maintain, equip and man. Our FY2013 budget submission inactivates seven *Ticonderoga* CGs and two LSDs. These ships were in need of significant maintenance investment and six of the seven cruisers required further investment to install ballistic missile defense capability. Inactivating these ships allowed almost \$2 billion in readiness funding to be shifted to other portions of the Fleet. This reduction in capacity and our shift to a more sustainable deployment model will result in some reductions to the amount of presence we provide overseas in some select areas, or a change in the nature of that presence to favor innovative and lower-cost approaches.

Invest in current warfighting capability

Our ability to deter aggression rests on our current warfighting capability. During the final stages of developing our FY2013 budget submission, we worked closely with the Office of the Secretary of Defense to shift more than \$700 million into procurement, operations and maintenance, and research and development to rapidly improve the readiness of warfighting capabilities being deployed to the Middle East and Asia-Pacific. These changes focused on countering A2/AD threats through mine warfare (MIW), integrated air and missile defense (IAMD), anti-surface warfare (ASuW) against fast attack craft and ASW. Our investments

included training targets and ordnance, mine warfare maintenance and prototype systems, anti-surface and ASW sensors and weapons, and kinetic and non-kinetic systems for self-defense against torpedoes, cruise missiles and ballistic missiles.

Maintain Middle East presence and rebalance our focus toward Asia-Pacific

The Asia-Pacific and Middle East are the most consequential regions for our future security and prosperity. Two factors drive the Navy's ability to provide presence: The size of the Fleet and the amount of time ships can remain deployed. Our FY2013 budget submission reduces the size of the Fleet in the next year by decommissioning some ships, but the Fleet returns to its current size by 2017 and grows to about 300 ships by 2019. We will work with the Joint Staff and Secretary of Defense's office to focus our presence on the Middle East and Asia-Pacific as part of the GFMAP. The mix of ships in the Fleet between now and 2020 will evolve to include more small combatants and support vessels that can provide innovative, low-cost platforms for security cooperation and partnership building activities in Latin America and Africa. This will enable our carriers, large surface combatants, submarines, and amphibious ships to focus on the Middle East, Asia-Pacific and Europe.

As described above, we are fostering a series of bases and "places" with our allies and partners around the world to provide access and support forward operations at the strategic maritime crossroads. Some of these facilities will host FDNF or forward stationed ships and aircraft, while others will extend the range and duration of deployments by providing places to rest, repair, refuel and resupply. Our FY2013 budget submission includes funding to support these facilities, while we are studying options for rotational crewing which may allow overseas "places" to host crew exchanges for additional classes of ships such as we plan to do for LCSs and currently conduct for PCs, SSGNs and mine countermeasures ships (MCMs).

Develop innovative, low-cost and small footprint approaches to partnerships

The United States will continue to be the security partner of choice, and the Navy will tailor our partnership efforts to be both affordable and appropriate. The evolution of the Fleet's mix over the next eight years will provide ships suited to cooperative operations such as maritime security; building partner capacity; countering terrorism, illegal trafficking and proliferation; and providing humanitarian assistance/disaster response (HA/DR). Ships including

LCS (with ASuW mission packages), JHSV, MLP, AFSB, Hospital Ships (T-AH) and Combat Logistics Force (CLF) ships will provide platforms to conduct the low-cost, small footprint missions called for in the Defense Strategic Guidance. These ships will free up higher-end combatants for other missions and will employ innovative crewing concepts such as civilian mariners and rotational military crews that will provide more time forward per ship.

Our FY2013 investments support the Department's most important missions

Within the fiscal constraints of the Budget Control Act of 2011, we applied our priorities and tenets to develop our FY2013 budget submission, which strongly supports the missions described in the new Defense Strategic Guidance.

Counterterrorism and Irregular Warfare

We will support the Joint Force in an active approach to countering terrorist and extremist threats. With the drawdown in Afghanistan and sensitivity to U.S. forces ashore, these efforts will increasingly be conducted from the sea. The Navy's FY2013 budget submission increases our ability to support these operations through investments including the sea-based MQ-8B and longer range, higher payload MQ-8C UAS, MLP, AFSB, LCS, BAMS, tailored language and culture training, and increases in SEAL manning. Places including Djibouti, Singapore, Bahrain and Guantanamo Bay, Cuba will continue to support small-footprint, long-duration operations to counter illegal activities – including terrorism, piracy and trafficking – from the Horn of Africa and Arabian Gulf to the South China Sea and the Caribbean.

