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HEARING
ON
NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 2013
AND
OVERSIGHT OF PREVIOUSLY AUTHORIZED
PROGRAMS
BEFORE THE
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
SECOND SESSION
—
FULL COMMITTEE HEARING
ON
**BUDGET REQUEST FROM THE
DEPARTMENT OF THE NAVY**

HEARING HELD
FEBRUARY 16, 2012



—
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FISCAL YEAR 2013 NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST FROM THE DEPARTMENT OF THE NAVY

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,

Washington, DC, Thursday, February 16, 2012.

The committee met, pursuant to call, at 1:02 p.m. in room 2118, Rayburn House Office Building, Hon. Howard P. "Buck" McKeon (chairman of the committee) presiding.

OPENING STATEMENT OF HON. HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order.

Good afternoon, ladies and gentlemen. Thank you for joining us today as we consider the President's fiscal year 2013 budget request for the Department of the Navy.

We are pleased to welcome the Secretary of the Navy, the Honorable Ray Mabus; the Chief of Naval Operations, Admiral Jonathan Greenert, in your first posture hearing before the committee as CNO [Chief of Naval Operations]; and General James Amos, Commandant of the Marine Corps.

Thank you, gentlemen, for your service and for your leadership, all that you do to help our outstanding sailors and marines.

We clearly understand the challenges the Department of the Navy faced in crafting this budget request considering the Administration's cuts and the mandates of the Budget Control Act of fiscal year 2011.

The fiscal year 2012 budget request projected the construction of 57 new ships from fiscal year 2013 to 2017. With this budget request, the shipbuilding procurement account was reduced over the same period by \$13.1 billion, and the number of new construction ships was reduced to 41, a decrease of 16 ships or 28 percent over the next 5 years.

The fiscal year 2012 budget request also projected building 873 new aircraft and unmanned aerial vehicles for the Navy and Marine Corps from fiscal year 2013 to 2017. And with this budget request that number has been reduced 13 percent to 763.

Also, the Marine Corps will decrease in size by 20,000 marines during the same timeframe.

Additionally, the Navy will decommission seven cruisers and two amphibious ships before the end of their service lives.

Overall, the Department of the Navy budget request for fiscal year 2013 is \$155.9 billion, which is \$5.5 billion less than the fiscal

year 2012 budget request and \$9.5 billion less than the planned fiscal year 2013 request submitted with last year's budget request.

Amidst these dramatic changes to force structure a few months ago, the Administration outlined revised strategic guidance that would pivot our forces from the land wars of the past 10 years to focus more on the Asia-Pacific region, an area where naval and seapower is critical.

This area has close to half the population of the world, with certain countries that have invested in the development of what is called anti-access, area denial capabilities.

Our Navy and expeditionary forces are instrumental in protecting our national interests in this vital region of the world. I am concerned the budget cuts of this significance to our Navy and expeditionary forces will increase our risk in this theater.

A couple of weekends ago I had the pleasure and privilege, along with some of my colleagues, of seeing our Navy and Marine Corps in action by visiting the USS *Wasp* and the USS *Enterprise* as they participated in Exercise Bold Alligator, the largest amphibious exercise conducted in over 10 years.

It is encouraging to see our Navy–Marine Corps team back together after the Marines have necessarily been focused more on the land wars in Iraq and Afghanistan.

One thing is a constant when I go on these trips: Our soldiers, sailors, airmen, and marines are the best fighting force in the world and they deserve our best support.

I look forward to your testimony here today.

Mr. Smith.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 53.]

STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SMITH. Thank you, Mr. Chairman.

I think you have given an excellent summary of the challenges facing the Marine Corps and the Navy. And I also want to thank General Amos and Admiral Greenert for their great service to our country and their great leadership.

And this is a period of transition. I want to thank all of you for your work on putting together a strategic review to take a look at how our national security needs had changed and what our new strategy should be. A lot has changed in the last 10 years, and it has certainly made sense to have the top leadership at the Pentagon get together and look at those changes and to figure out what the best strategy to meet our national securities needs should be.

And I compliment all of you for participating in that process and for the quality of the document that you produced. You have definitely put together a budget that lays out a clear strategy and then spends the money to match that strategy.

Now, it is not easy, primarily because you can never be guaranteed what challenges are going to come. There is always a certain amount of uncertainty. The best you can do is manage that risk.

But I truly believe that the plan that you put forth does the best job of doing that that we could do in our uncertain world.

I am particularly interested in the new laydown, the shift in the focus to the Asian theater, as has been mentioned; what that means in terms of your ships, where they are going to be, how they are going to move to meet that challenge, and in particular, how that is going to impact Guam. As an American territory, we are particularly concerned about what is going to happen with the basing there.

I know some changes have been made. I understand that the plans that we initially revealed 6 years ago did not work out, in large part, because of the costs accelerated to an unacceptable level. And new plans have been—in place, but I am very interested in how you intend to carry out those new plans.

And continue to work with the nation of Japan on what their acceptance is going to be on where we can station our marines in Okinawa and—or on the mainland of Japan.

But overall, I think you have done a great job. I look forward to your testimony. I think, as I said, the chairman did a great job of summarizing what the challenges are, and I look forward to the hearing today, questions from our members, and your testimony.

Again, thank you for your service, and thank you for putting together an excellent plan for our national defense.

[The prepared statement of Mr. Smith can be found in the Appendix on page 55.]

The CHAIRMAN. Thank you.

As I mentioned earlier, we have the Honorable Ray Mabus, Secretary of the Navy; the Admiral Jonathan Greenert, Chief of Naval Operations; General James F. Amos, United States Marine Corps Commandant.

Gentlemen, thank you very much for the service you have provided for many, many years to this Nation. And for the people that serve with you, thank them for us, please.

Secretary Mabus.

STATEMENT OF HON. RAY MABUS, SECRETARY OF THE NAVY

Secretary MABUS. Thank you, Mr. Chairman.

Mr. Chairman, Congressman Smith, members of the committee, the pride that the Commandant of the Marine Corps, General Jim Amos, the Chief of Naval Operations, Admiral Jon Greenert, and I take in leading the dedicated sailors, marines, and civilians in the Department of the Navy who selfishly serve the United States is exceeded only by the accomplishments of these brave individuals.

Whatever is asked of them by the American people through their Commander in Chief, from Afghanistan to Libya, from assisting the stricken people of Japan, to assuring open sea lanes around the world, from bringing Osama bin Laden to final justice, to bringing hostages out of wherever they may be hidden by terrorists or pirates, they answer the call, they get the mission done.

The CNO, the commandant, and I are confident the United States Navy and Marine Corps are well-prepared to meet the requirements of the new defense strategy and maintain their status as the most formidable expeditionary fighting force the world has

ever known. No one should ever doubt the ability, capability, or superiority of the Navy and Marine Corps team.

As we reposition after two long ground wars, it was essential to review our basic strategic posture. The new guidance, developed under the leadership of the President and the Secretary of Defense, with the full involvement of every service secretary and every service chief, responds to changes in global security.

The budget presented to implement this strategy, which was also arrived at through full collaboration of all the Services, ensures that the Navy and Marine Corps will be able to fully execute this strategy while meeting the constraints imposed under the congressionally passed Budget Control Act.

This new strategy has an understandable focus on the Western Pacific and Arabian Gulf region, as you mentioned, Mr. Chairman, while maintaining our worldwide partnerships and our global presence using innovative, low-cost, light footprint engagements. It requires a Navy-Marine Corps team that is built and ready for any eventuality on land, in the air, on and under the world's oceans, or in the vast cyber seas, and operated forward to protect American interests, respond to crises, and to deter or if necessary win wars.

The impact of two ground wars in the last decade on our Navy fleet and force is unmistakable. A fleet that stood at 316 ships and an end-strength of over 377,000 sailors on 9/11/2001 dropped to 283 ships and close to 49,000 fewer sailors just 8 years later when I took office.

This Administration has made it a priority to rebuild our fleet. Despite the budget constraints imposed under the Budget Control Act, our plan assures that we will have no fewer ships at the end of this 5-year budget cycle than we have today, although the fleet of 2017 will include more capable ships, equipped with state-of-the-art technology and manned, as always, by highly skilled personnel.

Although we are presenting one 5-year budget plan, one FYDP [Five-Year Defense Plan], this is certainly not a one-FYDP issue. As the defense strategy states, we are building a force for 2020 and beyond.

In the years beyond our current FYDP, we have a plan to grow our fleet and ensure capacity continues to match missions. In fact, our plan will once again have us cross the threshold of 300 ships by 2019.

Overall, we will fully meet the requirements of the new strategy and maintain the industrial base we need.

The Marine Corps will also return to its maritime roots, resume its traditional role as the Nation's expeditionary force in readiness. Our marines will retain the lessons of a decade of hard and effective fighting in Iraq and Afghanistan as they transition back to a middleweight amphibious force, optimized for forward presence, engagement, and rapid crisis response.

We will carefully manage the reduction in Active Duty end-strength from 202,000 to 182,100 by the end of fiscal year 2016 in order to keep faith with our marines and their families to the maximum extent possible.

This restructured Marine Corps, reached through a plan that was arrived at after a year-and-a-half of careful study will be smaller, but it will be fast. It will be agile. It will be lethal. The

number of marines in certain critical jobs like Special Forces and Cyber will be increased and unit manning levels, and thus readiness, will go up.

Both the Navy and Marine Corps will continue to decrease operational vulnerabilities in ways that are cost-efficient. That means we will maintain our efforts to reduce our dependence on foreign oil and to use energy more efficiently. These efforts have already made us better warfighters.

By deploying to Afghanistan with solar blankets to charge radios and other electrical items, the Marine patrol dropped 700 pounds in batteries from their packs and decreased the need for risky supply missions. Using less fuel in-theater can mean fewer convoys, which saves lives. For every 50 convoys we bring in fuel, a marine is killed or wounded. That is too high a price to pay.

We all know the reality of a global, volatile oil market. Every time the cost of a barrel of oil goes up \$1, it costs the Department of the Navy \$31 million in extra fuel cost. These price spikes have to be paid for out of our operational funds. That means that our sailors and marines steam less, fly less, and train less.

For these reasons, we have to be relentless in our pursuit of energy goals that will continue to make us a more effective fighting force and our military and our Nation more energy independent.

As much as we have focused on our fleet's assets of ships and aircraft, vehicles, submarines; they don't sail or fly or drive or dive without the men and women who wear the uniform and their families. They have taken care of us. They have kept the faith with us. We owe them no less.

The commitment to sailors, marines, and their families is there whether they serve 4 years or 40. It begins the moment they raise their hand and take the oath to defend our Nation. It continues through the training and education that spans their career. It reaches out to their loved ones because it is not just an individual who serves, but an entire family.

It supports our wounded warriors with recovery, rehabilitation, and re-integration. It continues with transition services for our veterans to locate new jobs and the GI Bill for their continued education or to transfer for a family member's education.

The list goes on and on and on as it should. Our commitment to our sailors and marines can never waver. It can never end. For 236 years from sail to steam to nuclear, from the USS *Constitution* to the USS *Carl Vinson*, from Tripoli to Tripoli, our maritime warriors have upheld a proud heritage, protected our Nation, projected our power, and provided freedom of the seas. In coming years, this new strategy and our plans to execute that strategy will assure that our naval heritage not only perseveres, but that our Navy and Marine Corps continue to prevail.

Thank you, Mr. Chairman and members of the committee.

[The prepared statement of Secretary Mabus can be found in the Appendix on page 56.]

The CHAIRMAN. Thank you, Mr. Chairman.
Admiral.

**STATEMENT OF ADM JONATHAN W. GREENERT, CHIEF OF
NAVAL OPERATIONS, U.S. NAVY**

Admiral GREENERT. Chairman McKeon, Ranking Member Smith, distinguished members of the committee; it is my honor to appear for the first time before you to discuss the Navy's budget submission. Because of the dedication of our 625,000 active and Reserve sailors and civilians, and their families, the Navy and our primary joint partner, the U.S. Marine Corps, remain a vital part of our national security. I am honored to serve and lead the Navy in these challenging times and I thank you and this committee for your continued support.

I would like to make three short points here today: the Navy's importance to our Nation's security; the enduring tenets and the priorities that have guided my decisions since I have been the chief; and how these tenets and these priorities have shaped Navy's budget submission.

Today, our Navy is the world's preeminent maritime force. Our global fleet operates forward from U.S. bases and partner-nation places around the world to deter aggression, respond to crises, and when needed and when called upon, win our Nation's wars. If you refer to the chartlet in front of you, you can see that on any given day we have about 50,000 sailors and 145 ships underway, with about 100 of those ships deployed overseas.

[The information referred to can be found in the Appendix on page 184.]

Admiral GREENERT. Because we ensure access to what I refer to as the maritime crossroads, where shipping lanes and our security interests intersect, we can influence events abroad and advance the country's interests. These crossroads are indicated by what might be orange bow ties, or if you are mechanically inclined, valve symbols on the chartlet.

For example, in the Middle East, we have 30 ships and more than 22,000 sailors at sea and ashore. They are combating piracy, supporting operations in Afghanistan, assuring our allies, and maintaining a presence in the region to deter or counter destabilizing activities. These forces rely on facilities in Bahrain, our U.S. partner for 6 decades.

In the Asia-Pacific, we have about 50 ships supported by our base on Guam and our facilities or places in Singapore, the Republic of Korea, and Japan. In the Indian Ocean, we depend on Diego Garcia, with a fleet-tender stationed there and an airfield for ship repair and logistics support.

Around the Horn of Africa, we depend on the airfield and the port in Djibouti to support our forces conducting counterterrorism and counter-piracy operations. And in Europe we rely on places in Spain, Italy, and Greece to sustain our forces forward in support of our NATO [North Atlantic Treaty Organization] allies. In our own hemisphere, our port and airfield at Guantanamo Bay will grow more important in the next several years as the Panama Canal is widened.

When I assumed the watch as the Chief of Naval Operations, I established three key principles for our decisionmaking. I call them tenets. To me, they are clear, unambiguous direction for our Navy leadership. They are warfighting first, operate forward, and be

ready. These are very much in my calculus to reduce the risk in our ability to meet our assigned missions.

Warfighting first. That means the Navy has to be ready to fight and win today, while building the ability to win tomorrow. This is our primary mission and all our efforts must be grounded in this fundamental responsibility.

Iran's recent provocative rhetoric highlights the need for us to have a forward-deployed warfighting capability. In our fiscal year 2013 budget submission, we redirected funding toward weapons, systems, sensors and tactical training that can be more rapidly fielded to the fleet. Including in there were demonstrators and prototypes that could quickly improve our force's capabilities.

Operate forward. That means we will provide the Nation an off-shore option to deter, influence, and win in an era of uncertainty. Our ability to operate forward depends on our bases and what I call places overseas where we can rest, repair, refuel, and resupply. Our fiscal year 2013 budget submission supports several initiatives to establish our forward posture, including placing forward-deployed naval force destroyers in Rota, Spain, forward-stationing Littoral Combat ships in Singapore, and patrol coastal ships in Bahrain.

We are also collaborating with the Marine Corps, and I am working with the Commandant, to determine the support and the lift needed for marines to effectively operate forward in Darwin, Australia, in the future.

Be ready. That means we will harness the teamwork, the talent, and the imagination of our diverse force to be ready to fight and responsibly use our resources. This is more than completing required maintenance and ensuring parts and supplies are available. Being ready also means being proficient, being confident with our weapons and sensors, our command and control, our communications, and our engineering systems as well.

Applying these tenets that I just discussed to meet the defense strategic guidance, we built our 2013 budget submission while following three priorities. First, we will remain ready to meet our current challenges today. Consistent with the defense strategic guidance, I will continue to prioritize readiness over capacity and focus our warfighting presence on the Asia-Pacific and the Middle East.

Priority two, we will build a relevant and capable future force. Our Navy will evolve to remain the world's preeminent maritime force, and our shipbuilding and aircraft construction investments will form the foundation for that future fleet.

In developing our aircraft and ship procurement plans, we focused on three approaches: sustain the serial production of today's proven platforms, including the *Arleigh Burke* destroyers, *Virginia* class submarines and the Super Hornet. Two, we will promptly field new platforms in development such as the Littoral Combat Ship, the Joint Strike Fighter, the *Ford* class aircraft carrier, the P-8A Poseidon aircraft, and the *America* class amphibious assault ship.

And number three, improve the capability of today's platforms through new weapons, sensors, unmanned vehicles, including the Fire Scout, the Fire-X, and the advance missile defense radar. New weapons, sensors and unmanned systems will allow us to project

power despite threats to access, as described in the new defense strategic guidance.

Although these systems will enable our continued dominance in the undersea environment, cyberspace presents a different set of challenges. Our 2013 budget submission supports our goal to operate effectively in cyberspace and fully exploit the electromagnetic spectrum.

Priority three, we will enable and support our sailors, civilians, and their families. I am extremely proud of our people. We have a professional and a moral obligation to lead, to train, to equip, and to motivate them. Our personnel programs deliver a high return on investment in readiness. We fully funded our programs to address operational stress, support families, eliminate the use of synthetic drugs like spice, and aggressively prevent suicides and sexual assaults.

I support the compensation reforms included in the Defense Department's 2013 budget submission, which I believe are appropriate changes to manage the costs of the all-volunteer force.

In closing, Mr. Chairman, your 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 effort in war and in peace.

I assure the Congress and this committee and the American people that we will be focused on warfighting, we will be operating forward, and we will be ready. With your support, I am sure we will be successful. Thank you.

[The prepared statement of Admiral Greenert can be found in the Appendix on page 99.]

The CHAIRMAN. Thank you, Admiral. General.

STATEMENT OF GEN JAMES F. AMOS, USMC, COMMANDANT OF THE MARINE CORPS

General AMOS. Chairman McKeon, Ranking Member Smith, members of the committee, I am pleased to speak to you today again on behalf of the United States Marine Corps. As we sit today in this chamber, 30,000 marines are forward-deployed around the world defending our Nation's liberty, shaping strategic environments, engaging with our partners and allies, ensuring freedom of the seas, and deterring aggression.

Over the past year, the forward presence and crisis response of America's marines, working in concert with our most important joint partner, the United States Navy, has created opportunities and provided decision space for our Nation's leaders.

Your marines were first on the scene to provide humanitarian assistance and disaster relief in Japan in the aftermath of last year's monumental natural disasters, the first to fly air strikes over Libya. They evacuated noncombatants from Tunisia and reinforced our embassies in Egypt, Yemen, and Bahrain.

While accomplishing all of that, your Corps continued sustained combat and counterinsurgency operations in Afghanistan. Having just returned last Wednesday from visiting many of the nearly 20,000 marines and sailors deployed there, I can tell you firsthand that their professionalism and morale remain notably strong. There is an indomitable spirit displayed in all that they do. Their best in-

terests and the needs of all of our forces in combat remain my number one priority.

History has shown that it is impossible to predict where, when and how America's interest will be threatened. Regardless of the global economic strain placed on governments and their military forces today, crises requiring military intervention will undoubtedly continue tomorrow and in the years to come.

As a maritime nation, dependent on the sea for the free exchange of ideas and trade, America requires security both at home and abroad, to maintain a strong economy, to access overseas markets, and to assure our allies.

In an era of fiscal constraint, the United States Marine Corps is our Nation's best risk mitigator, a certain force during uncertain times, one that will be the most ready when the Nation is the least ready.

There is a cost to maintaining this capability, but it is nominal in the context of the total defense budget and provides true value to the American taxpayer. This fiscal year I am asking Congress for \$30.8 billion, 8 percent of the DOD budget. Your continued support will fund ongoing operations around the world, provide quality resources for our marines, sailors, and their families. It will reset equipment that is worn out from 10 years of war, and lastly, it will posture our forces for the future.

When the Nation pays the sticker price for its marines, it buys the ability to respond to crises anywhere in the world with forward-deployed and forward-engaged forces.

This same force can be reinforced quickly to project power and to contribute to joint assured access anywhere in the world in the event of a major contingency. No other force possesses the flexibility and the organic sustainment to provide these capabilities.

As our Nation begins to direct its attention to the challenges and opportunities of the post-Afghanistan world, the world where the Middle East and the Pacific rightfully take center stage, the Marine Corps will be ever-mindful of the traditional friction points in other regions and prepare to respond as needed and as directed by the President.

The strategic guidance directs that we rebalance and reset for the future. We have a solid plan to do so and we have begun execution already. We will train and educate our marines to succeed in the increasingly complex and challenging world of the 21st century. In doing so, we will not deviate from consistency in the five principles so critically important to the continued success of our Nation's Corps.

Number one, we will recruit high-quality marines. Number two, we will maintain a high state of unit readiness across the Corps. Three, we will balance capacity with strategic requirements. Four, we will ensure that our infrastructure is properly cared for and tended. And lastly, we will be responsible stewards of our equipment modernization effort.

As we execute a strategic pivot, I have made it a priority to keep faith with those who have served during the past 10 years of war. Through judicious choices and forward planning, ever-mindful of the economy in which we live, we have built a quality force that meets the needs of our Nation.

By the end of fiscal year 2016, your Corps will be streamlined to 182,100 marines. This Active Duty force will be complemented by the diverse depth of our operational Reserve Component that will remain at 39,600 strong.

Our emerging Marine Corps will be optimized for forward presence, engagement and rapid crisis response. It will be enhanced by critical enablers, special operators, and cyber warfare marines, all necessary on the modern battlefield.

To build down the Marine Corps from its current end strength of 202,000, I will need the assistance of Congress for the fiscal resources necessary to execute the drawdown at a measured and responsible rate of approximately 5,000 marines a year, a rate that guards against a precipitous reduction that would be harmful to our Corps.

As we continue to work with our Nation's leadership and my fellow joint partners, you have my assurance that your Corps will be ever-faithful in meeting our Nation's need for an expeditionary force in readiness, a force that can respond to today's crisis with today's force today.

Thank you for the opportunity to appear before you today, and I look forward to your questions.

[The prepared statement of General Amos can be found in the Appendix on page 123.]

The CHAIRMAN. Thank you very much for your testimony.

I understand when we came back after the last election for this Congress, that there was broad support to cut our spending here in Washington. And there was a cry that everything had to be on the table, including defense.

I thought that that was reasonable. With a budget the size of ours, if we couldn't find some savings, I felt like we should be ashamed of ourselves. But I think that the amount that we are cutting is the edge of too much, the budget that we are dealing with at this point.

But the thing that I really worry about every single day—it seems like all day—is sequestration. Now, I know that that is out of your hands to control that, but I have some questions about it.

General, Admiral, I would like to know, sequestration at this point is the law and it kicks in January 1st of 2013. We were told when we passed the Deficit Reduction Act that the sequestration would be so onerous that we wouldn't have to worry about it coming into effect.

Well, we see that the "super committee" [Joint Select Committee on Deficit Reduction] wasn't able to accomplish their work; no further cuts, nothing was done about entitlements or about the part of the budget that is the real problem.

We know, I think, if we cut all of the defense budget, if we cut all of the discretionary spending, we would still be running a deficit of about half trillion dollars a year. But that is behind us now. They didn't do their work. What is ahead of us is the sequestration.

And the way it is set up, as you pointed out, Mr. Secretary, you have had months to plan and prepare for these cuts that were going through the budget—right now.

But the sequestration is just an across-the-board whack. And when we had a briefing—you were here, I guess it was a couple

weeks ago—the question was asked of Dr. Carter, “What are you doing, what are you planning for sequestration in January?” He said it doesn’t require any planning because it is just—everything is cut evenly. We just have to take out the budget, go line by line and just cut everything 8 percent, 9 percent—however it works out.

My question is, at what point do you start doing something about this? You, I know, are not going to wait till January 1st to take action on this.

Admiral, General, when do you start putting into place things that are going to take effect January 1st next year?

Admiral GREENERT. Mr. Chairman, as you may know, the Office of Management and Budget has directed the Department not to plan for sequestration, and so as you stated we are not at this time.

But as we discussed in briefings with this committee and others, sometime late this summer, if there is no other action or direction, step one for us would be, as we think toward the next budget, we need to think about our strategy and we would be giving that some thought, as Dr. Carter indicated in his briefings.

But beyond that, our direction has been not to plan for such occurrence.

The CHAIRMAN. Boy, I think that—I understand you—you follow orders, but to my way of thinking, to say don’t even think about it, don’t plan when we know that it is the current law.

I know I have talked to leaders of industry, those that build the planes and the ships and the things—they are instituting programs, they are going to be laying people off. They have to.

I think it is totally irresponsible to put you in a position by command that you can’t think about it. I understand that it is going to be very tough implementing all of these budget cuts that we are doing right now, but the way—the Congress has been, our track record isn’t good. It doesn’t look good that we will fix this. And I would hope that the Administration would focus on this and would do something about fixing it prior to January 1st.

General.

General AMOS. Chairman, I echo my colleague’s exact response. If I can make a couple of anecdotal comments.

It will be very difficult to plan for it right now because if sequestration came about we would end up likely going back in and having to redo a complete new strategy. That would then eventually shape the outcome of the budget.

We don’t know whether it is—what will happen. OMB [Office of Management and Budget], it is my understanding that OMB will tell us the percentage of reductions within sequestration if it hits. It could be somewhere between 10 and 20 percent.

My budget is \$24 billion, if you don’t include the OCO [Overseas Contingency Operations]. So if you just take \$10 billion—or 10 percent out of that, that is \$2.4 billion. So immediately you start getting a sense of the impact for—on an annual basis—for your Marine Corps. The President could also exclude, it is my understanding, personnel. When we built the strategy—and certainly I think I can speak for all the Service Chiefs—to avoid a hollow force, and we talked capacity earlier, we balanced capacity with ca-

pability as we fleshed out the strategy. And we have that force that is not hollow.

If personnel is excluded from sequestration, that is a recipe for a hollow force. That means you maintain—I maintain 182,000 marines and I have to dial down my other two areas in procurement and operations and maintenance. That is equipment, that is modernization, and it is the ability to train and educate marines.

So it would—at this point it would be nearly impossible to guess what it would be. If it was balanced across all three of those accounts and personnel was not sequestered off the side, we still wouldn't know until Congress.

So it is a near-impossible situation for us. I will tell you that the impact of sequestration, we will have a reduced forward presence, it will be a refined strategy as we know it today. And I think it is certainly going to stagnate reset on my part in the Marine Corps. I mentioned in my opening comments 10 years of combat. The equipment that is in Afghanistan today came from Iraq. It came from Iraq. It will stagnate the ability to reset that force.

The CHAIRMAN. You had the opportunity I know before, we have it in the record, of when we had a hearing in September where you also testified on this.

Admiral.

Admiral GREENERT. Mr. Chairman, I was just going to say, you know, we talk about planning. That is one thing. If you say, "Well, are you going to do when it comes?" there will come a time when, in order to prevent devastation, which is what happens when you just algorithmically apply all this to every single account, can't do it with a 0.87 ship, a 0.87 salary, there will come a time when in order to take care of our people—and we will start with people—that is logically how we will do this, to be sure they get paid and they are cared for and all that.

So that is the execution part, to sustain contracts, to do the best we can if there is an algorithmic application. That time will come, probably in the summer. We do contingency planning. That is in our DNA in the military.

The CHAIRMAN. I just see this as catastrophic, the upheaval that it will cause throughout our whole defense system.

Mr. Secretary, how many contracts do you have on things that you—that you buy? Just estimate.

Secretary MABUS. I can tell you pretty exactly the value of the contracts.

The CHAIRMAN. No, I want to know how many individual contracts.

Secretary MABUS. That I can't tell you.

The CHAIRMAN. In the thousands?

Secretary MABUS. Yes, sir.

The CHAIRMAN. Would those have to all be rewritten at that time?

Secretary MABUS. My understanding of sequestration is everything gets hit.

The CHAIRMAN. Yes. And it would be 8 percent. And if the President's takes out the personnel, then it is 12 percent.

But every contract, to my understanding, would have to be rewritten, renegotiated January 1st, next year. I mean, if we really

focus in and see what an irresponsible position we have put ourselves in, this is—I am going to ask each of the Service Chiefs this question, each of the Secretaries, because I want the country to understand where we are heading. We are going right off a cliff. And we better, all of us, wake up and do something about fixing that before.

Our normal year, a normal Presidential election year, we leave about the end of September to go home and campaign. We generally come back to finish up unfinished things. But if this election is anything like the last election, total upheaval. If the Senate changes hands there is what—who is going to want to fix anything from November to the end of December. And the new Congress isn't sworn in till after January 1st. The new President isn't sworn in till January 20th. And you are going to be having to deal with those things January 1st.

Thank you very much for your service.

Mr. Smith.

Mr. SMITH. Doesn't have to be a new president, Mr. Chairman. I just want to throw that out there. I know it was just turn of a phrase, but anyway.

No, you said the new president will be sworn in on January 20th. I had to point out it doesn't have to be a new one, just for balance's sake. But that is just a joke, Mr. Chairman, don't worry about it.

Well, thank you. In my opening remarks, I want to thank Secretary Mabus also for naming the Littoral Combat Ship after Congresswoman Giffords. Those of us who have served with her on this committee know that that honor is richly deserved, and we thank you for doing that. She, you know, served on this committee her entire 4 years in Congress and was incredibly dedicated to the military. I had the privilege of traveling with her to Iraq and Afghanistan, variety of other places where our troops were stationed. She was absolutely dedicated to our military during her service in Congress. I think this is a very appropriate honor and I very much on behalf of the committee want to thank you and appreciate you doing that.

I do share the Chairman's concerns about sequestration. I think it is just not debatable that it would be devastating. The number alone is entirely too big and the way that it is done, as I think the Chairman did an excellent job of describing, is just unworkable and unmanageable. You know, at an absolute minimum we would have to come back in and change that, to at least give you some flexibility in terms of how you would implement it.

But I do think that we need to sound that alarm more loudly that we must prevent this. Now, it is possible and I think highly likely, actually, that we would come in, in December, and find a way to avoid sequestration. For one thing, \$4.2 trillion worth of tax cuts also expire, kick in on January 1. That more than gets us to the \$1.2 trillion.

But we don't want to do that, and I think what we need you gentlemen to do and what this committee needs to do is to point out that even if at the absolute last second, as we are want to do around here, we avoid catastrophe, it would still be a disaster. The planning, the efforts to try to figure out, well, is it happening, is it not happening, as the Chairman pointed out, you know, contrac-

tors are going to be laying off people, not hiring people, we really need to step up the pressure and let people know that we need to do something to prevent sequestration.

Now, the something that we need to do is to find \$1.2 trillion in savings over the course of 10 years. There has been a few ideas put out by Mr. McKeon, by Senator McCain, by the President. In his budget he finds \$3 trillion in savings, which would avoid sequestration.

We really need to find a way to come together. You know, a constituent suggested something to me several months ago just off the top that is sounding better and better, and that was, you know, it is \$1.2 trillion, if the Democrats and Republicans can't agree on it, okay, Republicans, you get to find \$600 billion, Democrats, you get to find \$600 billion, agree on it, and let's go.

But whatever it is that we do, we need to find that solution. The only two minor amendments I would make—well, not so minor actually—is I think we are actually headed towards two different cliffs on this one. Certainly sequestration is a cliff, but so is the sheer size of our debt and deficit. I know not everybody agrees on that point, but fiscal year 2011 we spent \$3.6 trillion, we took in \$2.3 trillion. That is a \$1.3 trillion gap and I think the third consecutive year of trillion-dollar deficits.

That, too, is a threat to our national security and we have to find a way to confront that. So simply finding a way to once again avoid that cliff, to say, "Well, we are just not going to do sequestration," to avoid the sequestration cliff and then ignoring the debt and deficit cliff I don't think is a reasonable option. And I do think the \$487 billion in savings over 10 years is a very reasonable number. I think you gentlemen have proven that with the strategy and the plan that you have put together.

I will point out again it is not actually a cut, it is a decrease in the projected increase over the course of those 10 years. So I think it certainly ought to be manageable.

But I will have a stronger note of agreement with the Chairman today than we had yesterday and simply focus on the fact that we agree that sequestration must be avoided. We must sort of raise the alarm on how big a problem this is and how unacceptable it is to wait until December and then address it at the last minute. You know, I just wanted to add that comment and support the Chairman that we need to do something about sequestration. I don't have any questions. I have had the opportunity to speak with all of you and had those questions answered very adequately. I will yield my time. Thank you.

The CHAIRMAN. Just one comment. Actually in the plan that was given to us we do show 3 percent negative growth over the next 5 years. So it is a cut.

Mr. Akin.

Mr. AKIN. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, Admiral and General for joining us today.

And I am going to follow a little bit the pattern of what we have heard because I don't think it can be emphasized enough. And what you have come here today with is essentially a 10-percent cut across the board for all of the Department of Defense. And so you

were given a number, you had to manage to that and try and come up with the best force you could given the money you had.

But that is not talking about the elephant that is in the room, which is another 10-percent cut with no flexibility as to how you are going to manage that. That is what we call sequestration.

And you have said that you are just following orders. The orders were don't plan for it right now. And I think there isn't any way to plan for sequestration because it is just a disaster and administratively it is impossible to do.

But I guess the thing that concerns me is, is that I don't sense here on the Hill a commitment from everybody to turn that sequestration around.

And so I would charge all three of you, I believe you—does anybody disagree that this would be a disaster for our defense, to have another 10 percent through a sequestration, isn't that a mess? That would be a mess unlike anything you have seen in your military service probably? Is that correct? I don't mean to put words in your mouth, I just—you have already said this, I just—okay.

So I thought, in terms of questions, I wanted to start there, just make it absolutely clear for the record that this is intolerable and that this is highly destructive to our ability to keep America secure.

Is that where we are? Mr. Secretary? I want to hear a resounding, "Yeah, I don't want to do sequestration."

Secretary MABUS. Yes, sir, you will get a resounding yeah, that we do not want to do sequestration—

Mr. AKIN. Right.

Secretary MABUS [continuing]. Not only in the amount it takes out, but also in the—

Mr. AKIN. Method.

Secretary MABUS [continuing]. Flexibility.

Mr. AKIN. Yes. Right. Okay.

Now, let's take a look at where the Navy came out. We took about a 10-percent cut in defense overall. Was your overall budget cut about 10 percent also with what you are showing us today is how you are working this out? Or did you take a little less than that?

Secretary MABUS. We went down from fiscal year 2012 of \$157 billion to \$155 billion. So we did not take a 10-percent cut, sir.

Mr. AKIN. Say those numbers again, please.

Secretary MABUS. In fiscal year 2012 the Department of the Navy got \$157 billion. That is not counting OCO. And for our fiscal year 2013 request, it is \$155.9 billion, so almost \$156 billion.

Mr. AKIN. So I guess my sense is correct then because it looks to me like what you are—what you put together here for the Navy and the Marine Corps appears to me, if I had to sit in your shoes and I had to make the cuts that you are talking about doing, it seems to me I think I would have tended to go the same way you did in terms of what you retire and what you are trying to build and trying to balance that all out.

But your cut was not—clearly not a 10-percent cut, it was quite a bit less than that. Is that correct?

Secretary MABUS. Yes, sir.

Mr. AKIN. Okay. And consequently what you are talking about you are really keeping up with the number of aircraft carriers, you are keeping up with the number of destroyers that were planned to be built pretty much, keeping up with Littoral Combat Ships, that is pretty much on track. Submarine you are staying pretty much even what we are talking about. Is that correct?

Secretary MABUS. Yes, sir. We had to move one *Virginia* class submarine from 2014 outside the FYDP to 2018. We had to move two Littoral Combat Ships from 2016 and 2017 outside the FYDP, but we remain committed to the 55 build of that and to the 11 carriers, as you mentioned.

Mr. AKIN. Right. Okay.

The concern about the *Ohio* class, we didn't really have a good solution for that in the budget before, and it becomes an even less good solution now when we starting looking beyond just the FYDP and you start looking at where we have to start paying for that. Is that correct?

Secretary MABUS. Yes, sir. We have brought the cost down from about \$7 billion to about \$5 billion a boat now. And as you know, we have slipped the construction date 2 years for the beginning of that class. But when that class is being built it will clearly have a major impact on the rest of our shipbuilding program.

Mr. AKIN. Good. Well, I appreciate what you have done and—

The CHAIRMAN. The gentleman's time has expired.

Mr. AKIN [continuing]. Thank you for doing the best you could with what you had.

The CHAIRMAN. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman.

Mr. Secretary, Admiral, and General, welcome and thank you for being here with us.

Mr. Secretary, I wanted to echo my thanks to you for naming ships celebrating the great diversity of our country, especially most recently Sergeant Rafael Peralta, who I know my colleague Duncan Hunter recommended. We very much appreciate that, and also naming a ship after Cesar Chavez. He was a World War II veteran who one of my uncles that actually served and participated on D-Day actually knew. And I remember him telling me that the Navy then was much different than it is today for Mexican-Americans. So I appreciate you doing that.

And also thanks for naming ships after Jack Murtha, who cared so much about all our military, but especially the Marine Corps, and certainly deserved that great honor, as well as our good friend and colleague Gabby Giffords.

So I just wanted to add my thanks to you, Mr. Secretary. I know you took a bit of heat, but it is I think a testament to recognizing that diversity is this country's greatest strength and I appreciate what you have done.

I wanted to ask a question on the V-22s, General Amos. I will tell you up front I am concerned about cutting back the Marine Corps, just like I am about cutting back the Army in terms of the threats that we face. I recognize that some cuts need to be made, but I just want to express that concern.

But as it relates to the V-22s, according to the information that I have, the budget shows cuts to the V-22 production of about 10

a year. And the total number of V-22s for the Marine Corps going down to or—by those 10 or are those purchases just simply being delayed?

General AMOS. Congressman, the program of record for the V-22 has always been 360, for many, many years. We have—out of this FYDP we slid to the right, just outside the FYDP, 24 tails. We are still going to buy those airplanes, it just became a function of trying to balance ourselves and balancing the needs with the wants and—or the ability to pay for it.

So we are still going to buy those V-22s. They are performing magnificently. I flew all over Afghanistan last week in them. Marines love them. And they have doing very, very well.

So it is a strong program and we intend to buy all 360, sir.

Mr. REYES. So the Marine Corps is not planning on eliminating any of the V-22 squadrons under this plan?

General AMOS. We are not, sir.

Mr. REYES. Okay. That is great news. And I just—I visited in Afghanistan the last time with the Chairman. We were flown around in the V-22s. You are absolutely right, the marines love them. They are a great aircraft, from everything that I have seen, both here in this country and also deployed under wartime conditions. So I just wanted to make sure we weren't cutting those aircraft out.

So with that, thank you. Thank you all for the work that you do.

And, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Thank you.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

Mr. Secretary, this is a copy of the much-heralded new strategy. It is about eight pages long. And one of the things that we know very clear is that that is been driven by the budget. The Secretary of Defense said yesterday he was given about \$487 billion of cuts, he had to get a strategy that would work within those parameters.

General Amos just said if sequestration comes through, we have other budget dollars, that we would have to do an entirely different strategy, not because of security changes, but because of dollar changes.

The result of all of that has been that we have gone from 1989, where we had 566 ships in the Navy, to 285 ships under these budget cuts. And I also hear you bragging that we are not going to get any worse.

Then we are going to have a \$10 billion cut in our shipbuilding budget. The independent panel, bipartisan, that reviewed the QDR [Quadrennial Defense Review], said we needed 346 ships. The Navy has been saying we need 313 ships.

Now once again we are saying, okay, let's take our pencil and erase that and say 285 is okay. We are decommissioning seven cruisers early. We are decommissioning two smaller amphibious ships. You are reducing your amphibious ship requirements from 38 ships to 33 and possibly 30. We are delaying the procurement of a *Virginia* class attack submarine. In 8 years the Chinese will outnumber us in subs in the Pacific 78 to 32. And we are facing another trillion dollars in budget cuts if sequestration falls through.

Mr. Secretary, it is kind of like that book that used to be out, “Where’s Waldo?” I have been looking to see and hoping that the Secretary of the Navy would be coming in pounding on the desk saying, “Enough is enough. I am going to fight for my ships. I am going to fight for my planes. I am not going to be satisfied to be the lowest we have been in 20 years.” And I haven’t seen you doing that.

And so I went to your Web site and I assumed, well, it is just because he hasn’t been here, he has been out saying it somewhere else. So I pulled up your Web site and since August you have given four major policy speeches. Three of those four speeches have been about alternative energy.

Now, look, I love green energy, so I am not against it. It is a matter of priorities. I look at all the cuts we are making, not in alternative energy, they are going up. I look again at your priorities, third top priority you have is to have the Navy lead the Nation in sustainable energy. You are not the Secretary of the Energy, you are the Secretary of the Navy.

And, Mr. Secretary, I say this, that is despite the fact that the Navy’s biofuel blends cost nearly four times, they are \$15 a gallon, conventional Navy fuel. You spent \$12 million on 450,000 gallons or fermented algae biofuel, and here is your statement. Not that it is going to save lives of our sailors, you said because the Navy is going to once again lead by helping to establish a market for biofuels.

Last year I had a request that you were coming to our office or sending somebody and you wanted reprogramming of \$170 million, and I said, “Thank goodness. He is going to come in say, “We need more ships, we need more planes, we need more op time, we are going to fight for our prepositioned stocks,” and what you came in and asked for, essentially, was you asked to send that \$170 million so we could use it for biofuels for algae. And, again, the quote you said, not saving lives of sailors, but it helps advance the biofuels market.

Now, Mr. Secretary, the reason I say that is because in today’s *Washington Post* we have two key articles that worry me. One of them says this. This is the title: “Obama’s Asia strategy gives Navy key role, [but] fewer ships.” That worries me when we are shifting to the Pacific, but we have fewer ships. And I would think we would be pounding on the desk saying, “We need more ships.” It is too few ships.

And then the other thing that worries me is, the same paper, I see “Federal funds flow to clean-energy firms with Obama administration”—\$3.9 billion—I don’t know if it is true. I am just saying what the *Washington Post* said—in Federal grants and financing flowed to 21 companies backed by firms with connections to five Obama administration staffers and advisers.

So, Mr. Secretary, here is my question: I understand that alternative fuels may help our guys in the field, but wouldn’t you agree that the thing they would be more concerned about is having more ships, more planes, more pre-positioned stocks, more off-time home than what they are having? And shouldn’t we refocus our priorities and make those things our priorities instead of advancing a biofuels market?

And I am going to give you the rest of the time to respond to that.

Secretary MABUS. Well, thank you, Congressman.

I have made it the priority of this Administration to build the fleet. Because as I pointed out in my opening statement, in the eight years before I got there, the fleet had declined pretty dramatically both in terms of ships and in terms of people. So in one of the great defense buildups that this country has ever known, the Navy went down. The number of ships went down. The number of sailors went down.

Today, we have, just last year—we have 36 ships under contract. And they are all, by the way, firm fixed-price contracts so that we can afford these ships, so that we get the ships that we need. To compare the 285 ships that we will have in 2017 to the whatever number of ships we had in 1989, the different capacity, the different capabilities, the advancements that we have made—

Mr. FORBES. Mr. Secretary, I don't want to interrupt you there, but I just want to say this. I am not comparing them to what we had in 1989. I am comparing to what the Chinese may be building over the next several years because they have more ships now in their navy than we do. Granted, not the same capability, but at some particular time, it bothers me that their curve is going up and ours is either holding firm or going down. And I will let you—

The CHAIRMAN. The gentleman's time has expired.

Mr. McIntyre.

Mr. MCINTYRE. Thank you, Mr. Chairman.

And Mr. Secretary, Admiral and General, thank you for your commitment here.

Interestingly enough, I wanted to ask about a similar question, but let me say as a member of both the Agriculture and Armed Services Committee, I know, Mr. Secretary, it was my pleasure to be with you at the Pentagon when you and Secretary Vilsack originally signed the agreement for the Navy to use biofuels as part of your alternative energy supply for aircraft and ships in January of 2010.

And as you know, in April of 2010, it was my honor to share with you some hometown product you have there. We flew to Pax River Naval Air Station to see the F/A-18 make its debut as the "Green Hornet," when it first flew on biofuels.

On page 30 of your testimony, you mention the fact that we as a nation use over 22 percent of the world's fuel, but only possess less than 2 percent of the world's oil reserves. Even if we tap every domestic resource, we do not have enough to meet all the needs over time. And as a minority producer of fuel, we will never control the price. And then you state by no later than 2020, 50 percent of the Department's energy will come from alternative sources.

Would you say that you are still on course to meet or achieve that goal by 2020?

Secretary MABUS. Yes, sir, we are.

Mr. MCINTYRE. And with the work that you have done in biofuels, are you confident that it will be able to be used in the aircraft and in the ships as you had originally planned?

Secretary MABUS. We have certified all our aircraft, both Navy and Marine Corps, on 50/50 blends of biofuel and avgas, and we are doing our surface ships—our surface combatants now. But the answer is yes.

Mr. MCINTYRE. Okay. All right. And then I notice you have followed up with the Secretary of Agriculture, Secretary of Energy and obviously the Department of the Navy with a memorandum of understanding with regard to further use of biofuels to make sure we stay on course.

Secretary MABUS. Yes, sir.

Mr. MCINTYRE. All right. Thank you. And thank you for your interest in that. I can say from both perspectives, defense and agriculture, and what that means for our not being dependent on foreign oil sources.

General Amos, are you satisfied with the performance of the F-35B version of the Joint Strike Fighter? And are you convinced that the program should go forward as was originally planned before it was suspended?

General AMOS. Congressman, I absolutely am. I watched that program carefully as the assistant commandant and when I took this job almost 16, 17 months ago, I was determined to pay extraordinary attention to the F-35B. I have done that over the last 15 months. I watch it like the stock market. I have watched the change this year. I have watched those five major engineering issues, the bulkheads, the articulating drive shaft, the aux air doors, the roll posts, the overheating.

I have watched that change. I watched the weight margin change to a favorable weight. I watched the airplane complete its test flights and test points. And then I flew out with the Secretary of the Navy on board the USS *Wasp* several months ago to watch it at sea trials.

Congressman, I am absolutely convinced that the program is back on track and I highly supported the Secretary of Defense's position to remove it off probation.

Mr. MCINTYRE. Thank you, sir. And thank you for your leadership in that effort. Admiral, I wanted to ask you, with the *Ohio* class SSBNs [Nuclear-powered Ballistic Missile Submarine] scheduled to begin retiring in 2027, how will delaying the *Ohio* class replacement program by 2 years affect the Navy's ability to meet STRATCOM's [U.S. Strategic Command] at-sea requirements?

Admiral GREENERT. Well, what we will have to do, we owe a certain number of submarines in a certain number of time. I can't give you those numbers specifically due to the classification. But the point here is we have to measure the ability to meet that operational availability during that timeframe. We have done that. We have evaluated it. And it is equivalent to that—the operational availability of SSBNs that we provide today.

Today's numbers are acceptable to Strategic Command. We will work with them in the future, but they look the same.

Mr. MCINTYRE. And would you say in all candor that the delay in the *Ohio* class replacement program is being done solely for budget reasons?

Admiral GREENERT. Predominantly budget reasons, but there is an advantage to this, and that is the design feature will be much more mature when we get to construction.

Mr. MCINTYRE. All right. And are you convinced that the opportunity to stretch the *Virginia* class submarine is one of the answers to deal with this issue?

Admiral GREENERT. Are you saying to—are you talking about the *Virginia* payload? Or do you mean stretch the program out?

Mr. MCINTYRE. No, the payload.

Admiral GREENERT. The payload?

Mr. MCINTYRE. Yes, sir.

Admiral GREENERT. Yes, sir. I believe the payload is a viable solution. We have done exactly this type of thing, that is an insertion of a cruise missile launch platform. We do it with the SSGNs [Cruise Missile Submarine] today, and it works quite well.

Mr. MCINTYRE. Okay. Thank you.

Thank you, Mr. Chairman. I believe my time is expired.

The CHAIRMAN. Thank you very much.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Gentlemen, we appreciate your answers today and we all know this is a time of austerity. The President is proposing budgets to cut national defense. We are all concerned as to what that means for our national security. And the questions that you are getting today are how do you take the cuts that are being proposed and ensure that we are not going things that make us less safe; that if we actually look to savings, we look to savings that does not reduce our national security.

So with that, we have, you know, all these members have several concerns and I do also.

Admiral Greenert, if you look at the National Nuclear Security Administration's recent budget proposal, it cuts funding for the W76 life extension program, also known as the W76-1. As you know, this is the key warhead for the Navy's D5 submarine-launched ballistic missiles. Can you please talk about any concerns that you have with this proposal? Are there any operational constraints this creates in terms of Navy's planning? And would you know why the NNSA [National Nuclear Security Administration] would have changed plans? And do you approve of this plan?

And also, Admiral Greenert, if you would—you were commenting on the delay for the SSBN(X). Does the fact that the schedule has been delayed eat up all of our margin for error? Could you please speak on the concerns that people have as to what that effect is going to be?

And also, Secretary Mabus, could you please, in talking about the SSBN(X), were our British allies okay with this delay in the SSBN(X)? Reports are that the U.K. Minister of Defense specifically asked that this delay not occur. I understand you were at the meeting with Secretary Panetta. Would you please elaborate on any British concerns that they might have as we look to how we work and coordinate with our allies?

Admiral.

Admiral GREENERT. Thank you, Mr. Turner.

We are concerned beyond the fiscal year 2013 submission by the NNSA with regard to their warhead upgrade. We have to keep our strategic nuclear systems, including the warheads, modernized. That affects the targeting, it affects the numbers, and our delivery.

So looking at the 2013 submission, we are okay with that. When we look at 2014 and up, we are concerned. We have committed—the NNSA, the Department of Defense, the Navy is involved, the OSD [Office of the Secretary of Defense] staff—we are going to get together, shake this thing out, make sure we prioritize. It is more than the warheads that are involved here. It is also the SSBN(X)s, their propulsion plant, their nuclear propulsion plant, development of that fuel.

It is all mixed in the same budget. So we want to sit down and say, “Okay, what are the priorities here? How are we going to meet it? When does it have to deliver?” And make sure we are all aligned. And that is set up for this summer. For 2013, though, sir, I am okay. I am sanguine with that.

To answer your question on the delay of the SSBN(X), when you talk about risk, do you mean risk to the ability to provide SSBNs to the fleet? Is that what you are referring to? Or the completion of the project?

Mr. TURNER. When you have the *Ohio* class that is scheduled for retirement, you certainly have a schedule that is tight.

Admiral GREENERT. Right.

Mr. TURNER. And when you lose 2 years, certainly everyone has concerns as to what is going to be your overall operational effect.

Admiral GREENERT. Thank you. I understand.

Yes, what we were going to do is, of course, as the *Trident* submarine class retired, and they will start to retire in 2029, we were going to bring in the SSBN(X). So when you retire those two, we will go from 12 to 10 operational SSBNs out there. That is close to what we provide today. And as I said, we measured what do we provide today? Is that acceptable? What will we have out there for capacity? Is that acceptable?

We see that to be okay right now. We will watch it very closely.

Secretary MABUS. Congressman, I was in the meeting with Secretary Panetta and the British Defense Minister Hammond. I had met with the Defense Minister from Britain a couple months before that to talk about this very subject.

We have had technical teams both going to Britain and coming here to talk about the issue of the common missile compartment, which is the one thing that will be alike in our *Ohio* class replacements and their *Vanguard* successor class.

And I think a concise answer is that the British are satisfied with the schedule as it is today. Their concerns have been met in terms of the common missile compartment when it will—when the design will be ready and that their construction schedule can go on as planned with our schedule sliding 2 years.