Deter and Defeat Aggression

The Navy-Marine Corps team is the nation's front line to deny an aggressor's objectives or promptly impose costs on the aggressor. Naval forces bring two essential qualities to this mission: Presence or prompt access forward where conflict occurs, and credible warfighting capability to counter the aggressor. Our FY2013 budget submission supports forward operations at the places where conflict is most likely or consequential – the strategic maritime crossroads. In addition to the readiness and operations funding that allow our forces to operate forward, our FY2013 budget submission also invests in establishing FDNF DDGs in Rota, Spain, forward stationed LCSs in Singapore, additional forward stationed PCs in Bahrain and a sustainable tempo of rotational deployments.

Our FY2013 budget submission improves the warfighting capability of the forces we send forward. The centerpieces of naval capability remain the Carrier Strike Group and Amphibious Ready Group. Our FY2013 budget submission sustains funding for CVNs and the strike fighters (F-35C and F/A-18 E/F), E-2Ds, and EA-18Gs they deliver to the fight, as well as the unmanned NUCAS and UCLASS aircraft that will expand the reach and persistence of the future air wing. To complement our aviation capabilities, our FY2013 submission funds a “big deck” LHA in FY17 to support power projection by Marine Air-Ground Task Forces. These ships, aircraft, Sailors and Marines have deterred and defeated aggression since World War II and will continue to do so well into the future.

Our FY2013 budget submission invests in capabilities to counter specific types of aggression, such as Iranian threats to deny access to the Strait of Hormuz through mine warfare. While we develop the LCS as the future host of MIW capabilities, our FY2013 budget submission invests in sonar upgrades and maintenance for our current MCMs, new mine detection and neutralization UUVs, establishment of an AFSB in the Arabian Gulf to support air and surface MIW operations, and sea-based intelligence, surveillance and reconnaissance (ISR). Our FY2013 budget submission also funds ASW improvements geared toward the Iranian threat such as air-launched Mark-54 torpedoes and torpedo defense systems, as well as ASuW weapons to counter fast attack craft such as Griffin and Spike missiles for PCs and rockets for helicopters.

Project Power Despite A2/AD Challenges

Potential adversaries are mounting strategies to prevent U.S. forces from entering their theater (anti-access) or operating effectively once within the theater (area-denial). These adversaries intend to prevent U.S. forces from defeating their aggression or coming to the aid of allies and partners. Both state and non-state actors are undertaking these strategies using capabilities including mines, submarines, anti-ship cruise and ballistic missiles, anti-satellite weapons, cyber attack, and communications jamming. The Navy FY2013 budget submission addresses these threats through a wide range of investments that support the multi-service Air-Sea Battle concept and the JOAC. In addition to the MIW, ASuW and ASW investments identified above, our FY2013 budget submission funds upgrades in electronic warfare (EW), integrated fire control, cyber operations, networks, *Virginia* SSN and payload modules, and the F-35C.

The Navy's ability to retain access to international waters and airspace as well as critical chokepoints throughout the world would be enhanced by accession to the United Nations Convention on the Law of the Sea (UNCLOS). As the world's preeminent maritime power, the United States has much to gain from the legal certainty and global order brought by UNCLOS. The United States should not rely on customs and traditions for the legal basis of our military and commercial activity when we can instead use a formal mechanism such as UNCLOS. As a party to UNCLOS, we will be in a better position to counter the efforts of coastal nations to restrict freedom of the seas.

Counter Weapons of Mass Destruction (WMD)

The Navy's primary contribution to countering WMD is interdicting WMD and their precursors through the international Proliferation Security Initiative (PSI). Our FY2013 budget submission funds the readiness and force structure necessary to maintain forces forward at the strategic maritime crossroads where these interdictions are most common, while continuing to enable PSI by sustaining the command and control and sensors needed to find and track WMD transporters.

Operate Effectively in Space and Cyberspace

As a forward deployed force, our Fleet is highly dependent upon space-based systems, cyberspace and the electromagnetic spectrum. Naval forces rely on long-haul communications for command and control, positioning, navigation and timing and administration. Given the growing A2/AD threat from communications jamming and anti-satellite weapons, our FY2013 budget submission includes investment in the maritime portion of the Joint Airborne Layer Network, a UAV-based system to assure our ability to communicate and conduct command and control.

Cyberspace and the electromagnetic spectrum are a key area of emphasis for our future force development. In the past two years, we made significant investments in personnel for Navy Cyber Command/Tenth Fleet as well as U.S. Cyber Command, which continue in our FY2013 budget submission. These highly-skilled operators are developing a "common operational picture" (COP) of cyberspace and the tools to effectively defend our interests within it. Cyberspace and the electromagnetic spectrum are inextricably linked, and in our FY2013 budget

submission, we fund a range of EW and electronic support systems including EA-18G, SEWIP, Next-Generation Jammer, shipboard prototype and demonstrator systems, Ship Signal Exploitation Equipment (SSEE), and the E-2D. These systems sustain our ability exploit the electromagnetic spectrum for sensing and communication, while denying our adversaries accurate or effective information. We are also developing the conceptual and doctrinal framework to fully exploit the electromagnetic spectrum as a warfighting domain.