Mr. TURNER. Mr. Secretary, do you believe that everybody agrees with your assessment of that, that they are fine? I mean, we are obviously going to be looking at the issue too. I mean, do you—I understand you answer that it was—is your belief, but do you believe that there are those that think that they are not fine?

Secretary MABUS. I know that their Minister of Defense is fine. Past that, I don't know, sir.

Admiral GREENERT. Mr. Chairman, I have worked with the First Sea Lord on this. What we have agreed to do is we have two teams, Brits and U.S., sitting down together, both our missile experts, to follow this through. We will sign a memorandum of understanding that this is what we will do, what we will bring in, what they will bring in. We will bring that to fruition in May.

So we are in constant collaboration on this, and we won't let them down.

The CHAIRMAN. Thank you. Gentleman's time has expired.

Mr. Langevin.

Mr. LANGEVIN. Thank you, Mr. Chairman. Secretary Mabus, Admiral Greenert, and General Amos, I want to thank you for coming here before us today and for your service to our Nation.

I want to talk briefly about a couple of areas, hopefully, *Virginia* class submarine and also talk about cyber.

First of all, with respect to submarines, we obviously have a tremendous capability and tremendous success with the cost-efficiency and production rates of the *Virginia* class submarines due to the Navy's decision to procure two ships per year.

Like many of my colleagues, I have deep reservations about the proposed shift of *Virginia* class submarine from the fiscal year 2014 out—to outside the FYDP.

With the current schedule for decommissioning aging boats, even before this move the attack submarine force will already be falling to unacceptable levels in future years. And I believe that such a shift could prove damaging to our Nation's stated strategy of pivoting more of our focus to the Asia-Pacific region, as well as incur additional unnecessary costs and workforce challenges.

With that, Admiral Greenert, would it be fair to say that the availability of *Virginia* class submarines will continue to be in the ever-more vitally important to our future strategic goals? And could you elaborate on how the Navy decided to assume additional risks?

Admiral GREENERT. Sir, the *Virginia* class submarine, in my opinion—I have empirical data on this—is the best performing submarine in the world, and I don't see anything challenging it for the horizon, as I can see. It is the key to our undersea dominance.

The decision in fiscal year 2014 was strictly a fiscal decision. We have a budget to meet. We looked across—as I have stated in my statement, that we look across keeping the force whole, making sure we take care of our people. I have to be ready—when I say whole, W-H-O-L-E, and not hollow.

And when we looked and balanced with our force structure that we have today with our procurement, that is what resulted, was that submarine. So it is strictly a fiscal decision.

Mr. LANGEVIN. Okay. I just point out that as—my understanding that even right now that our—the request from our combatant commander is for the capability that our submarines offer. We can only meet about 60 percent of those requests right now.

This is obviously a vitally important platform, and we need to do everything we need to do to protect that program and keep it strong.

Secretary Mabus, I also want to discuss a topic that has been a great priority of mine for many years now, cyber security and critical infrastructure. While I believe that we are making progress, I firmly believe America is still dangerously vulnerable to a cyber attack against our networks in general and our electric grid in particular.

Vice Admiral Barry McCullough previously testified before this committee that these systems are, and I quote, very vulnerable to attack and that much of the power and water systems—the naval bases are served by single sources that have very limited backup capabilities.

My question is, what progress has the Navy made in addressing these—the threats to both its critical infrastructure and its secure and insecure networks? And how does this budget support those goals?

Secretary MABUS. In terms of the electrical infrastructure, Admiral McCullough was exactly right. But we have been working very hard to see how we can get our bases off the grid if the grid goes down to—so that we can maintain our military capabilities regardless of what happens to the larger grid.

We are looking at collections of bases that are close to each other, do micro grids with them. We are looking at energy sharing arrangements between bases so that as we build up capacity on those bases to produce our own energy, particular alternative energy that we will not be dependent on the outside grid, to move that energy to our bases.

So I think we have a ways to go, but I think we have made a very good start in hardening our bases against that sort of disruption.

In terms of the classified and unclassified networks, cyber is one of the major concerns not only of Navy and Marine Corps, but of the whole Defense Department. This budget—I think you see for the Navy, for the Marine Corps, for the Department of the Navy as a whole, we devote substantial resources to our cyber capabilities, both defensive and offensive. We have stood up 10th Fleet, as you know, as our cyber command which folds in under the National Cyber Command that DOD [Department of Defense] has set up.

And I think that this budget sends us in exactly the right direction in terms of making sure that we have the cyber capabilities that we need in this—in today's world.

The CHAIRMAN. The gentleman's time is expired.

I want to correct something for the record that I stated earlier. I think I may have said we have a 3 percent negative growth. It is 0.3 percent negative growth over the period, if we can get that corrected.

Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman.

And thank you, gentlemen, for being here, for your service and for your testimony.

I share the concerns of many of my colleagues. And I know the concerns that you have, as well. Setting aside the nightmare sequestration, the budget in front of us is alarming enough: the small, in my estimation, number of ships; the reduced number of amphibious ships. We are looking at expanding into the Pacific—

or reemphasizing the Pacific and reducing the number of ships at the same time.

And I know day in and day out the challenges to the Navy and Marine Corps team as they serve around the world, and reduced number of amphibious ships doesn't seem to be helpful there.

But I want to talk about personnel. The Secretary indicated that after a year-and-a-half study that the Marine Corps had looked at reducing its end-strength. And as I understand it, the Marine Corps did do a force structure review and came up with an end-strength of about 186,800. The budget says we are looking at 182,100, so it is even lower than the 186,000.

And General Amos, you said that that is a—we are going to come down at about 5,000 a year.

As you know, I have lived through one of these reductions—as have you—and it can be not fun, to say the very least, because you are going to be—it is not just a question of having 5,000 marines walked out the door. You have to balance a recruiting effort, how many new marines come in and—your rank structure and how many staff NCOs leave and officers and so forth.

Can you talk at all about—look—having looked at that what that is going to mean in terms of forcing people out at a time when we have a pretty shaky economy and we are still engaged in combat?

General AMOS. Congressman, I will be happy to.

We did do the force structure, as you said, a year and a half ago. We have a lot of analytical rigor behind that, and that was going to bring us down roughly 16,000 marines.

We are coming down another 4,000, so the total bill is 20,000 marines. I will just tell you anecdotally up front and the committee that that 20,000—or that 182,100 Marine Corps is a very, very capable Marine Corps, capable of performing all the missions that are going to be assigned to us. So I feel very good about that. I am not the least bit hesitant.

Back to your question. We looked at how we could come down responsibly and “keep faith” with our marines. Keeping faith to me means all those young men and women that came in on a 4-year enlistment had an expectation that they would be allowed to complete it. So that is the first installment with keeping faith. And so it is my intent to allow them to complete their enlistment.

Keeping faith means also that those career marines that have gone past a certain point on the way to retirement will be allowed to continue to reach retirement at 20. So as I look at this and I go, okay, inside that parameter between the recruiting piece of things and the retirement at age—at 20 years, I have a responsibility to keep faith.

Now, we are going to dial the force down several ways. We are going to reduce the amount of accessions, and this year we are going to bring in 28,500 marines. We normally bring in 34,000, 35,000. We are going to tighten up the enlistments on those first-term enlistments. In other words, those marines that finish their first enlistment after 4 years, they are going to be—it is going to be more competitive to be able to stay in the Marine Corps.

We already have a highly qualified young man or woman. It is even going to become more competitive so we reduced that.

We are looking now at reducing what we call the second-term alignment program which are those that are finishing their second enlistment and—making that a little bit more competitive. We are maximizing voluntary opportunities for marines to leave early—

Mr. KLINE. Could I interrupt for just a second because we are running out of time?

Can you jump to the officer corps because you are not dealing with an enlistment situation there, how you are going to address that?

General AMOS. Sir, we are going to shave off—first of all, we get a portion of our officers that want to leave every single year anyway. And I don't have the number right here in front of me.

Mr. KLINE. What are they thinking?

General AMOS. What are they thinking?

[Laughter.]

What officer would want to leave, is my question?

Mr. KLINE. No, I am sorry, go ahead.

General AMOS. And by the way, retention is very high right now. But we have control measures on our officers. All our officers, for the most part, come in as Reserve officers, much the same ways I did when I first came in.

You have an opportunity as a captain to become a career designated officer. That opportunity will shrink and become more competitive. So we are going to control this thing with voluntary measures principally, and that is the direction we are headed.

Mr. KLINE. Okay. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

As you can hear, gentlemen, Chairman, there is a 5-minute rule. We have a 5-minute rule, so it is a little bit—for me, I would like to play a little bit of rapid-fire fill-in-the-blank. So I will try to be very brief with my questions.

First off, Secretary Mabus, thank you for the good news about Naval Station Everett. It is very well-received at home. Folks are very happy to hear that.

The first question has to do with your comments on page nine of your testimony with regard to Growlers [EA-18G Growler aircraft]. You say, in the next 2 years, the buy will be completed. Is there anything that you see that is an obstacle to completing the Growler purchase?

Secretary MABUS. No, sir, it will be completed in fiscal year 2013, so we will buy out the Growlers then.

Mr. LARSEN. Okay, great.

Second, with regard to P-8A's, two questions. One has to do just to clarify the plan buy in the FYDP. You are dropping by one in 2015, by 10 in 2016 and by one in 2017 compared to the 2012 FYDP. Is that right?

Secretary MABUS. We are adding one in 2017, so it is—

Mr. LARSEN. You are adding one in 2017?

Secretary MABUS. It is a net of 10.

Mr. LARSEN. Net 10, okay.

Secretary MABUS. Yes, sir, not being dropped but being pushed to the right. We still have the same requirement, or the same number for P-8s.

Mr. LARSEN. So then the 10's being dropped—is your plan then still to purchase those 10 but in the out years?

Secretary MABUS. Outside the FYDP.

Mr. LARSEN. Outside the existing FYDP?

Secretary MABUS. Yes.

Mr. LARSEN. Thanks. Thank you very much for that.

Admiral Greenert—I am sorry. Back to the—sorry—back to the operational test and evaluation question on the P-8As. And maybe Admiral Greenert can discuss this. Does the Navy plan—does the Navy have a plan to address the issues that came up out of the OT&E [Operational Test and Evaluation] with regard to the P-8As to ensure a successful initial operational test and evaluation program?

Admiral GREENERT. Yes, sir, we do. In fact, I spoke to the squadron commander just earlier this week. He is not all that concerned. We have to pay attention. We have to bring this plane in on time and IOC [Initial Operating Capability] and get off the P-3. I will follow it very closely.

Mr. LARSEN. Well, I would—you don't need to cover it now. I would appreciate getting a brief on that, if you could.

Admiral GREENERT. We can do that.

Mr. LARSEN. Thanks very much.

With regard to the future of unmanned, there is some discussion in, I think, both of your testimonies with regard to U-class and the future of unmanned.

Is that at all—how is that reflected in the FYDP?

Admiral GREENERT. For U-class, it is still a very important program for us. It has slid 2 years—IOC has slid 2 years from 2018 to 2020. So it was outside the FYDP anyway, but it has slid 2 years to fiscal year 2020.

Mr. LARSEN. Okay. So not even in the FYDP and it slid out 2 more years?

Admiral GREENERT. Well, that affects how much we spend in the FYDP.

[Laughter.]

Mr. LARSEN. Got it. I think that works for me.

Thank you. I yield back.

The CHAIRMAN. Thank you. Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

Gentlemen, thank you for being here.

General Mabus—Amos—excuse me. Let me congratulate the Marine Corps for the forward lean you have in trying to build accounting systems and internal control systems so that you can get the—your books and records audited. You have taken the lead, and we are not quite there yet, but I want to publicly acknowledge those efforts on behalf of your team and your leadership from the top that is helping make that happen. So please keep up the good work and the efforts in that regard.

Secretary Mabus, I want to take up a line of questioning that my colleague from Virginia talked about, and that is this issue of renewable or green energy.

We have about \$400 billion in last year's budget for those issues at the Department of Defense, to do things like what you talked about, reduce the number of convoys running up and down the roads in Afghanistan because we are doing things differently. I get that. That is the protection of the war fighter, and let's do that.

The Pacific Rim is an exercise we are about to do. You have bought fuel, blended fuel for the jets to fly at almost four times the cost of traditional fuel. So in order to make up for that difference, will those planes fly a quarter of the time they would have otherwise flown as a part of this exercise, or will they fly what they would have normally flown and you share the love of that extra cost across the entire team?

Secretary MABUS. Sir, this demonstration of a carrier strike group doing not only aircraft on 50/50 blends of biofuel and avgas but also surface combatants on 50/50 blends of diesel and biofuels—it—we will do it. They will operate exactly—

Mr. CONAWAY. So you will share the level of those higher costs across your entire team?

Secretary MABUS. Actually, sir, the additional cost there is so tiny compared to the additional cost of a dollar.

Mr. CONAWAY. Let me just say this, that only in the Department of Defense budget—there is not another budget on the face of the earth where \$600 million in new money would be considered tiny.

Secretary MABUS. No, sir, I am not talking about—

Mr. CONAWAY. I know that, but every dollar you spend—

Secretary MABUS. And I don't know where you got the \$600 million figure. However, the cost of this demonstration project is tiny in comparison to the \$1.1 billion bill we got when the Libya crisis started for the increase—

Mr. CONAWAY. Well, that brings the point that you said, for every dollar increase in cost of fuel, we steam less and we fly less. Now, if you get to 2020 and you have to this holy grail of a 50/50 blend across your team, that means that you will be a third more expensive for fuel than the other Services.

So are you arguing that it is in the Nation's best interests for the Navy to steam a third less and to fly a third less, or should the Navy have an open-ended budget to buy fuel at whatever cost makes sense?

Because renewable fuels will always be more expensive, I guess, than conventional fuels.

Secretary MABUS. Sir, I think that your premise is absolutely wrong and that if we do reach this, that we will reach it at a price that is absolutely competitive—

Mr. CONAWAY. I disagree with that. Studies have shown that biofuels will be twice as expensive. That is where I got my analogy, that, even under full-up refinery circumstances, you are still going to be twice as expensive as conventional fuels.

Secretary MABUS. That is not our analysis.

Mr. CONAWAY. Well, gotcha. I understand that. Obviously, we have a difference of opinion.

Let me ask the question this way: \$600 billion in new money for this initiative, coming out of, I guess, Department—you know, otherwise misspent on DOE [Department of Energy] or whatever—can you look us in the eye and tell us that you couldn't use your share,

the Navy's share of that \$600 million somewhere else in the system?

Are you telling us your budget is so flush that you really don't have any place else to spend \$600 million?

Secretary MABUS. Well, again, sir, I don't know where you are getting the \$600 million figure. But I know that this initiative is making us better warfighters. I know that this initiative is saving lives in Afghanistan.

Mr. CONAWAY. And that was the \$400 billion that is being spent on those kinds of things that is in the current budget that was there?

Secretary MABUS. Four hundred billion?

Mr. CONAWAY. Million—excuse me—\$400 million.

Secretary MABUS. But I know that what we are doing is making us a better military. And I know that, as we buy more of these—and biofuel is an important part, but it is certainly not the only part. And things like solar, geothermal are competitive today to—

Mr. CONAWAY. To nuclear and coal? No, they are not. But it is going to be more expensive. So you would argue that, whatever the cost—

Secretary MABUS. No, sir, it is not going to be more expensive.

Mr. CONAWAY. It is more expensive today. We are in—it is more expensive today, and we have tight budgets. And so you are arguing in front of this committee, in front of everybody else, that we are better off paying four times for the fuel, for even a demonstration project. He who is responsible in small things will be responsible in large things. Even in the demonstration project that we are "better off" than otherwise?

Secretary MABUS. I think we would be irresponsible if we did not reduce our dependence on foreign oil and if we did not reduce the price shocks that come with the global oil market.

Mr. CONAWAY. Those reductions are nowhere on the horizon in terms of reducing price shocks. They are going to be there for a long time.

The CHAIRMAN. The gentleman's time is expired. Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman.

Secretary Mabus and Admiral Greenert, our former Naval Forces Commander in Guam, good to see you again, and General Amos, I thank you all for your testimonies.

General Amos, as you know, a critical component of the old buildup plan was to have a firing range on Guam, based on 8,600 marines relocating and the majority of them being permanently stationed on Guam.

Now, I understand the U.S. is renegotiating the agreement with Japan and not all the figures are worked out. I seriously am concerned that the majority of these marines relocating to Guam may now be rotational.

And I appreciate that there is an ongoing supplemental EIS [Environmental Impact Statement] to review options for a firing range. Frankly, this is something that should have been done right from the beginning. Can you explain the need to this committee?

And I would appreciate it if your answers are brief. We have so little time up here.

General AMOS. Congresswoman, I will be happy to talk about it as much as I understand it today, because, as you know, between our Nation and Japan, there are negotiations under way right now to revisit the agreement of 2006.

First of all, I would like to say that I am very—as a Commandant, I am bullish on going to Guam. I want my marines on Guam, and I haven't changed that posture for many years, as you are aware.

Ms. BORDALLO. Thank you, sir.

General AMOS. So we want Guam. We need to go to Guam. The numbers will be worked by the two governments, but there will be a substantial amount of marines on Guam when this thing is finally settled.

The mixture inside of there between rotating forces and permanent forces and family members will be decided at that time as well.

But when we laid out the ranges on Guam and then the adjacent ranges, the concept of adjacent ranges on Tinian and the need to do an EIS there, that was for that force—you are absolutely correct—which was going to be a little over 8,000 uniform-wearing marines.

But the ranges on Guam were pretty modest, Congresswoman. You know, we had an urban training range. We had the live fire ranges. We had over on the—you know, by Route 15—those would not even accommodate those forces that were on Guam.

So my expectation right now, absent any further information on force size, is that the ranges that we have planned for will still be required when the marines arrive. And they will arrive down the road. I don't see a change in that because, quite honestly, we were already shy of capability and capacity there.

Ms. BORDALLO. Thank you very much.

Secretary Mabus, I would like to understand the Navy's plans for proceeding with improvement at Apra Harbor that are separate from the Marine Corps buildup.

Under the Department's new strategic guidance, is there still a requirement for a transit carrier pier at Apra Harbor?

And have any other requirements for wharf and pier improvements changed due to the recently released strategic guidelines?

Secretary MABUS. The answer is yes and no. Yes, we—

Ms. BORDALLO. Well, good.

Secretary MABUS [continuing]. Still have the requirement. No, they have not changed.

Ms. BORDALLO. Very good. Thank you.

Admiral Greenert, as the President stated in his State of the Union address, the U.S. will be focusing on increasing our military presence in the Asia-Pacific region. Admiral Greenert, you have recently mentioned that despite our pivot to the Asia-Pacific region, you will not be adding additional ships or subs to this area.

If the Navy doesn't plan on adding ships or subs to show a higher degree of military presence in this area, what role will the Navy play in strengthening the military presence in the Asia-Pacific region?

Admiral GREENERT. Thank you, ma'am. Actually you would say we are increasing. And it is really for me all about operating for-

ward. In Singapore we endeavor to forward station four Littoral Combat Ships, the number to be determined. We need to sort through that and we have been asked to do that.

So to say we are not going to increase, what I meant when I said that is in the near term. So when I look at next year, the Global Force Management Allocation Plan, we will be using the same ships that we use today.

Ms. BORDALLO. I see.

Admiral GREENERT. That number is substantial, as you can see on that.

Ms. BORDALLO. So when you—

Admiral GREENERT. But we want to—

Ms. BORDALLO. Yes. So when you said you will not be adding, this is just for the near term?

Admiral GREENERT. In the near—the next—you know, my demand signal is the Global Force Management Allocation Plan, tells me what to put forward. I do want to increase forward. In fact, at this end of this FYDP we are looking at, instead of 50, more like 55 ships we will have operating.

So for me it is how much we operate out there, if you see what I am saying, have in the Western Pacific, as opposed to stationed in the Western Pacific.

Ms. BORDALLO. Good. I am glad you cleared that up.

Thank you very much, gentlemen.

I yield back.

The CHAIRMAN. Thank you.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Secretary Mabus, Admiral Greenert, General Amos, thanks so much for your service and for joining us today. I would like to give special appreciation for our marines and sailors that were part of Exercise Bold Alligator. Had a chance to go out to the USS *Wasp* and greet them. And, boy, what a great day.

I also want to give a particular personal thanks to the marines with VMM-264 and VMM-266 for the great Osprey flights that we had from D.C. out to the *Wasp* and then back. Great, great group.

Admiral, let me start with you. I want to focus specifically on our L class of ships. I am a little concerned, if you look at our inventory of L class ships you see that we have two LSDs [Landing Ship, Dock] that are 26 to 22 years old, leaving six LSDs in the *Whidbey Island* class that are between 20 and 26 years old and then four LSDs that are in the *Harper's Ferry* class that are between 14 and 17 years old. And the LSD(X) replacement is now outside the FYDP and pushed even farther to the right.

And these replacements need to come sooner than later. As you know, the status of our amphibious fleet really concerns me, especially with a strategic shift in what our presence is going to be in the Asia-Pacific. And this problem, as we have seen, is compounded by cyclic operations, combat deployments, and by deferred maintenance over the past 10 years. We have been running them pretty hard. So there is a concern.

And we don't need to look any further than the current operational status of ships that support the 31st MEU [Marine Expeditionary Unit] in the Asia-Pacific to find an immediate example of

that problem. And if we are going execute this Asia-Pacific strategy the way we need to and make sure our Navy and Marine Corps team have what they need, then I really believe we need 38 amphibious ships. And I know that 33 is where we have said we can exist, but if you look at where we are going and the challenges out there, I think we need to clearly define in our 30-year shipbuilding plan how we get to 38.

And I would like your thoughts on this situation, especially since there are no LSD replacements in the FYDP, so in 5 years we are going to have a fleet of 10 LSDs that range in age from 31 to 19 years old and we are not procuring any L class ships for at least 6 years.

And we have a collision getting ready to occur. No LSDs for 6 years. We are going to start hopefully building them then, at the same time SSBN(X) starts to come on board. So that sucking sound you are hearing as far as looking at budgets is going to be where does that money come from in a pretty expanding, challenging time.

So I would like your thoughts on how do we navigate our way through all of this?

Admiral GREENERT. I will start in the near term. We have to fund the maintenance, and that is in our budget. And I want to thank you for being an advocate for us for funding and what this committee has done under your leadership to get us the right funding in the year, to take care of the ships here in the near term.

Our Surface Maintenance Engineering Program, SurfMEPP, has told us what is needed to get to the expected service life of these L class ships, because if we don't get—expected service life we are in trouble. So this year, 2013, important year, the availabilities we will do will be under that program and we got to fund it right and it is in our budget.

Two, the L class ships that are under construction, we have to get them out of construction and over to the pier. So we will work with that. And Mr. Stackley, the acquisition force, we will do everything we can to get that moving.

Three, those that are not under contract but authorized and appropriated, let's get them under contract and get moving.

With regard to the future, we have a new strategic guidance that is laid to us. We now have to determine the capabilities associated. We have a pretty good feel for that. And we are doing a force structure assessment to lay down, okay, what are the required number of platforms, and that includes ships.

We are come forward with that shortly, we will take it to the defense staff and we will work it through and bring it over to show you all.

So I think we need to march through that.

Last piece I would say, in that last LHA [amphibious assault ship] class that we put in there, money was tight there, but to me the most important thing we needed to do was get that large deck, given the choice between an LSD, the future one, and that large deck in 2017, and so that is what we did, consulting with the Commandant.

Mr. WITTMAN. Sure.
General Amos.

General AMOS. Congressman, thank you for being the advocate, as General—or Admiral Greenert said. You have been stalwart.

Admiral Greenert and I talked right towards the end of the budget when were—things were really getting in, and I asked him two things. I said, “Admiral, would you please bring—not decommission one of those three LSDs? And I would be forever grateful if you brought that large deck inside the FYDP.” And he accomplished both.

Hard choices were made inside this 5-year defense plan. I was there from the beginning. I watched this as we all tried to—while the soup was being made, the sausage was being made, and they are tough. To be honest with you, sir, I am very pleased at how this 5-year defense plan turned out.

What I like—shoot, sir, I would like 50 ships. We are trying to cut Solomon’s baby and make good business decisions, and we have done that in this strategy, we have done that in this budget cycle.

As Admiral Greenert was saying, we will get an opportunity here over the next little bit to actually try to do in force structure, what do we really need as a naval force.

The CHAIRMAN. Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman.

Secretary Mabus, in your testimony on page 6 you stated, “We continue to explore ways to limit the submarine shortfall by increasing the near-term submarine build rate, improving affordability and maintaining the health of this critical industrial base.”

I am trying to read between the lines of that statement. It suggests some level of concern that this change in the 5-year—the FYDP for the Block 4 contract is creating a shortfall, and that is a concern. I mean, am I reading too much into that? And, Admiral Greenert, if you want to comment in terms of your own feeling about what that dip in 2014 means in terms of the fleet, in terms of day-to-day operations, really not just in the short term, but also in the long term.

Secretary MABUS. We would clearly like to have that ship in 2014 instead of moving it to 2018. And what that line says, since it is a 2014 ship and we are doing the 2013 budget, we are exploring to see if there are any ways that we can creatively pull that ship back. We cannot now because of budget constraints, but we are trying to see in terms of load at the yard, in terms of how we do advanced procurement, things like that, if perhaps we can do that.

And that is the—I don’t think there is anything between the lines. We were trying to say that, like the admiral and the general have said, like everybody here has said, we had to make some very tough decisions. Moving that ship was one of those, and it was a purely financial thing, but it does keep the number of *Virginia* class subs within the proposed multiyear stable so that we can get the nine subs that we had planned to get. We would like to get that one earlier if it is possible.

Admiral GREENERT. It is the best submarine in the world. I have empirical data that shows it, as I have said before. We have a shortfall, if you will, of SSN [Nuclear-powered Attack Submarines] years for what has been analyzed to be what we need in the future. It was going to start somewhere around 2025 and run for—till

about 2042. Now it moves 4 years to the left, so it gets a little deeper.

So it is difficult and it exacerbates a problem; 2014 was a tough year. Mr. Wittman earlier talked about LSDs. Those are a 2014. So a very difficult year for us to be able to balance out and it is strictly fiscal, sir.

Mr. COURTNEY. Well, I appreciate those answers. Secretary Panetta, yesterday when I asked virtually the same question, pledged that he wanted to cooperate in terms of trying to achieve the same goal you just described, Mr. Secretary.

I have also been talking to appropriators about this issue and, again, at least have some early commitment to, again, see if we can put our heads together and fill that hole that you described.

I wanted to also just touch briefly, a couple of the other heads of the Services have already made some comments regarding the BRAC [Base Closure and Realignment] proposal. General Odierno stated that, "I don't think you will see a big Army installation being asked to close. We think we have the right footprint." On the other hand, General Schwartz said that, "We support the proposal. I think our expectation is that we would actually close bases in a future base closure round."

I don't want to put you on the spot, I don't want to make you uncomfortable, but I didn't know whether you felt comfortable commenting the way those other, again, branches did in terms of just their own sort of view of where you are in terms of installations.

Admiral GREENERT. Nothing jumps out at this point to me that said this should close. But I do believe that it is a good process. And so once you sign on to the process, you know, you carry it through. But I am not against the process. I think it has value.

Mr. COURTNEY. Well, again, looking at the end strength reduction in Navy versus, again, other Services, I mean, from a math standpoint, it just seems like the claim of excess would be—it would seem less in terms of the Navy, just, again, as far as the reduction in terms of the size of your force. And I don't know whether that would be a factor.

Admiral GREENERT. Yes. For us it is 6,000. It is all associated with force structure reductions. And as you know, we have a plan to distribute ships—and make sure we are balanced. I hope we can carry out that. I think it is for the good of all. And it continues to align us toward the Pacific in accordance with our strategy.

Mr. COURTNEY. All right. Thank you.

Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

And General Amos, Admiral Greenert, and Secretary Mabus, thank you so much for your service to our country.

And I think my first concern concerns, Mr. Secretary, your comments about the United States Marine Corps and that we are going to bring them back to their maritime mission. But given the lack of shipping, I think that that is a real problem.

Now, so it is my understanding, and let me, General Amos, let me take it to you, it is my understanding that this takes us down

to a capability of one Marine—being able to deploy at sea one Marine Expeditionary Brigade. Is that correct?

General AMOS. No, sir. Well, it just depends on how you load it and it depends on what the threat is and what you are going to do, but a single—I haven't had the benefit of actually doing the program 5 years ago and figuring out how many ships it took to put one Marine Expeditionary Brigade's worth. If you load it all up and you get everything on, it is 17 ships.

But when you start thinking about going against an enemy, you have to determine, okay, well where are my ships and am I going to have 17. And what is the enemy going to do? What is my force buildup as I come ashore? So not every enemy is the same. If we had a Saddam-like enemy, we could afford to probably take a different approach. So it is—but the number for one MEB is 17 if you put everything on it. It doesn't mean you can't mitigate it if you don't have 17.

Mr. COFFMAN. So we are essentially giving up the Marine Corps doctrine—traditional doctrine of saying we are going to do two—we are going to be able to deploy two Marine Expeditionary Brigades. Is that correct?

General AMOS. Yes, sir. We have agreed that forcible entry for our Nation—the capability for our Nation are two Marine Expeditionary Brigades.

Mr. COFFMAN. But we won't be able to deploy them at sea simultaneously. So we will not be able to—so and essentially the Marine Corps is being—its mission is being constrained the same as the other armed services in that we will engage in one conflict and do a spoiling or a holding action on another, but we will not be able to engage in two simultaneous major conflicts. Is that correct?

General AMOS. Sir, I think you have the strategy correct when you said we will be able to engage thoroughly in one combat or one conflict, and be able to also engage in another to deter expectations and that type of thing.

Mr. COFFMAN. Okay. The—

Secretary MABUS. Congressman?

Mr. COFFMAN. Yes, Mr. Secretary?

Secretary MABUS. You were talking about deployments and having our marines on Amphibious Ready Groups out and about. Under our shipbuilding plan and under this strategy, we will have nine three-ship ARGs [Amphibious Ready Group] at all times to take marines around the world to do what they do today. We will have one four-ship ARG based in Japan and we will have one large-deck amphib to be globally tasked to wherever the situation requires.

There were two things here. One was amphibious assault requirements.

Mr. COFFMAN. I am very concerned about the reduced capability. And I would hope that—I mean, let me just say I hope—I believe in cuts, that we—everything ought to be on the table. But I believe in cuts that don't compromise capability and the cuts that are envisioned, that are put forward today, really do compromise capability.

Let me just mention a couple—a few issues that I would hope that you all would look at. And the Israeli defense force is a military organization that is always on a war footing, and—but yet

they are far more reliant on their Reserve Components than our military is. And it seems to me that we have institutionalized a very large standing military, although we have relied on the Reserves more. I don't believe that we are relying on to the extent that we could, at a great savings in terms of personnel costs where we are not cutting into acquisition costs. And that is something that I think you all ought to look at, as well as the other Services as well.

And I think in slowing personnel costs, given the fact that clearly we are going to have an end-strength reduction at some level, I believe that we ought to slow down the promotion system. And that is something that hasn't been mentioned today. And I think it would be beneficial to the professionalism of our military that our personnel have more experience and time in grade before they advance.

And so I think that that is something that hasn't been explored, ought to be explored.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Ms. Pingree.

Ms. Pingree?

After Ms. Pingree's 5 minutes, the committee will take a 5-minute break and reconvene right after that.

Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair.

Secretary Mabus, Admiral Greenert and General Amos, thank you so much for persevering today, answering all of our questions, and for your dedicated service to the Nation. I really appreciate that.

As highlighted in your testimony, Secretary Mabus, the budget included a request for two *Arleigh Burke* destroyers for fiscal year 2013, in addition to reauthorizing a 5-year multi-year procurement through 2017.

I am glad that the DDG-51 helps address the need for more adequate sea-based capabilities. However, given that the Navy identified the need for a 94 surface combatant force structure last April, a fleet of 88 still falls short of that. And I know many of the other members have been talking about the size of our Navy.

In particular, previous multi-year procurements of *Arleigh Burke* occurred at an average rate of three ships a year instead of two. Given the President's new guidance with emphasis on the Asia-Pacific region, and a recent GAO [Government Accountability Office] report that identified the steps that needed to be taken to mitigate the significant projected shortfall in cruisers and destroyers, do you really believe that a sustained annual procurement rate of more than two DDG-51s annually would be required long term to perform sea-based BMD [Ballistic Missile Defense] missions?

Secretary MABUS. The *Arleigh Burke* is, you have pointed out, clearly one of our best platforms and most flexible and most capable platforms that we have. As Admiral Greenert said, fiscal year 2014 was our toughest budget year in this FYDP. But because of some savings that we were able to get on the last three DDGs [Guided Missile Destroyer] that we bid out, between Bath and

Huntington Ingalls, we saved some \$300 million on the projected cost of those three DDGs.

We are hopeful that we will be able to use those savings to do advanced procurement for later DDGs, to make sure that we do have the build rate that we need to get the ships that we need to get.

As you know, we are going to—we are continually upgrading our existing DDGs to be ballistic missile-capable—antiballistic missile-capable, and also that in fiscal year 2016 we are shifting to the Block III of the DDGs, which will have the new air missile defense radar, incredibly capable system that will go on that ship.

So I think that if you look at the capabilities, the capacities of these ships, that the build plan that we have will give us the ships that we need for ballistic missile protection for air missile defense protection and for all the other myriad things that DDGs do.

Ms. PINGREE. Well, thank you for your answer on that. I know I have heard the reply before that 2014 is a difficult year. And you, of course, know that maintaining our industrial capacity and keeping the work moving at a shipyard such as Bath is critically important.

I do appreciate your visiting Bath shipyard. I hope you will be able to visit again and I want to remind you, of course, that Bath-built is best-built, so it is always good to see the Navy putting work there.

Secretary MABUS. I will come in the summer.

Ms. PINGREE. What is that?

Secretary MABUS. I will come in the summer when the weather is a little warmer.

Ms. PINGREE. Yes, July—height of the lobster season. That is great.

Let me ask a quick question. I know you, if I run out of time I will have to take this in writing. It is somewhat of a different topic, but one that is a great concern to me and Representative Tsongas and some of the other members of the committee. And since I have you all here, I would like to just put this out there.

I think all of you know that sexual assault in the armed forces is a critical issue that we must address, and you have all been giving quite a bit of attention to. There are thousands of cases every year of sexual assault reported in the military, but it is also thought that only about one in 10 women actually—or men—report the assault.

I am very pleased to see that the Department of the Navy, and I want to applaud you for this, taking a really active role in addressing the ongoing epidemic. But I am interested in hearing more about what other steps the Navy has taken to improve sexual assault response and what more we can be doing to help the victims. I just want to continue the attention on this. And as I said, we may run out of time, but it is important to all of us to see that we move forward on this issue.

Secretary MABUS. It is, Congresswoman. It is a crime. It is an attack on a service member. It is an attack on a shipmate. And I know we are about to run out of time, and we will get you—the Navy and Marine Corps have been active both from the top down and also the bottom up, so that every person that comes into the

Navy and Marine Corps and every person who is in the Navy and Marine Corps are being trained in how to intervene and trying to bring the numbers down of this absolutely awful crime.

[The information referred to can be found in the Appendix on page 187.]

Ms. PINGREE. Thank you for your attention to that, and we can follow up with you later.

The CHAIRMAN. The gentlelady's time has expired.

We will now take a 5-minute recess and reconvene at 2 minutes after.

[Recess.]

The CHAIRMAN. The committee will reconvene.

Mr. Rigell.

Mr. RIGELL. Thank you, Mr. Chairman.

And to Secretary Mabus, CNO Greenert, and Commandant Amos, thank you for being here, for your service to your country. And it has been a great privilege of mine to get to know each of you and to work with our men and women in uniform.

A week ago Saturday, I had the privilege to fly out to the USS *Wasp* and see our sailors and marines in action. Their performance not only there, but across the world, and particularly in our combat zones, reflect excellence in leadership and I thank you for that.

Secretary Mabus, your prioritization of alternative fuels, it really does, in my view, merit more discussion and attention. Let me say first where we agree. I think I quoted you—I am going to quote you here correctly that “We would be irresponsible if we do not reduce our dependence on foreign oil.”

I completely agree with that. You know, for example, when I hear that we have maybe a couple-hundred years of this type of fuel or that type of fuel, some people take comfort in that. It raises the alarm with me, you know, that we need to get on it. We need to move on this.

And off the coast of Virginia, I introduced legislation to open up the energy resources that are there, working with the Navy, of course, to make sure we don't interfere with the ship movement. And also wind—you know, I think wind needs to be a part of that.

Now, with all of that said, a couple of statements that you made, they just don't comport with what I understand to be true. One is that like solar and geothermal energy are competitive today, what you are purchasing that energy for with what we get on the open market. And I don't understand as well the statement “making us a better military.” I do not understand that.

It seems to me that we should focus within the DOD exclusively on what we do best or what the DOD does best, and raising up an Army, Navy and defending this great country, and then energy exploration, efforts to make us more energy independent and to get more efficiency out of vehicles and equipment, that would be principally done in other departments, unless they want to begin supplemental funding of our Navy.

So the first question is, could you be specific, as specific as you can, with the opportunity costs? That is, the cost of pursuing alternative fuels, that if we had not purchased one dollar of them, the difference between that cost of fuel versus incorporating such a strong emphasis on alternative fuels.

Secretary MABUS. Well, what I would like to do is respond to your question how it makes us a better military. When you look at any military, you look at vulnerabilities. You look at vulnerabilities of your potential adversaries, but you also look at your own vulnerabilities.

And one of the vulnerabilities that we have as a military is our reliance on foreign sources of oil. The way I have stated it is we would never let these countries build our aircraft or our ships or our ground vehicles, but we give them a vote on whether they fly, whether they steam, whether they are operated because we purchase too much of our energy from them.

And even if you have sufficient supply, the price shocks that come. As I pointed out, Libya started about a year ago almost, and just from that one crisis, the price of oil went up \$38 a barrel. That is a \$1.1 billion additional fuel bill for the Navy. And the only place we have to go get that money is out of our operational accounts.

And because it is a global commodity, because it—the price is set globally and it is set on sometimes on rumor, sometimes on potential crises. You saw what happened just when the Iranians threatened to close the Straits of Hormuz, the price of oil shot up. I think we have to insulate our military from that.

And then just in terms of history. Changing energy is one of the Navy's core competencies. It is one of our core missions. We went from sail to coal in the 1850s. We went from coal to oil in the early part of the 20th century. We pioneered nuclear as a method of transportation. So I would argue that it is exactly what the Navy and Marine Corps need to be working on.

And finally, in terms of expeditionary energy, I will go back to what I said. One death or one injury to a marine guarding a fuel convoy is just too much.

Mr. RIGELL. We share that value, Mr. Secretary.

The time does not permit me to respond directly to that like I would like. But can you tell me, do you have the information available readily, what that opportunity cost is—the amount that we are spending on fuel that is higher than we would spend if we had just gone out to the market and bought fuel at the lowest available price?

Secretary MABUS. We are buying such small amounts of—and you are speaking now, I assume, of biofuels.

Mr. RIGELL. Well, maybe we need to do this off line, because I don't want to get wrapped up here in my last minute. But the principle is this, that there is an opportunity cost. Your threshold for that is higher than my own because it does put pressure on all other areas. And we are in complete agreement, Mr. Secretary, that we need to move away from our dependence on foreign oil.

I make the case that part of our oil—our dollars at the pump are going to leaders who do not share our values—Hugo Chavez; they end up flowing to madrasas in Pakistan. And you know what happens there, and they flow over into Afghanistan.

So you have my full attention, Secretary Mabus, on this matter of moving the country to energy independence. But in this competition for scarce resources, dollar resources, it does seem to me that we are putting a disproportionate emphasis within DOD and the Navy.

And I have 10 seconds, please.

Secretary MABUS. Well, we will continue this offline, and I will be very happy to do that.

[The information referred to can be found in the Appendix on page 189.]

Secretary MABUS. On the land-based part of this energy, all our projects have a 4- to 6-year payback, so that after that time for only maintenance money you are going to be getting energy much cheaper than you do it today.

Mr. RIGELL. Thank you, Secretary Mabus. Thank you.

The CHAIRMAN. If things get really bad I guess we could drill in the ANWR [Arctic National Wildlife Refuge], we could drill off the coast, we could find a lot of our own energy here.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And, Secretary Mabus and Admiral Greenert, General Amos, thank you for all of your service and certainly working with me in San Diego. I appreciate that. Sorry I had to leave for a few minutes.

I was certainly pleased to hear that the Marine Corps has recently been engaged in revamping the transition assistance to those who are leaving the service.

And yesterday at our hearing Secretary Panetta mentioned and really raised his concerns regarding the large exodus of a segment of our service population which, as we move on with a smaller force—over the next few years, of course—that many more service members will be returning to the civilian sector.

And I am wondering, outside the service-mandated transition assistance programs that are already available, but again are being looked at because they haven't necessarily done all that we would like them to do, what tools are available to our marines and certainly our sailors as they begin that transition?

What are we doing in working with industry; with the civilian sector to capture best practices so that so many of these wonderful men and women will have a transition during some of these difficult economic times?

General AMOS. Congresswoman, thank you.

Actually we are very excited about a program that we debuted just last month at two of our major bases, both Camp Pendleton and down in Camp Lejeune. Came to the conclusion a year—little over a year ago that we were failing in our responsibility to be able to consistently return young men and women back to society with jobs that they could hold their heads up. It was beyond me that a young marine could lead fellow marines in combat and then have a hard time finding a job and find himself unemployed and then homeless.

So we started a complete revision. We started completely with a blank sheet of paper on our transition assistance program. In a nutshell, to capture industry, capture all these organizations, capture the unions, the trades, the universities that have consistently come to us over the last several years and said, "We want to help."

We end up with a program of about 2 days where we talk V.A. [Veterans Affairs], we talk about all that. And then, like "Price is Right," you get to choose behind one of four doors.

Education, in which case you walk behind that door and we have skilled counselors that will help you fill out your college application. We have habitual relations with universities right now where we can get young men and women into colleges.

You go behind door number two, and that is the trades, and that is the union trades, that is the apprenticeship programs. We are putting marines in that right now and we have that down in San Diego with the pipefitters union.

Door number three is entrepreneurship. If you think you want to go out and start your own business, we have folks that will help counsel you on that. We have successful business men and women that will counsel.

And door number four is, "I just want to get out and get a job," and we are going to help you fill out your résumé.

So we are headed down that path. It is probably going to be a couple years before we really begin to feel the benefits of it, but, Congresswoman, we are dedicated to making a difference.

Mrs. DAVIS. Are there resources that really need to be tapped that we don't have the authorities to do or that we haven't set up the programs or are planning to have the kind of support there that we really need. Because I think that some of these programs are, in fact, they are good, but they are reaching a relatively few number of marines.

General AMOS. Ma'am, we have put out, oh goodness, about 30,000 marines, a little bit more a year leave the corps, both—retirement and the first enlistment that we talked about earlier.

My goal is that 100 percent of—all of them—have an opportunity to be able to find gainful employment. It is not a matter of a small number, my goal is 100 percent.

Mrs. DAVIS. And, Admiral, with the Navy as well?

Admiral GREENERT. Ma'am, we allow them—entitle them 60 days of additional leave for job search. So it makes it easier. They don't have to plan that, doesn't make it more complicated.

We have what is called Navy credential opportunities online, it is called COOL, C-O-O-L, and that takes their Navy job skills and transitions them for, if you will, civilian certifications, which are recognizable and translatable.

We also have an outplacement service. We contracted with a commercial contract—outplacement service.

Mrs. DAVIS. Thank you. Look forward to working with you all on those.

The CHAIRMAN. Thank you.

Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

And, Secretary Mabus, I want to get back to what Congressman Rigell was speaking about. My specific question—and I will elaborate on it a little bit—is that the President in his State of the Union said that the Navy was going to add 1 gigawatt of renewable energy sources from solar, wind, and geothermal. How much is the Navy going to spend on that?

Secretary MABUS. Net taxpayer dollars zero. We are going to do it through public-private partnerships, we are going to do it through power offtake agreements and things like that. But in terms of building up the infrastructure, none.

Mr. SCOTT. You are not going to spend anything on the infrastructure?

Secretary MABUS. No, sir. It will be privately built and we will have offtake contracts for it.

Mr. SCOTT. Okay. It is going to be privately built. So somebody is going to spend something to build it and then you are going to lease it from them. How will that work?

Secretary MABUS. Private industry will build the facilities, whether it is solar or wind, and then we will buy the energy from that for our bases on land, obviously.

Mr. SCOTT. And what will your cost per kilowatt hour be?

Secretary MABUS. It will be whatever we are paying for kilowatt hour now, but it will be competitive with whatever we are doing. That is the whole purpose of it, is to be competitive. And that would be the way we are approaching this, is that it has to be competitive.

Mr. SCOTT. Well, Mr. Secretary, I certainly—I hope you are as successful as you believe that will be. I would love to see a more detailed analysis of that. I mean, renewables are less than 10 percent of what is used throughout the world today, and the reason for that is the cost of the renewables.

So I would appreciate the opportunity to sit down and see more details on that.

Secretary MABUS. I will be happy to do that.

Mr. SCOTT. And also are you aware that the Department of Energy actually got an increase in their budget recommendation?

Secretary MABUS. No, sir, I have not followed the Department of Energy's budget.

Mr. SCOTT. Is there any other department in the President's budget recommendation that has received anywhere close to the types of cuts that the military has?

Secretary MABUS. Yes, sir. I mean, the—

Mr. SCOTT. Which departments?

Secretary MABUS. Well, the—for the last 2 years V.A., Homeland Security, and Department of Defense were the only agencies in the Federal Government that received increases, and the decreases that we are talking about today, the \$487 billion over the next 10 years or \$259 billion over the next 5 years, were the decreases mandated by Congress in the Budget Control Act.

Mr. SCOTT. Well, I have said this before, I know, and I will—I did not vote for sequestration. And I want to do everything I can to undo it. But I would very much like to see how we are going to generate that much electricity. That is enough to power 250,000 homes. And if it is not going to cost anything I would like to—

Secretary MABUS. The private sector would not invest in something like this if they didn't think it was going to be successful and profitable. And I am confident that we will be able to do that. And when I say it won't cost anything, it will be no taxpayer dollars extended net for all the facilities, but we will have the benefit of buying the electricity.

And one of the things, a question I got asked earlier was about how secure are our sources of energy from the grid. And one of things would be to help us become independent of the grid so that we could continue our military operations.

Mr. SCOTT. Absolutely. Absolutely. And I agree with that. And I just want to reiterate that you said that we as the military were going to pay the same price for a kilowatt hour.

Secretary MABUS. At the end of the program we are—that is the absolute goal of the program, to have a competitive price with whatever we are paying today from utilities.

Mr. SCOTT. The goal. But it is not contractually guaranteed.

Secretary MABUS. We don't have any contracts yet, sir.

Mr. SCOTT. Okay.

Secretary MABUS. We are just beginning the program.

Mr. SCOTT. The President announced it in the budget as if it was already laid out. I am sorry, in his address to Congress, as if it was already laid out. But, hey, I hope you are right. I hope he is right on this one. I would love to see us be able to have renewables at the same price that we have nuclear power at. I am looking forward to seeing you and going through that.

And I would take one issue with one thing that gets said. You know, this—we say we are going from a win-win to a win-hold-win. I mean, the bottom line is, I think we have the men and the women and the weapon systems to win and to win and to win again. I think the problem is we run into rules of engagement, if you will, that keep us from winning in an efficient and effective manner.

Thank you for your time. I yield back to the chair.

The CHAIRMAN. Thank you.

Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, Mister—or Mr. Secretary, Admiral, and General, for being here today.

The new defense strategy and budget request reflect the hard work and forward thinking of President Obama, our DOD civilian leaders, and our senior military commanders. And I want to thank you for that.

As I said yesterday to Secretary Panetta and General Dempsey, ominous and exaggerated fears expressed in response to the President's budget request, in terms of the reduction of funds spent for defense—those fears are unfounded. There is no way a 1-percent reduction of the Pentagon's base budget from 2012 to 2013 could mean the difference between the world's greatest military and a hollowed-out force.

In fact, I believe there is room for further savings in the Department's budget, though I strongly oppose across-the-board cuts that would be imposed by way of sequestration.

Mr. Secretary, I have a very specific request. By the end of this month, I would like to have—I would like for the Navy to analyze how much could be saved over the next 10 years by going to a single LCS [Littoral Combat Ship] design and moving production to a single shipyard, even if that means reducing the build rate to three ships per year.

I would also like to know which of the LCS designs you would choose if you could have only one. And I would like this analysis by the end of this month. Would you be able to put that in writing for me?

Secretary MABUS. Yes, sir. And I can give it to you right now.

I made the decision in the summer of 2009, when we bid out three LCS's and the prices came in just unacceptably high, that they would have to compete against each other.

Over the course of the next year, as the bids went out and we said that price would be the major determinant of who the winner was and that we were going to select one shipyard to build 10 ships over the next 5 years and then they would give us the design for all their technical papers, all their designs, and we would bid it out for a second shipyard so we could keep competition going in the program, because we thought that was very important.

Over the course of the next year, those bids came down by about 40 percent. We came back to Congress and got permission to buy both variants. We have bought 10 ships of each variant over the 5 years from fiscal year 2011 to fiscal year 2014.

The last ship of each one of those variants will cost about \$350 million, which is a huge reduction from the original cost.

And the ships cost almost exactly the same thing. And these are firm, fixed-price contracts so we know what we are going to get and we know exactly how much we are going to pay for them.

Mr. JOHNSON. Yes, it just seems to me that two different designs mean two different training, logistics, and maintenance efforts, the loss of economies of scale that would come from cranking out more of one kind of design. And it seems that—I am still not clear as to whether or not there is—this is a good thing or not. And I would like additional information on it if you would.

And I would also like to say that the fiscal year 2012 National Defense Authorization Act reinstated the requirement that the Navy provide Congress with a 30-year shipbuilding plan to inform us as we build this fiscal year 2013 budget.

The requirement is codified at 10 USC–231 Section 1011. And no such plan has been provided as of yet. Will you get this plan to us by the end of the month?

Secretary MABUS. We will get this plan to you when we get all the supporting budget documentation here. That has been our plan all along, sir.

[The information referred to can be found in the Appendix on page 190.]

Mr. JOHNSON. When would that be?

Secretary MABUS. It will be within the next few weeks. I am not sure of the exact date, but it—there is supporting documentation that comes over after the budget, and that was part of that supporting documentation.

Mr. JOHNSON. Well, that information is sorely needed.

The CHAIRMAN. The gentleman's time is expired. Mr. Palazzo.

Mr. PALAZZO. Thank you, Mr. Chairman, and thank you to our witnesses who are here today and thank you for your service to our Nation.

Mr. Secretary, thank you for working with the state of Mississippi on making sure the USS *Mississippi* commissioning became a reality. And of course I enjoyed being with you and my colleague "Two Subs" Joe in Groton, Connecticut, for the christening. So thank you so much for that.

It is going to be a proud day for the entire state of Mississippi and the region, and I know the shipbuilders, whether they are from

Groton, Connecticut, or from Pascagoula, Mississippi, they build the world's greatest war ships, even though they are not in the same state. So thank you for that.

When I first read the strategic guidance, I must say I was relatively pleased that the Navy and Marine Corps has indicated that there will be an increase in the amount of attention given to the Pacific. And I was also pleased that the amphibious capability seemed to get a fair amount of attention.

I am pleased that the Pacific is, of course, garnering attention because I actually had an opportunity to go on a CODEL [Congressional Delegation] with my one of my members from the House Armed Services Committee, and it opened my eyes to a lot of concerns and possibly emerging threats in that region and how it could affect our economic and national security, which I believe go hand in hand and are inseparable.