Maintain a Safe, Secure and Effective Nuclear Deterrent

The Navy provides the most survivable leg of the U.S. nuclear triad with the SSBN and associated nuclear command and control, maintenance, and support infrastructure. Our FY2013 program continues to fund the recapitalization of our *Ohio* class submarines and the safe handling of *Trident* D-5 missiles through investment in an additional explosive handling wharf at Naval Base Kitsap. Consistent with the Defense Strategic Guidance, we delayed the *Ohio* replacement program by two years. This delay will result in an SSBN force of 10 ships in the 2030s and will require a high state of readiness to meet the nation's strategic deterrence needs. Our FY2013 budget submission fully funds the maintenance and support to today's *Ohio* class SSBNs to help maximize their operational availability throughout their service lives.

Homeland Defense and Support to Civil Authorities

We maintain approximately 45 ships underway around the United States and another 50 available within days to meet U.S. Northern Command's homeland defense requirements through our FRTP. The Navy's FY2013 budget submission also funds DDG modernization that can support homeland ballistic and cruise missile defense missions.

Provide a Stabilizing Presence; Conduct Counterinsurgency, HA/DR and Other Operations

Although our warfighting capability will be focused on the Middle East and Asia-Pacific, other regions will retain naval presence. The nature of that presence, however, will change over the next several years. While today DDGs and amphibious ships conduct security cooperation operations with partners in Latin America and Africa, our FY2013 budget submission funds procurement of JHSV, AFSB, MLP and LCS and sustainment of PCs and T-AHs to take on these missions in the future. To support an expanding range of partnership missions, they will

increasingly carry tailored force packages of Marines to conduct security cooperation activities with partner armies and marines.

These same ships will support humanitarian assistance operations and rapid response by U.S. forces to crisis or disaster. They can embark a wide range of interagency and non-governmental personnel, allowing them to support the whole range of development, defense and diplomacy activities and contribute to non-military efforts to counter insurgencies and conduct stabilization operations. As naval forces, they can be backed up by the robust multi-mission capability and transportation capacity of amphibious ships and embarked Marines.

Evaluating impacts of the new Defense Strategic Guidance

The new Defense Strategic Guidance is not without risk. In particular, we will need to assess the impacts of capacity reductions on the force's ability to address highly likely or highly consequential security challenges. Senior defense leaders are conducting this assessment in a series of seminars over the next several months. Within the Navy, we are also reevaluating our force structure requirements in light of the Defense Strategic Guidance. We are assessing the capabilities needed to implement the strategy, what force structure could deliver those capabilities, and the resulting inventory of ships and aircraft that will be required. The results of this assessment will indicate the risk in the ability of the Navy's investment plans to implement the Defense Strategic Guidance. The force structure assessment will also indicate what ships should be counted as part of the battle force, and the extent to which the Navy will need to implement innovative concepts such as rotational crewing to deliver the needed level of forward presence.

We will also evaluate the impact of our investment plans on our industrial base, including ship and aircraft builders, depot maintenance facilities, equipment and weapons manufacturers, and science and technology researchers. Some of our suppliers, especially in specialized areas such as nuclear power, have the government as their only customer. Our FY2013 budget submission addresses the health of the industrial base, and we will work closely with our industry partners to manage the risk of any further budget reductions.

Ship inactivations in the FY2013 budget submission, when combined with those of previous budgets, may cause an imbalance in the Fleet's overall distribution. We are assessing

what will be affordable and appropriate in homeporting new ships or moving existing ships to ensure we efficiently employ our shore infrastructure, balance our port loading, and take advantage of collocating ships with common configurations and equipment.

The health care proposals in the President's budget are consistent with our efforts over the last several years to pursue a multi-pronged strategy to control the rate of growth in defense health costs – identifying more efficient processes internally; incentivizing healthy behaviors and wellness; and keeping our Sailors and Marines fit and ready to deploy. This budget maintains our commitment to those who serve and have served, and responsibly meets the demands dictated by federal budget constraints. I hope you will agree, and support our efforts. I also support the establishment of a commission to study changes to the structure and benefits of our retirement program for those who have not yet entered the service. That assessment must include an evaluation of the combined impact to our future recruiting and retention of changes to retirement benefits, pay, and health care.

Conclusion

I believe the risks of the new Defense Strategic Guidance are manageable and can be mitigated with good management of the Joint Force. Our Navy will continue to be critical to our nation's security and prosperity by assuring access to the global commons and being at the front line of our nation's efforts in war and peace. I assure the Congress, the American people, and those who would seek to do our nation harm, that we will be focused on warfighting, operating forward and being ready.