So to start, General Amos, not too long ago, according to Marine Corps testimony and reports submitted to Congress, the Marine Corps forcible entry requirement mandated a minimum of 33 ships, 10 of which had to be aviation-capable big-deck ships.

The shift in strategy to more emphasis on Asia would require the same or more given the maritime makeup of the region. Is that correct?

General AMOS. Congressman, we have agreed and testified for several years that the capability we needed was two Marine Expeditionary Brigades worth of forcible entry. I made a comment earlier in this testimony that we ended up—so the answer is yes, but in all that we have done, we have made some very difficult decisions to try to balance the budget, to try to make ends, ways and means meet.

So in everything here, there is an element of risk. I am satisfied with the way the 5-year defense plan has come out. I am very grateful to my colleague to my right to agree to build another large-deck amphibious ship and not retire one of the LSDs. So I am pleased with where we are right now.

Mr. PALAZZO. Okay. Thank you, General. That answered one of my other questions. The budget does not meet the requirement, but yet you support it for the reasons you stated.

Does this suggest that the forcible entry strategy amphibious doctrine has taken a backseat in the Marine Corps?

General AMOS. Absolutely not, sir.

Mr. PALAZZO. So you are going to keep—

General AMOS. The truth of the matter is from the sea, the only capability our Nation has for forcible entry to impose its will somewhere down the road, even though it may be hard to imagine, but the only capability it has will be from those amphibious ships. And that is the forcible entry that the Navy and Marine Corps team brings.

Mr. PALAZZO. Well, General, I agree with you.

The budget submitted delayed a big-deck LHA amphibious ship from current consideration by moving it outside the future year's defense plan. Does this alter the number of F-35B V/STOL [Vertical and/or Short Take-off and Landing] aircraft required by the Marine Corps?

How should we view the aviation part of the budget in the context of delayed or canceled aviation-capable ships?

General AMOS. Congressman, at the end of the day, the plan is to end up with 11 large-deck amphibious ships. And that has always been the requirement, and that is our plan right now. And to move, like I said, to bring LHA-8 inside the FYDP is a very positive move.

It will not alter our requirements for STOVL [Short Takeoff/Vertical Landing] F-35B. That is a—we will have the only capability throughout the world, to have a STOVL short takeoff/vertical landing airplane on a large-deck amphibious ship.

Mr. PALAZZO. Well, thank you, General. And I don't have much time left. I would just like to reiterate, as a congressman from Mississippi's 4th Congressional District, I take very seriously my constitutional responsibilities as well as my oath to office.

And just as you all have done, you made an oath to support and defend the Constitution of the United States against both enemies domestic and foreign. And I also feel like my number one congressional responsibility is the common defense of this Nation, again, both at home and abroad.

And we have to do whatever it takes to make sure sequestration does not hit our military. You know, when I first got here, less than 13 months ago, we were talking about \$78 billion in cuts. And then it was \$100 billion in efficiency savings that was going to be reinvested. And now we are at \$487 billion with the possibility of another \$500 billion.

That is reckless. It is dangerous. It is morally irresponsible. And I do believe it is going to hollow out our forces and our military and it is going to cost more time, blood and treasure to reconstitute it for the not when—not if but when another engagement happens.

So I don't want to balance our financial woes on the backs of our men and women in uniform. So help us make sure that doesn't become a reality. Thank you.

The CHAIRMAN. Just us.

[Laughter.]

Admiral, General, one final question. In your best military judgment, what do you see as the greatest risk that we pick up new risk by these cuts—by this new cut strategy, all that you have just gone through?

We know we have added risk. We have picked up risk. What do you see in your best military judgment as the greatest risk?

General AMOS. Chairman, I was in on the ground floor of developing this strategy, and I am a big fan of it. I think it is the right strategy for the right time. I truly mean that. I think it is right—

The CHAIRMAN. And I thank you for all you have done for that. But I think everybody realizes, before these cuts, we were still having—we still have risk. This added to the risk. I am just wondering what—

General AMOS. Sir, in my military opinion, the risk that is added here is just—it is a function of—and as I said about 2 weeks ago when we were in here talking strategy and budget, it is a function of capacity. It is the ability to be able to do multiple large-scale things around the world.

Has that happened before? I mean, has that—and is it likely to happen in the future? I mean, that is the question. My sense right now is the risk is modest—looking at the world, looking at the actors that are out there in the worlds, the ones that we—the ones that we worry the most about, not the steady-state actors, the ones that are the big-time actors.

I think it is modest risk. And I think it is affordable and I think we can deal with it now, Mr. Chairman. I am okay with that. But its capacity for large-scale, multiple things that might go on simultaneously, and I know that makes complete sense to you.

The CHAIRMAN. Thank you.

Admiral.

Admiral GREENERT. Mr. Chairman, I spent most of my career in the Pacific. And so what I have learned in my time out there is it is about relationships, solid partnerships, and what I will call tangible presence. You have to be there. They like to talk, but they want to see you.

And in my view, this strategy is a good strategy. It nicely, I think, distributes capability. But as the general said, there is a capacity. And most of the questions today that we dealt with, I think, were capacity.

And for me and my six words, I have to be—we have to think warfighting because when called upon, we have to do it now, but we have to be forward. And to me, the biggest risk is we are—we do not understand that, that we have to be out there and there are ways, I think, to do that and I think—I am hoping we will get support for that.

And lastly, we have to be ready, not just parts and gas and all that. We have to be proficient at what we do and keep those investments intact.

Thank you for the opportunity to comment.

The CHAIRMAN. Thank you very much.

Thank you for being here. Thank you for all you do for our Nation.

This hearing is adjourned.

[Whereupon, at 3:38 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 16, 2012

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 16, 2012

**Statement of Hon. Howard P. “Buck” McKeon
Chairman, House Committee on Armed Services
Hearing on**

**Fiscal Year 2013 National Defense Authorization Budget
Request from the Department of the Navy**

February 16, 2012

Thank you for joining us today as we consider the President’s Fiscal Year 2013 budget request for the Department of the Navy.

We are pleased to welcome the Secretary of the Navy, the Honorable Ray Mabus; the Chief of Naval Operations, Admiral Jonathan Greenert, in your first posture hearing before the Committee, as CNO; and General James Amos, Commandant of the Marine Corps.

Thank you, gentlemen, for your service and for the leadership you provide to our outstanding sailors and marines.

We clearly understand the challenges the Department of the Navy faced in crafting this budget request, considering the Administration’s cuts and the mandates of the Budget Control Act of Fiscal Year 2011. The Fiscal Year 2012 budget request projected the construction of 57 new ships from fiscal year 2013 to fiscal year 2017. With this budget request, the shipbuilding procurement account was reduced over the same period by \$13.1 billion, and the number of new construction ships was reduced to 41, a decrease of 16 ships, or 28%, over those 5 years.

The fiscal year 2012 budget request also projected building 873 new aircraft and unmanned aerial vehicles for the Navy and Marine Corps from fiscal year 2013 to fiscal year 2017, and with this budget request that number has been reduced 13% to 763.

Also, the Marine Corps will decrease in size by 20,000 marines during the same timeframe. Additionally, the Navy will decommission seven cruisers and two amphibious ships before the end of their service lives.

Overall the Department of the Navy budget request for fiscal year 2013 is \$155.9 billion, which is \$5.5 billion less than the fiscal year 2012 budget request, and \$9.5 billion less than the planned fiscal year 2013 request submitted with the fiscal year 2012 budget request.

Amidst these dramatic changes to force structure, a few months ago, the Administration outlined revised strategic guidance, that would “pivot” our forces from the land wars of the past 10 years to focus more on the Asia-Pacific region—an area where naval and air power is critical. This area has close to half the population of the world, with certain countries that have invested in the development of what is called anti-access, area denial capabilities.

Our Navy and expeditionary forces are instrumental in protecting our national interests in this vital region of the world. I am concerned that budget cuts of this significance to our Navy and expeditionary forces will increase our risk in this theater.

A couple of weekends ago I had the pleasure and privilege, along with some of my colleagues, of seeing our Navy and Marine Corps in action by visiting the USS *Wasp* and USS *Enterprise*, as they participated in Exercise Bold Alligator, the largest amphibious exercise conducted in over 10 years. It is encouraging to see our Navy–Marine Corps team back together after the marines have necessarily been focused more on the land wars in Iraq and Afghanistan. One thing is a constant when I go on these trips. Our soldiers, sailors, airmen, and marines are the best fighting force in the world, and deserve our best support.

Statement of Hon. Adam Smith
Ranking Member, House Committee on Armed Services
Hearing on
Fiscal Year 2013 National Defense Authorization Budget
Request from the Department of the Navy
February 16, 2012

Mr. Chairman, thank you for holding this hearing today. I want to also thank the witnesses, Secretary of the Navy Ray Mabus; the Chief of Naval Operations Admiral Jonathan Greenert; and the Commandant of the Marine Corps General James Amos, for appearing here today and for their dedicated service to our country.

Earlier this year, the President released the findings of a strategic review, which clearly articulated the global threat environment, and presented a broad strategy to address those threats moving forward. This strategic review appropriately places a renewed focus on the critically important Asia-Pacific region.

A key component of this strategic shift is, as Secretary Panetta stated yesterday, a “Navy that maintains forward presence and is able to penetrate enemy defenses and a Marine Corps that is a middleweight expeditionary force with reinvigorated amphibious capabilities.” The 2013 Defense Budget ensures this by providing the Navy and Marine Corps with the resources and tools they need to continue to be essential parts of the strongest fighting force the world has ever seen.

I have consistently said that we can rationally evaluate our national security strategy, our defense expenditures, and the current set of missions we ask the military to undertake and come up with a strategy that enhances national security by spending taxpayer dollars more wisely and effectively. I believe this budget meets that goal as well.

Overall, the defense budget is also fully consistent with the funding levels set by the Budget Control Act passed by Congress. Although I did not support this act, many members of the House Armed Services Committee did, Congress passed it, and the Department of Defense has submitted a budget that complies with the congressionally mandated funding levels.

Over the last few years, with the strong support of the Navy and Marine Corps, our military has put together a significant string of foreign policy successes, including the death of bin Laden, Anwar Al-Awlaki, the elimination of much of Al Qaeda’s leadership, the end of the war in Iraq, and supporting the uprising in Libya. The budget lays out a strategy that will enable the United States to build on those successes and confront the threats of today as well as in the future.

I want to thank the witnesses again and I look forward to hearing their testimony.

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RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF
THE HONORABLE RAY MABUS
SECRETARY OF THE NAVY
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
ON
16 FEBRUARY 2012

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

Chairman McKeon and Congressman Smith, I have the privilege of appearing today on behalf of the Sailors, Marines, and civilians who make up the Department of the Navy (“DON” or “Department”). This is the fourth year that I have been honored to report on the readiness, posture, progress, and budgetary requests of the Department. The pride the Commandant of the Marine Corps, General James Amos, the Chief of Naval Operations (CNO), Admiral Jonathan Greenert, and I take in leading the dedicated men and women of the Department who selflessly serve the United States in the air, on land, and at sea is exceeded only by the accomplishments of these brave and selfless individuals.

Whatever is asked of them by the American people through their commander in chief—from Afghanistan to Libya, from assisting the stricken people of Japan to assuring open sea lanes around the world, from bringing Osama bin Laden to final justice to bringing hostages out of wherever they may be hidden by terrorists or pirates—they answer the call and get the mission done.

As we pivot away from a decade of war on two fronts in two separate nations, the Commandant, CNO and I are confident that the U.S. Navy and Marine Corps are well prepared to meet the requirements of the new defense strategy, and maintain their status as the most formidable expeditionary fighting force the world has ever known. No one should doubt the ability, capability, or superiority of the Navy-Marine Corps team.

The Administration's defense strategic guidance, with its understandable focus on the Western Pacific and Arabian Gulf region; its requirement to maintain our worldwide partnerships; and its call for a global presence using innovative, low-cost, light footprint engagements requires a Navy-Marine Corps team that is built and ready for war—on land, in the air, on and under the world's oceans, or in the vast "cyberspace"—and operated forward to protect American interests, respond to crises, and deter and prevent war.

This new strategy, developed under the leadership of the President and the Secretary of Defense, with the full involvement of every service secretary and service chief, responds to the dynamic global security environment, while meeting the constraints imposed under the Budget Control Act (BCA) passed by Congress.

Our ability to meet the demands of this new strategy depends on the improvements we have begun and objectives we have set regarding how we design, purchase, and build new platforms, combat systems, and equipment; increase the development and deployment of unmanned systems to provide increased presence and enhanced persistence at lower cost and less danger; and how we use, produce and procure energy. Most importantly, our efforts and this new strategic guidance and the budget that guidance informs, will assure that we continue to keep faith with those who serve our country so selflessly and heroically, our Sailors and Marines, civilians, and their families.

FY-13 Budget Submission**Fleet Size**

On September 11, 2001, the Navy's battle force stood at 316 ships and 377,000 Sailors. Eight years later when I took office, the battle force had fallen by 49,000 Sailors, and to 283 ships. Today, three years into the Obama Administration, the fleet increased to 285 ships of all types.

Many have noted that we have the lowest number of battle force ships since 1917. But today's "Fleet" is best thought of as an fully integrated *battle network* comprised of sensors, manned and unmanned platforms, modular payload bays, open architecture combat systems, and smart, tech-savvy people. Thus, making comparisons between today's "total force battle network" with the battle force of 1917 is like comparing a smart phone to the telegraph. Still, even though the ships coming into service today are vastly more capable than their 1917 predecessors, at some point quantity has a quality of its own. This is why building up the number of ships in our Fleet has been a priority for this administration from day one.

The topline reductions mandated by the BCA made holding to current Fleet numbers a difficult challenge. However, I am pleased to report to you that we have developed a plan that delivers a Fleet with the same number of ships by the end of the Future Years Defense Plan, or FYDP, as we have today—all while still meeting our fiscal obligation to support a responsible end to our ground combat mission in Afghanistan. The FY13-17 shipbuilding plan maintains a flexible, balanced naval battle force that will be able to prevail in any combat situation, including in the most stressing anti-access/area denial (A2/AD) environments.

While our ship count stabilizes in this FYDP, our shipbuilding plans aim to build a Fleet designed to support the new defense strategy and the joint force for 2020 and beyond. The specific requirements for this future Fleet will be determined by an ongoing Force Structure Assessment (FSA), which should be concluded later this year. Regardless of the final battle force objective, however, you can expect to see the Fleet's ship count to begin to rise as the Littoral Combat Ship (LCS) and Joint High Speed Vessels (JHSV) built during the next five years begin to enter fleet service beyond this FYDP, and as we sustain our major combatant and submarine building profiles. As a result, even under the fiscal constraints imposed by the BCA, the battle force is projected to reach 300 ships by 2019.

While the final ship count will be determined by the FSA, the decisions made during the recent PB-13 budget deliberations will result in a battle force consisting of:

- *Nuclear-powered Aircraft Carriers and Air Wings.* With delivery of *USS Gerald R. Ford*, the first of a new class of nuclear-powered aircraft carriers, in 2015, we will have 11 CVNs in commission, and will sustain that number at least through 2040. Our future carriers will be even more powerful, with new combat capabilities resident in the F-35C Lightning II Joint Strike Fighter, F/A-18E/F Super Hornet, EA-18G Growler electronic attack aircraft, E-2D Advanced Hawkeye airborne early warning aircraft, and new unmanned air combat systems.
- *Nuclear-powered Attack Submarines.* SSNs are the key to sustaining our dominant lead in undersea warfare. While the procurement of one VIRGINIA-Class submarine was

delayed from 2014 to 2018 to help free up budget resources in the FYDP, the planned FY14-18 Multi-Year Procurement (MYP) of nine submarines remains intact. To mitigate the loss of large undersea strike capability when SSGNs retire in 2026-2028, we invested Research and Development for the VIRGINIA Payload Module (VPM). VPM could provide future VIRGINIA-Class SSNs with an additional four SSGN-like large diameter payload tubes, increasing each SSN's Tomahawk cruise missile capability from 12 to 40. While we are committed to a long-term force goal of 48 SSNs, low submarine build rates during the 1990s will cause us to fall below that number for some time starting in the late 2020s. We continue to explore ways to limit the submarine shortfall by increasing the near-term submarine build rate, improving affordability, and maintaining the health of this critical industrial base.

- *Guided Missile Cruisers and Destroyers.* The Arleigh Burke-class DDGs remain in serial production, with funding in place for a nine-ship FY13-17 MYP. The next flight of DDG 51s will introduce a more powerful and capable Air and Missile Defense Radar in FY16. We project that the new defense strategy will require slightly fewer large surface combatants so we will retire seven Ticonderoga-class CGs in this FYDP—all but one before a planned mid-life ballistic missile defense upgrade, and that one had serious structural issues—achieving considerable cost savings at relatively low risk. The long-term inventory of guided missile cruisers and destroyers is projected to come down as combatants built at the rate of 3-5 per year during the Cold War begin to retire in the 2020s. We are exploring a variety of ways to mitigate these losses.

- *Littoral Combat Ships.* With their flexible payload bays, open combat systems, ability to control unmanned systems, and superb aviation and boat handling capabilities, LCSs will be an important part of a more agile future Fleet. New crew rotation plans, built on a modified version of the highly successful SSBN two-crew model, will allow for substantially more LCS forward presence than the frigates, Mine Counter-Measures ships, and coastal patrol craft they will replace, and will free our more capable multi-mission destroyers for more complex missions. Although forced to shift two LCSs outside the current FYDP to achieve cost savings, we remain fully committed to our plan to ultimately purchase 55 of these warships.
- *Amphibious Ships.* 30 amphibious landing ships can support a two-Marine Expeditionary Brigade (MEB) forcible entry operation, with some risk. To generate 30 operationally available ships, the strategic review envisions an amphibious force consisting of 32 total ships, or five ships more than we have in commission today. The ultimate fleet will consist of 11 big deck Amphibious ships, Amphibious Transport Dock LPD-17s, and 10 Landing Ship, Dock ships (LSDs). To support routine forward deployments of Marine Expeditionary Units (MEUs), the amphibious force will be organized into nine, three-ship Amphibious Ready Groups (ARGs) and one four-ship ARG in Japan, plus an additional big-deck Amphibious ship available to support contingency operations worldwide. We will place two LSDs into reduced operations status, allowing us to reconstitute an eleventh ARG in the future, or to build up the number of ships in the active inventory, if necessary. Consistent with these changes, we have deferred procurement of a new LSD, aligning it with LSD-42's planned retirement. We also

intend to disband the third Maritime Prepositioning Force (MPF) squadron that we placed in reserve last year due to fiscal restraints, and reorganize the two remaining active squadrons with more capable ships, making them more effective.

- *New Afloat Forward Staging Bases (AFSBs)*. Navy is proposing to procure a fourth Mobile Landing Platform (MLP) in fiscal year 2014, configured to serve as an Afloat Forward Staging Base (AFSB). This AFSB will fulfill an urgent Combatant Commander request for sea-based support for mine warfare, Special Operations Forces (SOF), Intelligence, Surveillance and Reconnaissance (ISR), and other operations. To speed this capability into the fleet, and to ultimately provide for continuous AFSB support anywhere in the world, we also intend to request Congressional approval to convert the FY12 MLP into the AFSB configuration, resulting in a final force of two MLPs and two AFSBs. This mix will alleviate the demands on an already stressed surface combatant and amphibious fleet while reducing our reliance on shore-based infrastructure.

Most of the ship reductions in the President's FY13 budget submission—16 fewer than the comparable years' in the FY12 budget—are combat logistics and Fleet support ships and reflect prudent adjustments to our new strategy and a lower defense topline. For example, eight of the 16 ships cut from our five-year plan were JHSVs. These cuts reflect the new 10-ship JHSV requirement developed during our strategy review.

In addition, we simply delayed purchasing three new oilers, which were part of an early changeover from single-hulled to more environmentally safe and internationally accepted double-hulled ships. Our current Fleet of oilers will not start to retire until the 2020s, so there is no impact on the number of available oilers for Fleet operations. Finally, an ocean surveillance ship was added to the Navy's plan last year to provide greater operational depth to our current Fleet of five ships; however, after careful consideration, we concluded we could meet our operational needs with five ships and could cut the sixth ship with manageable risk.

Ships are not the only platforms in our "total force battle network." Accordingly, the new defense strategic guidance also required us to review and evaluate the needs of our naval aviation community going forward into the 21st century. We plan to complete our purchases of both the F/A-18 Super Hornet and the EA-18 Growler within the next two years. The Department recently completed a review of our aviation requirements for the F-35 that validates our decision to purchase for the Navy and Marine Corps 680 F-35s over the life of the program. While we plan to slow procurement over the next five years to address program risks, especially concurrency, we remain committed to procuring 680 aircraft. The F-35B, the short-take-off-vertical-landing (STOVL) variant, completed successful at-sea trials onboard the USS Wasp and overall testing is proceeding very well. For the carrier version, the F-35C, testing exceeded the plan by 30 percent last year. In light of this encouraging testing performance, we are even more confident that this multirole, cutting-edge platform will more than meet our tactical requirements in the future security environment.

The Navy and the Marine Corps continues to carefully monitor strike fighter capacity requirements as well. Changes in the Marine's force structure, accelerated transition from the legacy Hornet aircraft to the Super Hornets, and a reduction in use resulted in an appropriately-sized strike fighter aircraft inventory. Based on current assumptions and plans, our strike fighter aircraft shortfall is predicted to remain below a manageable 65 aircraft through 2028, with some risk.

In the far term, the Navy will need to replace its F/A-18E/F Fleet. Pre-Milestone A activities are underway to define the follow-on F/A-XX aircraft. Options include additional F-35s, a variant of the Unmanned Carrier-Launched Airborne Surveillance and Strike System (UCLASS), a new manned/unmanned platform, or some combination of these. While we remain committed to the first-generation UCLASS, which will provide a low-observable, long-range, unmanned ISR-strike capability that will enhance the carrier's future ability to project power in anticipated A2/AD threat environments, the target date for a limited operational capability has shifted by two years from 2018 to 2020 to reduce schedule and technical risk, as well as to meet the savings targets mandated by the BCA.

The planned reduction in our cruiser inventory has decreased requirements for MH-60R Seahawk helicopters, allowing us to reduce procurement in this program by nine aircraft. Fiscal constraints have also led us to reduce E-2D Hawkeye and P-8 Neptune procurement over the FYDP. We still intend to procure all the aircraft originally planned, but at a slower rate.

Future Force Structure Assessment and Re-designation of Primary Mission Platforms

Given the broad refocus of the DoD program objectives reflected in the new defense strategy, the Navy has undertaken analysis of the existing Force Structure Requirements and, in conjunction with ongoing internal DoD studies and planning efforts, is reworking an updated FSA against which future requirements will be measured. The new FSA will consider the types of ships included in the final ship count based on changes in mission, requirements, deployment status, or capabilities. For example, classes of ships previously not part of the Battle Force such as AFSBs developed to support SOF/non-traditional missions, Patrol Combatant craft forward deployed to areas requiring that capability, and COMFORT Class Hospital Ships deployed to provide humanitarian assistance, an expanded core Navy mission, may be counted as primary mission platforms. Any changes in ship counting rules will be reported and publicized. Any comments on total ship numbers in this statement are based on current counting rules.

As noted earlier, in the years beyond the current FYDP, we have a plan that puts us back on track to increase our Fleet and ensure capacity matches the demands of the mission. However, with the Fleet and force we have today, we will meet the requirements of the new strategy, continue to protect our national interests, preserve our ability to deter or defeat aggressors, and maintain the industrial base needed.

Marine Corps

After a decade of hard fighting in Iraq and Afghanistan, the Marine Corps will return to its maritime roots and resume its traditional role as the nation's naval expeditionary force-in-readiness. We will carefully manage reduction in active duty end strength from 202,000 to 182,100 by the end of FY16. Drawing upon its long history of aligning its training and structure with areas of operations, the Marines will continue to provide tailored security force assistance and to build partnership capacity missions with allies and other regional partners. Along these same lines, the Marine Corps will continue to leverage the experience gained over the past decade of non-traditional warfare to strengthen its ties to the special operations community. The resulting middleweight force will be optimized for forward presence, engagement, and rapid crisis response through strategic positioning at forward bases in the western Pacific and Indian Oceans, as well as renewed participation in traditional Amphibious Ready Group/Marine Expeditionary Unit (ARG/MEU) exercises. The Marine Corps shall maintain required readiness levels throughout the transition process. Most importantly, we will drawdown without breaking faith with Marines and their families.

In summary, the Department's strategy calls for a world class Navy-Marine Corps team, and our plan delivers one that is fully ready to meet the current and emerging challenges. We will maintain a strong naval presence in the western Pacific, Indian Ocean and the Middle East. This will be accomplished by adjusting basing assignments for some units from the Atlantic to the Pacific, as well as by increasing the number of units operating from ports located in theaters of

interest. We are still committed to strategic dispersal. The Department will, for example, operate four LCSs from Singapore. Similarly, we will continue to expand our usage of AFSB and coastal patrol boats around Africa and in the Arabian Gulf to counter the growth of piracy and the growing threat of swarming small boats, as well as to help partner nations build their own maritime capacity while upholding our national interests. We also received two high-speed ferries from the Maritime Administration, which will most likely operate in the Western Pacific supporting the peacetime transport of U.S. Marine Corps forces deployed to Okinawa and Australia.

Seapower and Naval Presence

Since the end of the Second World War, the Navy-Marine Corps Team has acted as the guarantor of the global maritime commons, upholding a sophisticated set of international rules that rest upon two inextricably linked principles: free trade and freedom of navigation. These principles have supported an era of unprecedented economic stability and growth, not just for the United States, but for the world at large.

This period of growth has resulted in a truly “globalized” economy which owes much to the unique scalability and flexibility of our naval forces. We can reroute Navy ships and Marine Corps units to create appropriate responses as actions unfold. We can shift force concentrations from the Atlantic to the Pacific or from the southern oceans to northern seas with ease. From a single JHSV to a Carrier Strike Group and from a Marine Fleet Anti-terrorism Security Team (FAST) to an Expeditionary Unit, Combatant Commanders can scale naval forces and their responses appropriately to emerging challenges across the spectrum of engagement. Our forces are flexible enough to shift from supporting combat air patrols over Afghanistan to providing

humanitarian assistance and disaster relief in Japan at a moment's notice. Much of their flexibility derives from the use of the high seas as a vast, unencumbered maneuver space. This freedom of navigation allows our naval forces to gather information, perform surveillance and reconnaissance of seaborne and airborne threats, defend regional partners, interdict weapons of mass destruction, disrupt terrorist networks, deter, and, if necessary, defeat prospective adversaries.

Law of the Sea

The traditional freedom of the seas for all nations developed over centuries, mostly by custom, have been encoded within the United Nations Convention on the Law of the Sea (UNCLOS). This important treaty continues to enjoy the strong support of the DoD and the DON. The UNCLOS treaty guarantees rights such as innocent passage through territorial seas; transit passage through, under and over international straits; and the laying and maintaining of submarine cables. The convention has been approved by nearly every maritime power and all the permanent members of the UN Security Council, except the United States. Our notable absence as a signatory weakens our position with other nations, allowing the introduction of expansive definitions of sovereignty on the high seas that undermine our ability to defend our mineral rights along our own continental shelf and in the Arctic. The Department strongly supports the accession to UNCLOS, an action consistently recommended by my predecessors of both parties.

Naval Operations in 2011

Naval presence serves as a deterrent against those who would threaten the national interests of the United States even as it assures allies and partners of our consistent commitment. Our enduring national security interests require our continued presence to provide the President and our nation with credible response options to deter conflict and, if necessary, defend the United States' national security interests from the sea. From counter-insurgency and security force assistance operations in Afghanistan to ballistic missile defense and humanitarian assistance missions in Europe and the Western Pacific and naval engagement in South America and Africa, our Sailors and Marines are making a difference around the globe every day. On any given day, more than 72,000 Sailors and Marines are deployed and almost half of our 285 ships are underway, responding to tasking where needed by the Combatant Commanders.

Visiting our forward deployed forces and meeting with allies and partners, commanders and staffs, and our Marines and Sailors on the ground provides insights as to how we can better support all of their critical efforts. In June, September, and again in December, I travelled to Helmand province in Afghanistan on behalf of the Department, and visited forward operating bases. These were my fifth, sixth and seventh trips to theater in Afghanistan. In each area, Taliban offenses and infiltration had been forcefully rebuffed. Critical relations had been built with local Afghan leaders and significant progress has been made towards the goal of creating effective Afghan security forces that will be able to build on these efforts. I also visited Camp Leatherneck and, among other things, toured the Concussion Restoration Care Center where I met with Wounded Warriors. At all of my stops, I expressed the appreciation of the American

people for the courage and sacrifices of our Marines and Sailors who serve alongside them on the field of battle.

For more than six decades, our Navy-Marine Corps team has been the strongest naval force afloat and we are committed to maintaining this position of influence. Our strength, versatility, and efficacy derive from our unique capacity for global reach, our focus on warfighting excellence and our commitment to maintaining naval presence in regions vital to our national interests. We cannot predict the exact nature of the challenges facing the Department in the 21st century, but a glimpse back at operations in 2011 illustrate the increasing variability of events that required a flexible naval response.

Special Operations. United States Navy SEALs remain decisively engaged thru out the globe conducting the nation's most sensitive and important counterterrorism operations. They served with great distinction in Iraq and continue to serve in Afghanistan with telling effect. From the killing or capturing of the most wanted terrorists to the rescue and recovery of captured American citizens abroad we ask them to do the most daunting of missions.

Operations in Iraq, Afghanistan, and Libya. Having completed operations in Iraq, the Department has maintained over 23,000 Marines and Sailors in Afghanistan, largely associated with Regional Command-Southwest based in Helmand province. This force provides security and seeks to build the self defense capacity of our Afghan partners. Currently the Navy has deployed just over 8,000 Sailors on the ground, 2,920 of whom are Reservists, across the Central Command supporting joint and coalition efforts. Another 10,000 Sailors are in the Arabian Gulf

and the Indian Ocean supporting combat operations from destroyers, submarines, supply vessels and aircraft carriers, which launch around 30 percent of the aircraft conducting combat air patrols over Afghanistan. On the first day during the opening moments of Operation ODYSSEY DAWN in Libya, the U.S. Navy launched 122 Tomahawk Cruise Missiles from two surface ships and three submarines, including the guided missile submarine USS FLORIDA, the first time one of these converted ballistic missile submarines has fired ordnance in live operations. Ground based Navy E/A-18G Growlers flying combat missions in Iraq were repositioned to support ODYSSEY DAWN, and within 44 hours engaged hostile forces in Libya. When violence erupted across northern Africa and the Middle East, significant portions of the KEARSARGE ARG and 26th MEU, then off the coast of Pakistan, were directed to take station off the coast of Libya.

Ballistic Missile Defense. Another newly emergent mission centers on the Ballistic Missile Defense (BMD) capable Ticonderoga-class cruisers and Arleigh Burke-class destroyers that provide homeland defense-in-depth, as well as the protection of U.S. and allied forces in distant theaters. As ballistic missile capabilities have proliferated around the globe, the demand for BMD capable ships has increased dramatically. For example, over the past year, BMD ships like the USS RAMAGE, USS MONTEREY and USS STOUT took up station in the eastern Mediterranean to provide BMD for both Europe and Israel. Elsewhere, elements of Destroyer Squadron FIFTEEN provided similar support in the waters surrounding Japan.

Humanitarian Assistance and Disaster Relief. Following the devastating earthquake and tsunami last year that resulted in the deaths of over 15,000 Japanese citizens, the displacement of thousands, and the worst nuclear accident since Chernobyl, the RONALD REAGAN Strike Group, en route to support combat operations missions in Afghanistan, was diverted to Japan to provide humanitarian assistance. Upon arrival, instead of combat, the crews were employed to shuttle tons of water, food, and blankets to displaced victims ashore, while the Strike Group's ships simultaneously served as landing and refueling stations for Japanese Self Defense Force (JSDF) rescue helicopters operating in the region. The REAGAN Strike Group supplemented units of the USS ESSEX ARG with its embarked 31st MEU, which is forward deployed in Japan, in what became known as Operation TOMODACHI- "Friendship" in Japanese. Elements of the ESSEX ARG airlifted over 300 JSDF personnel and 90 vehicles from Hokkaido to disaster areas while USNS SAFEGUARD and Mobile Dive and Salvage Unit ONE transported relief supplies to Yokosuka for distribution throughout the affected areas. Additionally, the Navy transported the equipment and personnel of the Pearl Harbor Naval Shipyard's Radiological Control Team as well as the Marine Corps' Chemical Biological Incident Response Force to Japan to assist with nuclear monitoring efforts.

Anti-Piracy. Throughout the year the Navy performed the critical mission of combating piracy and supporting the anti-piracy efforts of our allies and partners in the region. Ships operated in conjunction with allies and partners in the vicinity of the Horn of Africa to prevent the disruption of the free flow of trade in the Gulf of Aden. More recently elements of the STENNIS Strike Group freed Iranian citizens who were being held hostage by pirates in the Arabian Sea. Their actions directly resulted in the capture or killing of 21 pirates and the freeing of 38 hostages.

Partnership Stations and Maritime Exercises. The Navy remains committed to building our partner nations' capacities to provide for their own maritime security. This year we once again created "partnership stations" in the Pacific Ocean and Caribbean Sea, off the coast of South America and around the continent of Africa to work with local navies to educate their leaders, train their Sailors, strengthen their material infrastructure, increase their maritime domain awareness, and raise their response capacity. USS CLEVELAND, USS OAK HILL, USS ROBERT G BRADLEY, the hospital ship USNS COMFORT and High Speed Vessel SWIFT were strategically deployed to work with the maximum number of partner navies to provide medical care and security training while building local naval capacity to plan and conduct operations in the maritime environment.

Lastly, with an eye to the future of naval and maritime operations in an increasingly ice-free Arctic, the VIRGINIA-Class submarine USS NEW HAMPSHIRE and the Seawolf-class submarine USS CONNECTICUT conducted Ice Exercise (ICEX) 2011 with Canadian and United Kingdom counterparts in the Arctic Ocean.

Air Sea Battle

The Navy and Marine Corps are working with the Air Force to implement the Air-Sea Battle concept which seeks to improve integration of air, land, maritime, space, and cyberspace forces in order to provide Combatant Commanders the range of military capabilities necessary to

maintain operational access and deter, and if necessary defeat, an adversary employing sophisticated A2/AD capabilities and strategies.

The Air-Sea Battle concept leverages the military and technological capabilities, as well as unprecedented Naval and Air Force collaboration, cooperation, integration and resource investments within the Services' purview to organize, train and equip.

The jointly manned Air-Sea Battle Office has defined a series of initiatives to achieve the capabilities and integration required in future naval and air forces so that Combatant Commanders have the tools necessary to ensure U.S. freedom of action in future years.

As we work to implement and enhance the Air-Sea Battle concept, the Navy continues to invest in capabilities to counter advanced A2/AD challenges, including:

- BMD enhancements both in the Aegis Combat System and the Standard Missile, as well as myriad "soft-kill" initiatives;
- Integration of advanced air and cruise missile defense capabilities;
- Harpoon missile replacement, which will increase the range (and speed) at which we can engage enemy surface combatants armed with advanced anti-ship cruise missiles (ASCMs);
- VIRGINIA-Class submarines and the VPM, which has the potential to mitigate the loss of the SSGN undersea strike capacity when they retire in the mid-2020s;
- Improvements in Joint Force Command, Control, Communications, Computers and ISR capabilities which will significantly increase our information gathering and warfighting coverage in access-challenged areas, as well as provide counters to adversary capabilities; and
- Cyberspace capabilities.

Departmental Priorities

The Department must adhere to four key priorities with strategic, tactical, operational and management elements if we are to maintain our position as the world's most formidable expeditionary fighting force while continuously evolving our Navy and Marine Corps as a strategic asset that provides our Commander-in-Chief with the broadest range of options in a highly dynamic international security environment. These priorities remain:

- (1) Taking care of our Sailors, Marines, civilians, and their families;*
- (2) Treating energy as a strategic national security issue;*
- (3) Promoting acquisition excellence and integrity; and*
- (4) Continuing development and deployment of unmanned systems.*

These principles guide the direction of the Department, from training our recruits at Great Lakes, Parris Island, and San Diego, to our ongoing operations in central Asia and the Western Pacific, to acquiring the Navy and Marine Corps of the future.

In the end it all comes down to stewardship; the careful management of our people, platforms, infrastructure and energy to guarantee that your Navy and Marine Corps are ready to defend our nation's interests.

Taking Care of Sailors, Marines, Civilians and their Families

As we move forward, the Department is committed to our most important asset—our Sailors, Marines, civilians and their families. A large part of our commitment is the careful attention to

pay and benefits. No one's pay will be cut; only the growth of pay is slowed in the later years of our five-year plan. Specifically, we are proposing continued pay raises at 1.7% for military personnel in FY13 and FY14, in line with the private sector, recognizing the continued stress on our forces and their families, and providing time for families to adjust.

We support asking Congress to establish a commission with authority to conduct a comprehensive review of military retirement in the context of overall compensation. The Commission should seek ways to identify improvements in the military retirement system, ensuring any proposed change to military retirement supports required force profiles of the Department of the Navy in a cost effective manner. We believe that the Commission should protect, through grandfathering, the retirement benefits of those currently serving.

With so much of our defense strategy dependent upon our Navy and Marine Corps, we must ensure that our resources support the most combat effective and the most resilient force in our history. We must set high standards, but at the same time we must provide individuals with the services needed to meet those standards. The Department will soon announce the 21st Century Sailor and Marine Initiative, which is a set of objectives and policies across a spectrum of wellness that maximizes Sailor and Marine personal readiness. The program consists of five "pillars:" readiness, safety, physical fitness, inclusion, and the continuum of service.

Readiness will ensure Sailors, Marines, and their families are prepared to handle the mental and emotional rigors of military service. Both services are introducing campaigns this year to deglamorize, treat, and track alcohol use. We will also develop new means to reduce suicides, and increase our family and personal preparedness programs. This includes zero tolerance for

sexual assault. The DON Sexual Assault Prevention and Response Office (SAPRO) was created and made part of the secretarial staff to keep the issue at the front of the discussion, to strengthen the lines of communication with the Navy Judge Advocate General (JAG) and Naval Criminal Investigative Service (NCIS), and to make sure the Secretariat received frequent updates about the incidents of sexual assault and our progress towards reducing the number of attacks. We are continually working to improve the reporting, investigation and disposition of sexual assault cases ensuring commanders, investigators, and prosecutors receive sufficient training and appropriate resources. Last year, JAG finalized a complete revision of the advanced trial advocacy courses that train litigators involved in sexual assault cases as well as filled the Deputy Director of the Trial Counsel Assistance Program position with a senior civilian sexual assault litigator. The JAG and NCIS are working aggressively to educate lawyers and agents on the unique aspects of sexual assault cases. NCIS has hired personnel to provide assistance and support to NCIS special agents; this will enable special agents to focus on conducting investigative activities, trial preparation and prosecutorial testimony relative to adult sexual assaults.

Our efforts to ensure the safest and most secure force in the Department's history extend to encouraging the safe use of motor vehicles and motorcycles.

Physical fitness is an important central pillar that resonates throughout the 21st Century Sailor and Marine Program. Personal fitness standards throughout the force will be emphasized. We will also improve nutrition standards at our dining facilities with the introduction of "Fueled to

Fight.” Fueled to Fight ensures that healthy food items will be available and emphasized at every meal.

The Department will be inclusive, and consist of a force that reflects the nation it defends in a manner consistent with military efficiency and effectiveness. The Department will also reduce restrictions to military assignments for personnel to the greatest extent possible, consistent with our mission and military requirements. We must ensure that all who want to serve have opportunities to succeed and barriers that deny success are removed. Nothing reflects our core values of honor, courage, and commitment better than having an organization characterized by fairness and dedication. Last year for the first time ever, 16 women were assigned to submarines. This will expand command-at-sea opportunities and eventually increase the chances for more women to be promoted to admiral. Additionally, we need an officer corps that is representative of the enlisted force it leads. Through increased minority applications from diverse markets, the United States Naval Academy and Naval Reserve Officers' Training Corps (NROTC) programs are achieving historical racial and ethnic diversity rates. The United States Naval Academy received nearly 7,000 minority applications for its class of 2014, nearly double that of the class of 2010. Along with recent NROTC additions at Harvard, Yale, Columbia and Arizona State University (with the largest undergraduate population in the country), next we are establishing an NROTC unit at Rutgers University. Not only is it one of the nation's top engineering schools, but more than half of its class of 2014 identify themselves as minority.

The final pillar, continuum of service, will provide the most robust transition support in the Department's history. Individuals choosing or selected for either separation or retirement will be

afforded a myriad of assistance programs and benefits that are available to them as they transition to civilian life. These programs, which include education benefits, transition assistance, career management training, counseling, life-work balance programs, and morale, welfare, and recreation programs have been recognized by human resource experts as some of the best corporate level personnel support mechanisms in the nation.

Because Navy and Marine Corps were highly successful in meeting their recruiting goals, we have been able to be very selective, accepting only the very best candidates who are morally, mentally and physically ready to serve. Historically high retention rates have put us below our active duty manning ceiling of 322,700 Sailors and 202,100 Marines. Our recruiting classes have gotten smaller, as have our "A" school classes, and promotion rates from E-4 to E-6 have fallen as well. More officers in the O-5 and O-6 pay grades are choosing to remain on active duty rather than retire, leading to smaller promotion selection groups and repeated adjustments to promotion zones.

We have attempted to deal with this challenge within the enlisted ranks by instituting the "Perform to Serve" program that used a detailed algorithm to advise personnel specialists on who should be allowed to re-enlist, but this approach did not fully address either the systemic manning challenge confronting us or the unsustainable overmanning in certain enlisted ratings. This past year, given fiscal constraints and manpower draw-downs, we decided to confront the problem head on and convened special administrative Enlisted Retention Boards, Senior Enlisted Continuation boards and officer Selective Early Retirement Boards to pare back overmanned enlisted ratings and officer ranks. It was a difficult decision to use these force management

tools, but the future of the Department requires us to fix the problem now rather than further delaying a decision.

Another vital support program that we remain committed to is the support we provide to our Wounded Warriors. Since 2001, over 900 Sailors and nearly 13,000 Marines have been wounded as a result of combat operations in Iraq and Afghanistan. This year we completed the alignment of the Army's Walter Reed Medical Center with our own National Naval Medical Center in Bethesda and we continued to invest in the doctors, techniques, and technologies to care for the injuries that have become representative of modern warfare: traumatic brain injury, amputations, burns, and post traumatic stress disorder. The requirements for the Purple Heart were updated to include the immediate and lasting damage associated with brain injuries.

Part of our commitment centers around the families and caregivers that support our Wounded Warriors as they endure the challenges of recovery, rehabilitation, and reintegration. The 2010 National Defense Authorization Act provided a Special Compensation for Assistance with Activities in Daily Living to help offset income lost by those who provide non-medical care and support to service members who have incurred a permanent catastrophic injury or illness.

Driven by the moral obligation to assist our injured heroes, the Department has set a goal of being able to offer every combat wounded Sailor or Marine an opportunity to continue their service as a civilian on the Navy/Marine Corps team. Our Wounded Warrior Hiring and Support Initiative aims to increase the number of veterans with a 30% and above service-connected disability into our workforce. Through this initiative, we have hired over 1,000 veterans with

30% and above service-connected disability rating in FY10 and FY11. Our Naval Sea Systems Command alone hired 509 service-disabled veterans for FY11, exceeding its goal of hiring one veteran for each day of the fiscal year. We recently held our second annual Wounded Warrior Hiring and Support Conference to provide prospective employers and human resource professionals with the tools and resources to enable them to hire, train, and retain our Wounded Warriors in the civilian workplace.

This past August the President announced his Veteran's Employment Initiative that extends tax credits to businesses that hire Veterans. We work with the Departments of Veterans Affairs and Labor to establish programs that ease the transition of Veterans into the civilian world. We are also heavily engaged through the Yellow Ribbon Program in supporting the reintegration efforts of our Reserve forces.

I want to address the Defense budget proposals regarding health care costs. The DON and DoD on the whole continues to face rapidly rising costs in health care. In 2001, DoD health care costs were approximately \$19 billion dollars. By 2010 that amount had risen to \$51 billion dollars and as a percentage of our budget is approaching 10 percent. This rate of rise cannot be sustained. We continue to streamline our staffs and standard operating procedures in an ongoing effort to manage costs while retaining quality patient care and overall customer satisfaction. One area where we continue to be challenged is system accessibility for our retiree community, especially in areas where bases have been closed due to the BRAC process, leaving behind a large retiree population with no local access to military treatment facilities. Increasing use of the affordable Mail Order Pharmacy Program and implementing modest fee increases, where

appropriate, would go far towards ensuring the long term fiscal viability of the system while preserving equity in benefits for our retirees.

I consider my obligations to the well-being of every Sailor and Marine, and every family member under their care to be sacrosanct. We worked carefully to develop these proposals, with all participants - the government, the providers of health care, and the beneficiaries-sharing in the responsibility to better manage our health care costs. I have previously asserted that as a former Governor, I well know that the growth in health care costs is an issue for the country, not just the military. But, we all have to do our part. The TRICARE benefit remains one of the best benefits in the country. I hope you will support our proposed changes.

Also this past year the Department, along with the other military departments, worked with the U.S. Chamber of Commerce and over 70 employers to launch a program targeted at expanding the career opportunities for military spouses. The Military Spouse Employment Partnership seeks to help the business community recognize the skills and talents that military spouses bring to the workforce, but are unable to fully leverage due to frequent moves of the service member in the family. This partnership between the military and the business community promises to tap into the energy of one of the most hard-working, highly skilled, educated and yet under-utilized segments of our population.

Overall, the FY13 budget reflects a responsible request for the fiscal support and resources required to support our Marines, Sailors, their families, and our retirees in the face of increasing operational pressures and financial demands upon them. Thank you for your continuing support.

Energy Security and Sustained Leadership

We must reform how the Navy and Marine Corps use, produce, and procure energy, especially in this fiscally constrained environment. We must use energy more efficiently; however, the Department must also lead on alternative energy, or we will leave a critical military vulnerability unaddressed, further straining the readiness of our Sailors and Marines to be able to respond wherever and whenever called to defend and protect America's interests.

Fuel is a tactical and operational vulnerability in theater; guarding fuel convoys puts our Sailors and Marine's lives at risk and takes them away from what we sent them there to do: to fight, to engage, and to rebuild. The Department is also exposed to price shocks in the global market because too much fuel comes from volatile regions, places that are vulnerable to instability and ruled by regimes that do not support our interests. Every time the cost of a barrel of oil goes up a dollar, it costs the Department \$30 million in extra fuel costs. In FY12 alone, in large part due to political unrest in oil producing regions, the price per barrel of oil is \$38 more than was budgeted increasing the Navy's fuel bill by over \$1 billion. These price spikes must be paid for out of our operations funds. That means that our Sailors and Marines are forced to steam less, fly less, and train less. The threat of price spikes is increased by the vulnerability of choke points. Energy analyst have speculated that if Iran ever succeeded in closing the Strait of Hormuz, the price of oil could rise by 50 percent or more in global markets within days.

We would never let the countries we buy oil from build our ships or our aircraft or our ground vehicles, but we give them a say on whether those ships sail, whether those aircraft fly, whether those ground vehicles operate because we buy their oil. As a nation we use over 22 percent of the world's fuel but only possess less than 2 percent of the world's oil reserves. Even if we tap every domestic resource we do not have enough to meet all of our needs over time, and as a minority producer of fuel we will never control the price.

That is why in the fall of 2009, I established five goals for the Department the broadest of which is that by no later than 2020, 50 percent of the Department's energy will come from alternative sources. These goals drive the Navy and Marine Corps to use energy more efficiently, to explore wider use of alternative energy and to make energy a factor in the acquisition of our next ships, tactical vehicles and aircraft.

As one example of our success, the Marine Corps continues to aggressively pursue technologies that will help achieve greater energy efficiency while increasing combat effectiveness in the theater. The Third Battalion, Fifth Marines, deployed to the Helmand Province in Afghanistan with solar blankets to power radios, LED lights to illuminate tents, and solar generators to provide power. One three-week patrol was able to reduce their carrying weight by 700 pounds, reducing the number of dangerous re-supply missions needed. Even in a tough fight in Sangin, the Marines managed to cut fuel use and logistical support requirements by 25 percent at main operating bases and up to 90 percent at combat outposts by relying on these alternative energy technologies. The Marine Corps is committed to finding more innovative solutions to decreasing

dependence on convoys by conducting two Experimental Forward Operating Bases (ExFOB) per year (one in 29 Palms and one in Camp Lejeune).

Another initiative to increase alternative energy supply is using advanced, drop-in biofuel in aircraft and ships. Our criteria for this fuel are straight forward. It must be “drop in” fuel requiring no changes to our aircraft or our ship or our infrastructure; it must be derived from non-food sources; and, its production should not increase our carbon footprint as required by law. In 2011, the Department completed testing on 50/50 blends of drop-in biofuel and jet fuel on all manned and unmanned aircraft, including an F/A-18 Hornet at MACH 1.7 and all six Blue Angels during an air show. The Department has also tested and experimental Riverine Command Boat (RCB-X), a self defense test ship, a ridged hull inflatable boat (RHIB), and a Landing Craft Air Cushion (LCAC) that traveled at more than 50 knots.

In March of this past year, the President directed the Departments of Agriculture, Energy and the Navy to partner with the private sector to catalyze a domestic, geographically dispersed, advanced biofuel industry for the United States. In response to this directive, Energy Secretary Dr. Steven Chu, Agriculture Secretary Tom Vilsack, and I signed a memorandum of understanding (MOU) committing our departments to jointly partner with industry to construct or retrofit multiple domestic commercial or pre-commercial scale advanced drop-in biofuel refineries capable of producing cost competitive fuels. Under the MOU we issued a request for information in August, which drew over 100 responses in 30 days from companies ranging from major oil companies and large defense contractors to small businesses.

In December, DLA Energy awarded a contract on our behalf to purchase 450,000 gallons of biofuel; the single largest purchase of biofuel in government history. The Department will use fuel from this purchase—awarded to the most competitive bidder under full and open competition—to demonstrate the capability of a carrier Strike Group and its air wing to burn alternative fuels in a full operational environment including UNREPs for destroyers and refueling of helos and jets on the deck of an aircraft carrier. The demonstration will take place as part of the Rim of the Pacific (RIMPAC) Naval Exercise.

We are also pursuing efficiencies measures in our fleet. The USS MAKIN ISLAND, the Navy's first hybrid electric-drive ship, saved \$2 million on its maiden voyage from Pascagoula, MS to its homeport in San Diego, CA. It is estimated to save approximately \$250 million in fuel costs over the course of its lifetime – approximately 40 years – at current energy prices.

A hybrid electric drive system will also be installed as a retrofit proof of concept on the USS TRUXTUN (DDG 103) – an existing Navy destroyer. We estimate that successful testing will result in fuel savings of up to 8,500 barrels per year. If these tests are successful we will continue to install hybrid electric drives as a retrofit on other DDGs in the fleet. The U.S. Navy has been installing stern flaps to reduce drag and energy on amphibious ships in an effort to make them more fuel-efficient, which could save up to \$450,000 annually in fuel costs per ship.

Whether it is the procurement of new ships and aircraft or the retrofit of existing platforms we are making energy a consideration in the acquisition process. In addition to traditional performance parameters such as speed, range, and payload, the Department is institutionalizing

energy initiatives that will save lives, money and increase warfighting capability. Analyzing energy costs during the “analysis of alternatives” phase of major defense acquisition programs will ensure warfighters get the speed, range, and power they require, as well as help the department manage the life-cycle costs of its systems. The Marine Corps pioneered this approach last year by including system energy performance parameters in developing a new surveillance system and the Navy has included energy criteria as part of the procurement of the LSD-X.

All across our shore installations, Navy and Marine Corps are also undertaking energy efficiency initiatives and installing alternative energy wherever practical. As just one example, at China Lake Naval Air Weapons Station we are a net contributor to the local power grid, creating more than 270 Megawatts (MW) of clean, affordable geothermal power in partnership with the private sector.

And in January, we tapped the vast renewable energy resources available at China Lake again breaking ground on a 13.8MW solar array, offsetting 30 percent of the base’s electric load. The contract is a 20-year power purchase agreement (PPA) having no upfront costs to the Navy and saving the Navy \$13 million over its term.

To meet the energy goal of 50 percent alternative energy ashore, I have directed the Navy and Marine Corps to produce or consume one Gigawatt of new, renewable energy to power naval installations across the country using existing authorities such as PPAs, enhanced use leases, and joint ventures. One Gigawatt of renewable energy could power 250,000 homes, or a city the size

of Orlando. This will be a broad and dynamic project that, over the life of the contract, will not cost the taxpayer any additional money, and will create domestic private sector jobs. This will be our path to unlocking our nation's clean energy potential that leaves our military more secure, agile, flexible and ready.

To further facilitate our partnerships with industry, the Department is trying to make our contracting opportunities more accessible. Two years ago we introduced a website called Green Biz Ops which aggregates our energy and efficiency opportunities for procurement. This site helps all companies interested in doing business with the Navy—and especially small businesses—find opportunities in one place. In partnership with the Small Business Administration last year our agencies launched a “2.0” version of Green Biz Ops called the Green Procurement Portal which expands the site to include more features as well as energy opportunities across DoD and the federal government.

To prepare our leadership to achieve our energy goals, this fall the Naval Postgraduate School began offering a dedicated energy graduate degree program, the first military educational institution to do so. Later this year, NPS will launch an Executive Energy Series to bring our senior leadership together to discuss specific energy challenges that confront the Navy and Marine Corps. This energy-focused Masters Degree program and the executive energy series will target both the current and future civilian and military leadership of the Navy and Marine Corps.

Further, promotion boards have been directed to specifically consider the background and experience in energy some of our men and women in uniform are gaining today. Energy is not just an issue for the future, or just the young officers and policy experts that attend NPS. It is an issue for all of us.

Those who question why the Navy should be leading on energy should study their history. The Navy has always led in new forms of energy: shifting from wind to coal-powered steam in the middle of the 19th Century, from coal to oil in the early 20th Century, and pioneering nuclear power in the middle of the 20th Century.

Promoting Acquisition Excellence and Integrity

Especially given the fiscal reality of our budget deficit, we are fully cognizant of our responsibility to the President, the Congress, and the American people to spend this money wisely. What history shows us is that when budgets are tight we should get smarter about the way we spend our money. As noted earlier, rebuilding our fleet has been and will continue to be a top priority of this administration. Achieving this lies at the heart of the acquisition excellence initiative that has been a priority for the Department for almost two years now, because if we do not get smarter about how we buy, in addition to what we buy, we are not going to be able to afford the Navy and Marine Corps that the nation needs in the future.

Improving how we buy means that we have take actions against fraud and shoddy contractors. The Department's General Counsel and the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)) are authorized to take the swiftest and strongest

action in any case where bribery or attempts to gain preferential contracting treatment are substantiated. When a violation occurs, RDA may terminate the contract and assess damages immediately, in addition to pursuing suspension and debarment. The Department's Acquisition Integrity Program was recently recognized by the Government Accountability Office (GAO) as one of the more effective at using suspension and debarment practices.

The Department's role in the President's new defense strategy is clear and will drive acquisition programs underway or in development. We will carefully define program requirements and then drive affordability through aggressive "should cost" oversight and competition where possible, such as the fixed price contracts we negotiated for the LCS or the multi-year procurements that we negotiated for VIRGINIA-Class submarines. Innovative funding strategies and stable industrial base workload further allow for efficiencies that provide opportunities to acquire more ships more affordably.

To keep our technological advantage, we plan to invest in science and technology and research and development to maintain the knowledge base and keep it moving forward. This is the lesson of the 1920s and 1930s when so much of the technologies that became critical to our victory in World War II were kept alive in military, academic, and industrial laboratories. Times and technologies change, and we need to preserve the capability to change with them. Proper funding of our labs and research centers is key to incubating the next "game-changing" breakthroughs that will sustain the United States' military advantage over time.

The acquisition workforce was downsized over the past 15 years and, in truth, was stretched too thin. Accordingly, and with your strong support, we are increasing the number of acquisition professionals and restoring to the government the core competencies inherent to their profession and to our responsibilities in the Department to organize, train and equip the Navy and Marine Corps. The Department has grown its acquisition work force by 4400 personnel since starting the effort two years ago, increasing its technical authority and business skill sets.

Additionally the Department is keeping program managers in place longer to build up their experience, expertise and oversight on individual programs. We are also investing in education for our program managers. As an example, we send all of our program managers to an intensive short course at the graduate business school at the University of North Carolina, specifically targeting a better understanding of our defense contractors: what motivates them; what are their financial situations; and how can we work with them to achieve a win-win contract award for both the taxpayer and the stockholder. We are also changing the way in which we evaluate our program leaders to incentivize them to work with their industry counterparts to manage costs.

Over the FYDP, affordability will continue to be a central concern of this Department. As resources are tight, cost has got to be one of the primary considerations of every program, and it ought to be driven by “should cost, will cost,” methods. “Should cost” scrutinizes each contributing ingredient of program cost and seeks to justify it. The “will cost” method represents an effort to budget and plan weapons acquisition programs using realistic independent cost estimates rather than relying on those supplied by the manufacturer. Make no mistake, our focus

will remain on the security of our primary customer, the American people, for whom we will build the best possible Fleet for the future.

Shipbuilding/Industrial Base

A healthy industrial base is critical to supporting the Department's top priorities. The dangerous downward trend in our ship inventory has been and must stay reversed. Even though we face increased fiscal constraints, we still plan, as we noted earlier, to grow the Fleet to 300 ships by 2019. We want to increase the number of our highly capable large surface combatants to meet the President's directive that we confront the growing ballistic missile threat to the United States and its Allies, while strengthening our small combatant inventory to provide the presence needed to maintain freedom of navigation. We have to make significant investments in support vessels while continuing our investment in our nuclear submarine force and maintaining the viability of our last yard capable of building nuclear powered aircraft carriers.

What all this means is that we will need to closely monitor the shipbuilding industrial base as we move forward. Much as with energy, we need to ensure diversity in supply moving forward. We need to strengthen our relationship with traditional shipbuilders, but we need to reach beyond them to small and mid-tier shipbuilders to develop innovative designs and new construction techniques to meet emerging threats.

Developing and Deploying Unmanned Systems

When I took office in 2009, unmanned systems were already at work within the Department. To assist our troops on the ground in Iraq and in Afghanistan we had either purchased or contracted for thousands of unmanned aerial vehicles that flew hundreds of thousands of hours in support of our mission. Despite their demonstrated utility, there was no vision of where unmanned systems belonged in the Navy and Marine Corps future force structure or coherent plan to achieve that vision. Over the past two years, the Services have worked hard to develop a plan and the presence and reach of our unmanned systems have expanded, including the first expeditionary deployment of a Fire Scout Vertical Takeoff and Landing unmanned aerial vehicle (UAV), and the first successful flight of the unmanned combat air system, (UCAS), which will begin carrier demonstrations later this year. In total, nearly 1,500 unmanned aerial systems deployed into theater.

In the Fleet, unmanned systems need to be integrated into established operational communities. The Marines have been out in front on this effort, having established four unmanned aerial system squadrons over the past quarter century, and the Navy is working on these capabilities as well. This past year a detachment of Helicopter AntiSubmarine Squadron 42 deployed with a SH-60B Helicopter and a MQ-8B Firescout and supported combat operations in Libya and counter piracy operations in the Gulf of Aden. In both environments, they leveraged the operational flexibility and low signature characteristics of unmanned systems to support local commanders while keeping Sailors and Marines safe from danger. Additionally, our Tactical Air Control Community took possession of their first Small Tactical Unmanned Aerial System

(STUAS) this past year and began to integrate it into the Surface Warfare community's day-to-day operations. In the future, the Maritime Patrol and Reconnaissance Aviation community, soon to take delivery of the P-8A Poseidon, will add the MQ-4C Broad Area Maritime Surveillance unmanned aerial system to their squadrons and hangars, extending the reach and persistence of maritime reconnaissance capabilities.

We will test and field mine hunting and then mine sweeping capability of the Mine Countermeasures (MCM) Mission Module in LCS, employing airborne and remotely operated vehicles to reduce the risk to Sailors and the cost. Current developmental testing of the Increment I Mine Warfare mission package is underway in USS INDEPENDENCE (LCS 2), demonstrating mine hunting capability with the AN/AQS 20A mine hunting sonar set, towed by the remotely operated vehicle RMMV. Future increments will incorporate autonomous mine sweeping and the ability to find buried mines using unmanned surface and underwater vehicles.

The Unmanned Carrier Launched Airborne Surveillance and Strike system, or UCLASS, is changing the way we plan to deliver reconnaissance and strike capabilities from our venerable aircraft carrier platforms. Designed to operate in contested airspace and conduct ISR or strike missions over extended periods of time, the UCLASS at sea will differ fundamentally from the standard operating procedures of both manned carrier aircraft or land based unmanned aircraft. Unlike with a manned carrier aircraft that is mostly used to maintain the qualifications of its pilot, a UCLASS airframe will be employed only for operational missions and pilots will maintain qualifications in the simulator, extending its useful life expectancy considerably. Its airborne mission time will not be limited by human physiology but rather will be determined by

the availability of tankers to refuel it, ordnance expenditure, or the need to change the oil after many hours of flight time. This will allow us to launch from greater distances, effectively negating emergent A2/AD technologies. We have only just begun to understand the potential of this unmanned system and the capabilities that will spiral from it.

Conclusion

Our Constitution requires that the Congress "Maintain a Navy." We do so with the world's most advanced platforms, equipped with cutting edge weapons systems and manned by crews who receive the best training possible is a credit to our nation. The Navy that fought and defeated a more advanced British Navy in the War of 1812 looked very different from the Navy of 2012. But our Sailors and Marines continue to live up to that legacy forged two hundred years ago. Today your Navy and Marine Corps are deployed across the spectrum of engagement from rendering humanitarian assistance to combat. They often seem to be everywhere except at home. They bring to these efforts skills, training and dedication unmatched anywhere else in the world. The enduring support of this Committee for our key programs and our people enables us to fulfill the ancient charge of the founders that we should sail as the Shield of the Republic, and we thank you.

The goals and programs discussed today will determine our future as a global force. At the direction of the President, we have worked to streamline our processes, to eliminate programs that no longer fit in the current strategic environment and to construct new approaches to the challenges of the modern world while retaining the ability to deter regional conflict and respond

rapidly and decisively to emerging crises. Our specific requests are reflected in the President's FY13 budget submission.

The process by which we arrived at these requests was both deliberate and determined. We are fully aware of the economic environment and the fiscal constraints that our government faces today. We have attempted to balance these considerations with the President's requirement that we maintain a ready and agile force capable of conducting the full range of military operations. We want to assure you that the Department has considered the risks and applied our available resources efficiently and carefully. This year's request aligns with the Defense Strategic Guidance and the priorities and missions contained within it while balancing trade-offs that you and the American taxpayer expect of us.

For 236 years, from sail to steam to nuclear; from the USS CONSTITUTION to the USS CARL VINSON; from Tripoli to Tripoli; our maritime warriors have upheld a proud heritage, protected our nation, projected our power, and provided freedom of the seas. In the coming years, this new strategy and our plans to execute that strategy will assure that our Naval heritage not only perseveres, but that our Navy and Marine Corps continue to prevail.

Thank you and Godspeed.

Secretary of the Navy

5/19/2009 - Present

Ray Mabus

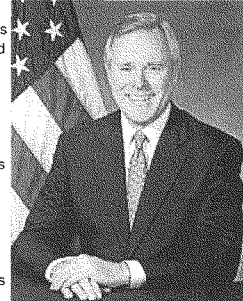
Ray Mabus is the 75th United States Secretary of the Navy. As Secretary, he leads America's Navy and Marine Corps and is responsible for an annual budget in excess of \$150 billion and almost 900,000 people.

The Secretary of the Navy is responsible for conducting all the affairs of the Department of the Navy, including recruiting, organizing, supplying, equipping, training, and mobilizing. Additionally, he oversees the construction, outfitting, and repair of naval ships, equipment and facilities, and is responsible for the formulation and implementation of policies and programs that are consistent with the national security policies and objectives established by the President and the Secretary of Defense.

Prior to joining the administration of President Barack Obama, Mabus served in a variety of top posts in government and the private sector. In 1987, Mabus was elected Governor of Mississippi. As the youngest governor of Mississippi in more than 100 years at the time of his election, he stressed education and job creation. He passed B.E.S.T. (Better Education for Success Tomorrow), one of the most comprehensive education reform programs in America, and was named one of Fortune Magazine's top ten education governors. He was appointed Ambassador to the Kingdom of Saudi Arabia for the Clinton Administration in 1994. During his tenure as Ambassador, a crisis with Iraq was successfully averted and Saudi Arabia officially abandoned the boycott of United States businesses that trade with Israel. He also was Chairman and CEO of Foamex, a large manufacturing company, which he led out of bankruptcy in less than nine months paying all creditors in full and saving equity. Prior to becoming Governor, he was elected State Auditor of Mississippi and served as a Surface Warfare Officer in the U.S. Navy aboard the cruiser USS *Little Rock*.

In June 2010, President Obama asked Secretary Mabus to prepare a long-term recovery plan for the Gulf of Mexico in the aftermath of the Deepwater Horizon oil spill. After extensive travel and many meetings, his report "America's Gulf Coast: A Long-Term Recovery Plan After the Deepwater Horizon Oil Spill" was released in September 2010. The report was met with broad bipartisan support.

Secretary Mabus is a native of Ackerman, Mississippi, and received a Bachelor's Degree from the University of Mississippi, a Master's Degree from Johns Hopkins University, and a Law Degree from Harvard Law School. He has been awarded the U.S. Department of Defense Distinguished Public Service Award, the U.S. Army's distinguished Civilian Service Award, the Martin Luther King Social Responsibility Award from the King Center in Atlanta, the National Wildlife Federation Conservation Achievement Award, the King Abdul Aziz Award from the Kingdom of Saudi Arabia, and the Mississippi Association of Educators' Friend of Education Award.



Updated: 9 November 2011

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF
ADMIRAL JONATHAN GREENERT
CHIEF OF NAVAL OPERATIONS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
ON
FY 2013 DEPARTMENT OF NAVY POSTURE
16 FEBRUARY 2012

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Chairman McKeon, Ranking Member Smith, and 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.

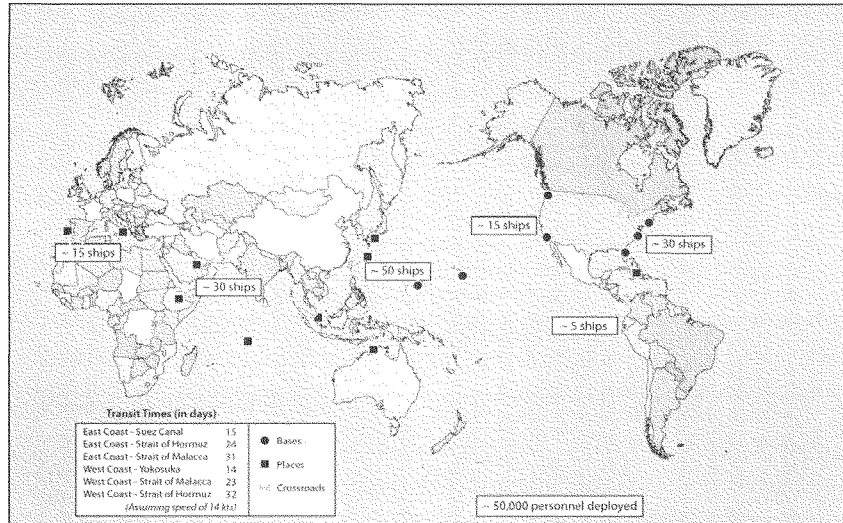


Figure 1

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. For example, 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, such as TALISMAN SABRE, which last year brought together 18 U.S. and Australian ships and more than 22,500 Sailors and Marines for a series of events from maritime security to amphibious assault. In 2012, 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 anti-submarine warfare.

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 Lemonnier), 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 Navy EA-18G Growlers 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. Additionally, the Fleet trained with allied navies from the Mediterranean to the Baltic in security cooperation exercises.

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 anti-submarine warfare (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. We provide the nation offshore options to deter, influence and win in an era of uncertainty. Our Navy is at its best when it is 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 (FDNF) 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 FDNF 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 FDNF 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 (F RTP) 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 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.

To sustain a ready and relevant Fleet we must continue to improve our fuel efficiency. Our goal remains to reduce our tactical energy use by 15 percent in 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 an all-electric propulsion system, as will our new *Zumwalt* and Flight III *Arleigh Burke* 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, reduces per-unit cost for each ship or 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 *Super Hornet* and SSN-774 *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* DDG and nine *Virginia* SSN. Your support for continued block purchases of DDG and SSN is essential to our Fleet's capacity over the next decade when decommissionings and the procurement of SSBN(X) 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), P-8A *Poseidon* maritime patrol and reconnaissance aircraft and F-35C *Lightning II* strike fighter. 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 threats.

Our focus on payloads includes unmanned systems such as the *Firescout* UAS, 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 *Firescout* 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. Leveraging our undersea superiority, our FY2013 budget submission 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 global strike capability. These undersea systems are joined by investments in the P-8A *Poseidon* and *Arleigh Burke* DDG to improve cueing and close-in anti-submarine warfare (ASW) operations.

While we currently dominate the undersea domain, cyberspace and the electromagnetic spectrum present a different set of challenges and a lower barrier to entry to our potential

adversaries. Our FY2013 budget submission furthers our goal to operate effectively in cyberspace and fully exploit the electromagnetic spectrum. Investments including SEWIP, the Consolidated Afloat Network Enterprise System (CANES), E-2D *Hawkeye*, 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.

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 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 essential 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* CG and two Dock Landing Ships (LSD). 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 LCS and currently conduct for PCs, SSGNs and mine countermeasures ships (MCM).

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 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 SUW 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 DDG in Rota, Spain, forward stationed LCS 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, the strike fighters (F-35C, F/A-18 E/F and EA-18G *Growler*) they deliver to the fight, and 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” amphibious assault ship (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. 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 SEWIP, Next-Generation Jammer, shipboard prototype and demonstrator systems, Ship Signal Exploitation Equipment (SSEE) and the E-2D *Hawkeye*. 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 US nuclear triad with the ballistic missile submarine (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. 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 PC and T-AH to take on these missions in the future. To support an expanding range of partnership missions, they will

increasingly carry tailored force packages of U.S. 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 required of our ships and aircraft. 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.

Chief of Naval Operations

9/23/2011 - Present

Admiral Jonathan W. Greenert

Adm. Jonathan W. Greenert is a native of Butler, Pa. He graduated from the U.S. Naval Academy in 1975 and completed studies in nuclear power for service as a submarine officer.

His career as a submariner includes assignments aboard USS *Flying Fish* (SSN 673), USS *Tautog* (SSN 639), Submarine NR-1 and USS *Michigan* (SSBN 727 - Gold Crew), culminating in command of USS *Honolulu* (SSN 718) from March 1991 to July 1993.

Subsequent fleet command assignments include Commander, Submarine Squadron 11; Commander, U.S. Naval Forces Marianas; Commander, U.S. 7th Fleet (August 2004 to September 2006); and, Commander, U.S. Fleet Forces Command (September 2007 to July 2009).

Greenert has served in various fleet support and financial management positions, including deputy chief of Naval Operations for Integration of Capabilities and Resources (N8); deputy commander, U.S. Pacific Fleet; chief of staff, U.S. 7th Fleet; head, Navy Programming Branch and director, Operations Division Navy Comptroller. Most recently he served as 36th vice chief of naval operations (August 2009 to August 2011).

He is a recipient of various personal and campaign awards including the Distinguished Service Medal (6 awards), Defense Superior Service Medal and Legion of Merit (4 awards). In 1992 he was awarded the Vice Admiral Stockdale Award for inspirational leadership. He considers those awards earned throughout his career associated with unit performance to be most satisfying and representative of naval service.

Greenert became the 30th Chief of Naval Operations Sep. 23, 2011.



Updated: 23 September 2011

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GENERAL JAMES F. AMOS
COMMANDANT OF THE MARINE CORPS

2012 REPORT TO
THE HOUSE ARMED SERVICES COMMITTEE
ON
THE POSTURE OF THE UNITED STATES MARINE CORPS
FEBRUARY 16, 2012

Not public until released by the
House Armed Services Committee

The Indomitable Spirit of the U.S. Marine

Your Marines are Ready Today: We remain a Nation at war. Currently, nearly 20,000 Marines are conducting combat operations in Afghanistan. Operation ENDURING FREEDOM (OEF) remains our top priority. Having recently returned from visiting Marines and Sailors currently deployed throughout Central Command, I am pleased to report their professionalism and morale remains notably strong. *Whether patrolling in Afghanistan or planning at the Pentagon, serving on Navy amphibious warships or engaging our partners around the world, the indomitable spirit of our greatest asset—the individual Marine—stands ready: ready to safeguard our Nation's liberty, to ensure freedom of the seas and to protect our Nation's interests abroad. With your assistance, we will continue to resource this National Treasure...the U.S. Marine.*

2011 Operational Highlights: During the past year, Marines have conducted counterinsurgency operations in Afghanistan, and have responded to a rapid succession of unpredicted political upheavals, natural disasters, social unrest, piracy and emerging threats in various unstable areas of the world's littoral regions.

- ***Operation ENDURING FREEDOM:*** *We are seeing measurable progress along all lines of operation in the Helmand Province: security, reintegration, rule of law, governance, development, education and health.* Over the past year, violence and the level of collateral damage have decreased significantly. Throughout 2012, Marines in Regional Command-Southwest [RC(SW)] will continue transitioning to partnership training missions as we transfer even greater security responsibility to the maturing Afghan National Security Forces; police and army forces in Helmand province have progressed in training and capability. There is a strong sense of optimism among our forces in Helmand.
- ***Operation TOMODACHI:*** Following a devastating earthquake and tsunami in Japan last spring, 3,600 Marines and Sailors from our amphibious forces in the Pacific responded within 24 hours notice. They served as the lead element of the Joint Force, delivered humanitarian aid (i.e. 500 tons of food and supplies; 2,150,000 gallons of water; and 51,000 gallons of fuel), rescued those in danger, provided consequence management and facilitated the evacuation of almost 8,000 American citizens. For weeks following this disaster, Marine aircrews flew through a radioactive environment to save lives, deliver aid and assist the afflicted.
- ***Operation UNIFIED PROTECTOR/ODYSSEY DAWN:*** Amidst a wave of civil turmoil spreading across Northern Africa, two amphibious warships with embarked Marines sped to the Mediterranean, and took up station off the coast of Libya. The 26th Marine Expeditionary Unit (MEU), an air-ground-logistics task force, provided our Nation's leaders invaluable decision time that allowed the determination of a way ahead and later integration with the Joint Force with the North Atlantic Treaty Organization to enforce a no-fly zone. *Marine Aviation assets were an important component of the Joint Force. Short Take-Off and Vertical Landing (STOVL) Harriers, operating from USS Kearsarge, conducted the first precision airstrikes and provided airborne command and control. Our KC-130s evacuated non-combatant*

*foreign nationals repatriating them to their homeland, and our MV-22B Ospreys rescued a downed American aviator using unprecedented operational reach.*¹

- **Security Cooperation:** *In 2011, we supported all six Geographic Combatant Commands with task-organized forces of Marines who conducted hundreds of security cooperation (SC) activities with the armed forces of more than 75 countries. Aligned with Defense Strategic Guidance to “develop innovative, low-cost, and small-footprint approaches to achieve our security objectives, relying on exercises, rotational presence and advisory capabilities,” our SC missions focus on internal defense and participation in coalition operations.*²
- **Embassy Reinforcement:** We continue providing security for 154 U.S. Embassies and consulates in 137 countries around the world through the Marine Corps Embassy Security Group. To augment this mission, Marines from our Fleet Anti-Terrorism Security Teams rapidly deployed to reinforce embassies. *This past year they deployed to protect American lives and property in Bahrain, Egypt and Yemen as crisis events unfolded across the Middle East.*

The New Strategic Guidance; How Your Marine Corps is Changing: New strategic guidance issued by the President and the Secretary of Defense provides the framework by which the Marine Corps will balance the demands of the future security environment with the realities of our current budget. The guidance calls for a future force that will “remain capable across the spectrum of missions, fully prepared to deter and defeat aggression and to defend the homeland and our allies in a complex security environment.”³

We have built a quality force that is fully capable of executing its assigned missions. Our strategic guidance rightfully focuses our attention on the Pacific and Central Command regions. Navy-Marine Corps forward basing, response capabilities and plans are already positioned to support that strategy, yet we will remain vigilant and capable to respond on short notice in other areas of the world as the Nation requires. Marines continually stand ready to contribute decisively to a joint force, and can help provide access for that force wherever needed.

Though the fiscal choices made over the past year were difficult, we are confident that we are managing risk by balancing capacity and capabilities across our forces while maintaining the high levels of readiness for which the Nation relies on its Marines. The Corps of today and tomorrow will maintain its high standards of training, education, leadership and discipline, while contributing vital capabilities to the Joint Force across the spectrum of military operations. The emerging strategy revalidates our role as America’s Expeditionary Force in Readiness. Our partnership with the Navy enables a forward-deployed and engaged force that shapes, deters, responds and projects power well into the future.

¹ The MV-22B Osprey rescue of an American combat aviator on March 22, 2011 was conducted within 95 minutes over a distance of 300 nautical miles (from launch aboard amphibious shipping to recovery of pilot and then back to shipping)

² *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* January 2012 pg 3.

³ *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* Fact Sheet January 5, 2012 pg 2

During our force structure assessment, we cross-checked recommendations against approved DoD Operations and Contingency Plans, and incorporated lessons learned from 10 years of combat. The resulting force structure decisions to support the new strategy are:

- Reduced the end strength of the active component of the Marine Corps from 202,100 beginning this fiscal year to 182,100 by the end of FY16.
- Designed a force with capabilities optimized for forward-presence, engagement and rapid crisis response.
- Funded readiness levels required for immediate deployment and crisis response.
- Properly re-shaped organizations, capabilities and capacities to increase aggregate utility and flexibility across the range of military operations; also enhancing support provided to U.S. Special Operations and Cyber Commands.
- Properly balanced critical capabilities and enablers across our air-ground-logistics task forces, ensuring that identified low density/ high demand assets became right density/ high demand assets.
- Incorporated the lessons learned from 10 years of war—in particular, the requirements to field a force that is manned, trained and equipped to conduct distributed operations.
- Created an operational reserve component capability without any reductions in reserve force structure.
- Designed the force for more closely integrated operations with our Navy, special operations and inter-agency partners.

Throughout this period of adjustment, we will “keep faith with our Marines, Sailors and their families.” Our approach to caring for them is based on our recognition and appreciation for their unwavering loyalty and unfailing service through a decade of combat operations. This strong commitment will not change.

Maintaining a High State of Readiness: The Navy and Marine Corps Team is the Nation’s resource for mitigating risk. *Given likely future operations set forth in the Defense Strategic Guidance ranging from defeating rogue actors to responding to natural disasters, the Nation can afford and should invest in the small premium it pays for high readiness levels within its naval amphibious forces. Because our Nation cannot afford to hold the entire Joint Force at such high rates of readiness, it has historically ensured that Marines remain ready; and has used us often to plug gaps, buy time for decision makers, ensure access or respond when and where needed.*

In order for the Marine Corps to achieve institutional readiness for crisis and contingency response, we must maintain balance in the following five pillars:

- **High Quality People (*Recruiting and retaining high quality people plays a key role in maintaining our high state of readiness*):** Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention and improved readiness for the operating forces. By retaining the highest quality people,

the Marine Corps will continue to achieve success in today's dynamic environment and meet the challenges posed to our Nation. We will not lower our standards.

- **Unit Readiness (*Maintaining readiness of the operating forces, including appropriate operations and maintenance funding to train to core missions and maintain equipment*):** The Marine Corps deploys units at high levels of readiness for assigned missions. We source our best trained, most ready forces to meet Geographic Combatant Commander requirements. One hundred percent of deployed units report the highest levels of readiness for their assigned mission. We will be ready to deploy on a moment's notice.
- **Capacity versus Requirements (*Force-sizing to meet Geographic Combatant Commander requirements with the right mix of capacity and capability*):** The Marine Corps must maintain a force that meets our ongoing operational requirements to include our commitment to OEF, our rotational presence abroad, our many security cooperation and engagement activities, along with anticipated missions as we reorient to the Pacific.
- **Infrastructure Sustainment (*Investing in real property, maintenance and infrastructure*):** We must adequately resource the sustainment of our bases and stations to maintain our physical infrastructure and the means to train and deploy our forces. As resources become more constrained, we will become even better stewards of our installations to maintain our facilities for the next generation of Marines.
- **Equipment Modernization (*Ensuring ground and aviation equipment matches the needs of the emerging security environment*):** As we explore options to adjust to changing fiscal realities, there is a clear imperative for our Corps to reset portions of our legacy equipment used in OEF and Operation IRAQI FREEDOM while we modernize what we must to guarantee our dominance and relevance against future threats.

FY13 Budget Highlights

The Frugal Force: The Marine Corps is fully aware of the fiscal challenges facing our Nation and has critically examined and streamlined our force needs for the future. We continually strive to be good stewards of the public trust by maintaining the very best financial management practices. The Marine Corps has undergone an independent audit in FY10, and our FY11 audit is still ongoing. We plan to pursue an independent audit again for FY12, and fully expect an audit opinion for FY11 and FY12. To date, we are the only service to undertake such independent scrutiny. By the end of 2012, we will complete initial service wide implementation of our Enterprise Resource Planning System–Global Combat Support System–Marine Corps (GCSS-MC). GCSS-MC will significantly improve our inventory accountability and contribute to clean audit requirements. We are proud of our reputation for frugality, and remain one of the best values for the defense dollar.

We have four major accounts governing our operations: Investment, Operations & Maintenance, MILCON & Family Housing and Manpower. These are our priorities:

- **Investment**
 - Enhancing programs vital to our ground combat elements
 - Light Armored Vehicles (LAV), High Mobility Artillery Rocket System (HIMARS), Small Tactical Unmanned Aerial System (STUAS)
 - Maintaining the same investment levels in other enabling programs
 - Ground Aviation Task Oriented Radar (G/ATOR), Next Generation Enterprise Network (NGEN), Command and Control Situational Awareness (C2/SA)
 - Fully funding critical research and development efforts
 - Joint Light Tactical Vehicle (JLTV), Amphibious Combat Vehicle (ACV)
 - Sustaining other ground and tactical vehicles until their replacements can be procured
 - High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) and Amphibious Assault Vehicle (AAV)
 - Procuring full programs of record critical to aviation modernization
 - F-35B, H-1 Upgrades, MV-22B, KC-130J, CH-53K

- **Operations & Maintenance**
 - Fully funding our education, training and readiness accounts
 - Resourcing civilian work force at FY10 end-of-year levels
 - Enhancing support of Marine Special Operations Command (MARSOC) and Marine Forces Cyber Command (MARFORCYBER)
 - Providing continued support to family readiness and Wounded Warrior programs
 - Supporting transition from the Navy Marine Corps Intranet to NGEN
 - Maintaining energy mandates

- **Military Construction and Family Housing**
 - Maintaining facility sustainment at 90 percent of required funding
 - Increasing facilities demolition funds
 - Preserving essential MILCON funding
 - Aviation: Joint Strike Fighter, MV-22B Osprey
 - Ground: Marine Corps Security Forces, Marine Corps University
 - Preserving environmental restoration funding, family housing operations & construction

- **Manpower**
 - Reducing end strength from 202,100 Marines to 182,100 Marines by the end of FY16 in a responsible and measured way to keep faith with all who have served
 - Realigning force structure across the entire Marine Corps
 - Maintaining our Reserve Component at 39,600 Marines

During these times of constrained resources, we remain committed to refining operations, identifying efficiencies, and reinvesting savings to conserve scarce public funds. We have met

or exceeded all DoD efficiency measures to date. *This fiscal year, we are seeking \$30.8 billion (\$23.9 billion baseline + \$6.9 billion Overseas Contingency Operations) to fund our operations, provide quality resources for our Marines, Sailors and their families, conduct reset of equipment worn from more than 10 years at war and posture our forces for the future. Marines account for only 8.2 percent⁴ of the total Department of Defense (DoD) budget. With that, our Nation gains the ability to respond to unexpected crises, from humanitarian assistance and disaster relief efforts to non combatant evacuation operations, to counter-piracy operations, to full-scale combat. When the Nation pays the "sticker price" for its Marines, it buys the ability to remain forward deployed and forward engaged, to reinforce alliances and build partner capacity.*

The Role of Marines in the Future Security Environment

The Future Security Environment: The rapidly evolving events of the past year alone indicate a new constant. *Competition for resources; natural disasters; social unrest; hostile cyber activity, violent extremism (criminal, terrorist, religious); regional conflict; proliferation of weapons of mass destruction and advanced weaponry in the hands of the irresponsible are becoming all too common.* Marine Corps intelligence estimates rightfully point out that "more than half of the world's population lives in fragile states, vulnerable to ruinous economic, ideological, and environmental stresses. In these unstable regions, ever-present local instability and crises will erupt, prompting U.S. responses in the form of humanitarian assistance and disaster relief operations, actions to curtail piracy, stability operations and the rescue and evacuation of U.S. citizens and diplomats."⁵ These and other sources of stress are challenging industrialized nations just as they do emerging and failed ones. Further increased fragility of the global systems impacts both international markets and our Nation's economic stability. *These challenges are harbingers of potential crisis around the world, and more specifically for naval forces in the littoral regions.*

History has shown that crises usually come with little or no warning; stemming from the same conditions of uncertainty, complexity and chaos we observe across the world today. Regardless of the financial pressures placed on governments and markets *today*, crises requiring military intervention undoubtedly will continue *tomorrow*. In this environment, physical presence and readiness matter significantly. Since the 1990's, America has been reducing its foreign basing and presence, bringing forces back home. This trend is not likely to change in the face of the strategic and budget realities we currently face. There remains an enduring requirement to balance *presence* with *cost*. In the past, the Nation has chosen to depend on the Navy and Marine Corps to provide a lean and economical force of an expeditionary nature, operating forward and in close proximity to potential trouble spots. Investing in naval forces that can respond to a wide range of crisis situations, creates options and decision space for our Nation's leaders, and protects our citizens and interests is a prudent measure in today's world.

The Navy & Marine Corps Team: *Partnered with the United States Navy in a state of persistent forward presence aboard amphibious warships, your United States Navy and Marine Corps Team remains the most economical, agile and ready force immediately available to deter aggression and respond to crises.* Such a flexible and multi-capable force that maintains high

⁴ This percentage is based on the enacted FY-12 Defense budget authorization and is slightly larger than the 7.8 percent sum cited in the past. This percentage includes \$3 billion in FY-12 funding for amphibious warship new construction as well as Navy funding for chaplains, medical personnel, amphibious warships (operations and maintenance) and Marine Corps aircraft.

⁵ *Five Year Forecast: 2013-2017 Assessment of International Challenges and Opportunities That May Affect Marine Expeditionary Forces* January 2012, pg. 1.

readiness levels can mitigate risk, satisfy the standing strategic need for crisis response and, when necessary, spearhead entry and access for the Joint Force. More than 60 years ago and arising out of the lessons learned from the Korean War, the 82nd Congress envisioned the need for a force that “is highly mobile, always at a high state of combat readiness...in a position to hold a full-scale aggression at bay while the American Nation mobilizes its vast defense machinery.”⁶ This statement continues to describe your Navy and Marine Corps Team today. It is these qualities that allow your Marine Corps to protect our Nation’s interests, reassure our allies and demonstrate America’s resolve.

Reorienting to the Pacific: *As our security strategy looks increasingly toward the Pacific, forward deployed naval forces will become increasingly vital.* The “geographic realities” of the Pacific theater demand naval responsiveness. The genesis of the amphibious and power projection capabilities of the Navy and Marine Corps traces back more than 70 years to operations in the Pacific—where today key terrain and strategic chokepoints are separated by large expanses of ocean. The Pacific theater is where 30 percent of the world’s population and the same percentage of our primary trading partners reside; where five major defense treaties are focused;⁷ where 50 percent of the world’s megacities are situated; and where natural disasters over the past decade have required the greatest attention from the international community.⁸ The geography of the Pacific has not changed, though our tactics and operations continually evolve with the changing character and lethality of modern warfare. Approximately 24,000 Marines already in the Pacific conduct an ambitious, annual training cycle of more than 80 exercises, engagements and initiatives, in addition to the crises we respond to such as Operation TOMODACHI in Japan last year.

Forward presence involves a combination of land and sea-based naval forces. Our enduring bases and presence have served U.S. National Security interests well for decades. Our rotational presence in locations such as Japan, Korea, Australia, the Philippines, Thailand and Singapore reassures our allies and partners. *Sea-basing, the act of using amphibious warships with support from maritime prepositioned ships with various types of connectors, is uniquely suited to provide the Geographic Combatant Commander with the flexibility to deploy forces anywhere in the Pacific region without having to rely on multiple bases ashore or imposing our presence on a sovereign nation.* Sea-basing enables forward deployed presence at an affordable cost. Forward-deployed naval forces serve as a deterrent and provide a flexible, agile response capability for crises or contingencies. Maritime prepositioning offers the ability to rapidly support and sustain Marine forces in the Pacific during training, exercises, or emerging crises, and delivers the full range of logistical support those forces require.

A Middleweight Force from the Sea: *As a “middleweight force,” Marines do not seek to supplant any Service or “own” any domain.* Rather, Marine forces operate in a “lane” that passes through *all* domains—land, sea, air, space and cyber—operating capably and freely throughout the spectrum of threats, whether they be conventional, hybrid, irregular or the uncertain areas where they overlap. *Whereas other forces are optimized for a particular mission*

⁶ Committee Report accompanying S. 677 & H.R. 666 of 30 June 1951

⁷ Philippines-U.S. Mutual Defense Treaty (1951); Australia, New Zealand, U.S. (ANZUS) Treaty, U.S. Alliance with South Korea (1954); Thailand (Manila Pact of 1954); U.S. Japan Security Treaty (1960)

⁸ According to the United Nations Economic and Social Commission for Asia and the Pacific, during the period 2001 to 2010 in the Asia-Pacific region over 200 million people per year were affected by natural disasters. This total amounts to 95 percent of the total people affected by natural disasters annually. Approximately 70,000 people per year were killed due to natural disasters (65 percent of the world’s total that died of such causes). An average of \$35 billion of economic damage occurred per year to the region due to natural disasters.

and domain, the Marine Corps is optimized for rapid deployment, versatile employment, and self-sustainment via Marine Air-Ground Task Forces (MAGTF), which are balanced, combined-arms formations under a single commander. All MAGTFs consist of four core elements: a Command Element, Ground Combat Element, Aviation Combat Element, and Logistics Combat Element. MAGTFs are scalable in size and capability.

Bridging a seam in our Nation's defense between heavy conventional and special operations forces (SOF), the United States Marine Corps is light enough to arrive rapidly at the scene of a crisis, but heavy enough to carry the day and sustain itself upon arrival. *The Marine Corps is not designed to be a second land army.* That said, throughout the history of our Nation, its Marines have been called to support sustained operations from time to time. We are proud of our ability to contribute to land campaigns when required by leveraging and rapidly aggregating our capabilities and capacities. Primarily though, the Corps is a critical portion of our integrated naval forces and designed to project power ashore from the sea. This capability does not currently reside in any other Service; a capability that has been called upon time and again to deter aggression and to respond quickly to threatening situations with appropriate military action.

Marine Corps and SOF roles are complementary, not redundant. Special Forces contribute to the counter-insurgency and counter-terrorism demands of the Geographic Combatant Commanders in numerous and specialized ways, but they are not a substitute for conventional forces and they do not have a broader range of capabilities and sustainability. SOF lack the organic logistic capability and capacity to execute a non-combatant operation, serve as a "fire brigade" in a crisis or conduct combined amphibious and airborne assaults against a competent enemy. Middleweight naval forces, trained in combined arms warfare and knowledgeable in the art of maneuver warfare from the sea, are ideally trained and prepared for these types of operations.

The Littorals: The United States remains a maritime nation that relies heavily on the oceans and waterways of the world for the free exchange of ideas and trade. *The maritime commons are where 95 percent of the world's commerce flows, where more than 42,000 commercial ships are under way daily, where most of the world's digital information flows via undersea cables, and where half the world's oil travels through seven strategic chokepoints.* To secure our way of life and ensure uninterrupted freedom of navigation, we must retain the ability to operate simultaneously and seamlessly while at sea, ashore, from the sea, in the air and, perhaps most importantly, where these domains converge—the littorals. These littoral areas exist not only in the Pacific, but throughout the world. Operating in the littoral environment demands the close integration of air, sea and land power. By using the sea as maneuver space, flexible naval forces can quickly respond to crises in the bordering environment of the littorals.

In the context of the new strategy, the Navy and Marine Corps Team is increasingly relevant in meeting the exigent military needs of our Nation. Together, we provide the capability for massing potent forces close to a foreign shore, while maintaining a diplomatically sensitive profile. Additionally, when necessary, we are able to project this power ashore across the range of military operations at a time of our Nation's choosing. *Amphibious capabilities provide the means to conduct littoral maneuver — the ability to maneuver combat ready forces from the sea to the shore and inland in order to achieve a positional advantage over the enemy.* Working seamlessly as a single naval force, your Navy and Marine Corps Team provides the essential

elements of access and forcible entry capabilities that are necessary components of a joint campaign.

Engagement: In order to keep large crises from breaking out or spilling over to destabilize an entire region, 21st century security challenges also require expansion of global engagement with partner and allied nations—facilitated through persistent forward Naval presence—to promote collective approaches to common security concerns. Our engagement contributions in support of the Geographic Combatant Commanders minimize conditions for conflict and enable host nation forces to effectively address instability on their own as it occurs. They promote regional stability and the growth of democracy while also deterring regional aggression. History has shown that it is often far cheaper to prevent a conflict than to respond to one. *This thrust will necessitate amphibious forces that are not only fighters, but who can also serve as trainers, mentors and advisers to host nation military forces.*

Integration with the Joint Force: In our new defense strategy, the Marine Corps will fill a unique lane in the capability range of America's armed forces. Whether *first-on-the scene, part of, or leading* a joint force, Marines instinctively understand the logic and synergy behind joint operations. Our ability to deploy rapidly and globally allows us to set the stage and enable the transition to follow-on Joint Forces in a timely manner. Our MAGTF structure—with organic logistics, aviation, intelligence, fires and other assets—enables us to seamlessly team with others and provides options for the Joint Force Commander to:

- Provide a visible deterrent to would-be threats, without requiring a vulnerable presence ashore at fixed bases or airfields;
- Swiftly respond to small-scale crises with a range of options beyond precision strike, potentially containing crises before they erupt into major contingencies;
- Partner with the Navy and United States Special Operations Command (SOCOM) to shape the operational environment;
- Use the sea as maneuver space, avoiding enemy strengths and striking his weaknesses;
- Directly seize or obtain operational objectives from the sea, without the requirement for large force build-ups or sustained presence ashore;
- Extend the operational reach of the Joint Force hundreds of miles inland to achieve effects from the sea through organic MAGTF assets; and
- Overcome anti-access and area denial threats in a single-naval battle approach through the use of landing forces aboard amphibious warships integrated with other capabilities to include mine counter-measures and naval surface fires.

Day-to-Day Crisis Response: *Engagement and crisis response are the most frequent reasons to employ our amphibious forces. The same capabilities and flexibility that allow an amphibious task force to deliver and support a landing force on a hostile shore enable it to support forward engagement and crisis response.* The Geographic Combatant Commanders have increased their demand for forward-postured amphibious forces capable of conducting security cooperation, regional deterrence and crisis response.

Marines have conducted amphibious operations and responded to crises throughout the world more than 100 times in the past two decades. The vast majority of our expeditionary service has

involved crisis response and limited contingency operations, usually conducted in periods when the Nation has otherwise been at peace. Some of these were relatively short-term rescue or raid expeditions, while others evolved into contingencies that were limited in force size, but not limited in duration, complexity and level of integration with the other elements of national power. We will contribute to the missions of our Nation's security strategy in the same way.⁹ *On a day-to-day basis, Marines will be forward-deployed and engaged, working closely with our joint and allied partners. When crises or contingencies arise, these same Marines will respond—locally, regionally or globally if necessary—to accomplish whatever mission the Nation requires.*

America's Expeditionary Force in Readiness: The new strategic guidance underscores the Marine Corps role as America's Expeditionary Force in Readiness. Reliant on a strategically relevant and appropriately resourced Navy fleet of amphibious warships and Maritime Prepositioned Force (MPF) vessels, we are forward deployed and forward engaged: shaping strategic environments; training partner nation and allied forces; deterring adversaries; and responding to all manner of crises contingencies.¹⁰ *Alert and ready, we respond to today's crisis with today's force...today.* Marines are ready to respond whenever the Nation calls and wherever and however the President may direct.

We Have Worked Diligently to Prepare for the Future

Force Structure Review: In an effort to ensure the Marine Corps is organized for the challenges of the emerging security environment, we conducted a capabilities-based Force Structure Review beginning in the fall of 2010 to identify ways we could rebalance and posture for the future. The Force Structure Review incorporated the lessons learned from 10 years of combat and addressed 21st century challenges confronting our Nation and its Marine Corps. The review sought to provide the "best value" in terms of capability, cost and readiness relative to the operational requirements of our forward-engaged Geographic Combatant Commanders. The results of that effort have been shared with Congress over the past year. *While affirming this strategy-driven effort, we have aligned our force based on the realities of constrained spending levels and Strategic Guidance.*

End Strength: During our comprehensive Force Structure Review, we tailored a force structure to ensure a sufficient type and quantity of force available to meet the forward presence, engagement and crisis response requirements of the Geographic Combatant Commanders. The resulting force structure is intended to meet Title 10 responsibilities, broaden capabilities, enhance speed and response options and foster the partnerships necessary to execute the range of military operations while providing the "best value" to the Nation. This force structure also accounted for the addition of enabling assets (*e.g. combat engineers, information operations specialists, civil affairs personnel, specialized intelligence Marines, cyber operators, special operators, etc.*) necessary to meet the demands of the battlefields of today and tomorrow.

⁹ The Marine Corps is capable of performing 9 of the 10 stated missions in the Defense Strategic Guidance to include: Counter Terrorism and Irregular Warfare; Deter and Defeat Aggression; Project Power Despite Anti-Access/Area Denial Challenges; Counter Weapons of Mass Destruction; Operate Effectively in Cyberspace and Space; Defend the Homeland and Provide Support to Civil Authorities; Provide a Stabilizing Presence; Conduct Stability and Counterinsurgency Operations; Conduct Humanitarian, Disaster Relief, and Other Operations.

¹⁰ As of January 2012, approximately 30,000 Marines were forward deployed in operations supporting our Nation's defense. This number includes ~19,500 Marines in Afghanistan including those serving in external billets (transition teams, joint/interagency support, etc.), ~5,000 Marines at sea on Marine Expeditionary Units, and ~5,000 Marines engaged in various other missions, operations and exercises. The 30,000 Marine statistic does not include more than 18,000 Marines permanently assigned to garrison locations outside the continental U.S. such as in Europe, the Middle East, the Pacific, etc.

As directed, we will draw-down our force in a measured way beginning in FY13. *Our FY13 programmed end strength is 197,300 Marines.* In accordance with Defense Strategic Guidance, we are resisting the “*temptation to sacrifice readiness in order to retain force structure.*”¹¹ Personnel costs account for about 60 cents of every Marine dollar; through our force structure efforts we balanced the requisite capabilities across a smaller force, in effect trading capacity for modernization and readiness.

The resulting 182,100 Marine active duty force, supported by our operational Reserve component, retains the capacity and capability to support steady state and crisis response operations through rotational deployments, and to rapidly surge in support of major contingency operations. Although reshaping the Marine Corps from 202,100 Marines to a force of approximately 182,100 Marines entails some risk to our ability to simultaneously respond to multiple large-scale contingencies, it is manageable. *We intend to leverage the diverse depth and range of assets within our Reserve component both to mitigate risk and maximize opportunities where available.*

As we reduce end strength, we must manage the rate carefully so we reduce the force responsibly. We will draw-down our end strength by approximately 5,000 Marines per year. The continued resourcing of this gradual ramp-down is vital to keeping faith with those who have already served in combat and for those with families who have experienced resulting extended separations. The pace of active component draw-down will account for completion of our mission in Afghanistan, ensuring proper resiliency in the force relative to dwell times. As our Nation continues to draw-down its Armed Forces, we must guard against the tendency to focus on pre-9/11 end strength levels that neither account for the lessons learned of 10 years at war nor address the irregular warfare needs of the modern battlefield. Our 182,100 Marine Corps represents fewer infantry battalions, artillery battalions, fixed-wing aviation squadrons, and general support combat logistics battalions than we had prior to 9/11. However, it adds cyber operations capability, Marine special operators, wartime enablers and higher unit manning levels—all lessons gleaned from 10 years of combat operations; it is a very capable force.

My promise to Congress is that at the end of the day, I will build and maintain the best Marine Corps our Nation can afford with the resources it is willing to invest. We are also committed to keeping faith with Marines, Sailors and their families who have sacrificed so much over the past decade at war. Personnel reductions that become precipitous are among the worst measures that can be employed to save money. *Our All-Volunteer Force is built upon a reasonable opportunity for retention and advancement; unplanned and unexpected wholesale cuts undermine the faith and confidence in service leadership and create long-term experience deficits with negative operational impacts.* Such an approach would no doubt do significant long-term damage to our ability to recruit and maintain a quality force.

Civilian Marines: Our Civilian Marines support the mission and daily functions of the Marine Corps and are an integral part of our Total Force. In recognition of the need to study and clearly define our civilian work force requirements to ensure we had the right workforce in the right

¹¹ *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* January 2012, pg 7.

location, at a cost that aligned with our budget, I directed a full review of the Total Force in late 2010. This measure necessitated a hiring freeze but resulted in prioritized requirements within affordable levels and the alignment of resources with capabilities. It also ensured the civilian labor force was shaped to support the mission of the Corps today and that projected for the future.

During the FY12 budget cycle, there was no growth in our FY11 civilian work force levels due to necessary efficiency measures. Consequently, our civilian work force went from a planned level of 21,000 personnel in direct funded Full Time Equivalencies (FTEs) to 17,501 personnel. This number of FTE personnel will remain constant in each year of the current Future Year's Defense Plan (FYDP)—there is no growth planned. The end result is a 17 percent reduction in planned growth between FY11 and FY12 budget requests.

Our FY13 civilian personnel budget reflects efforts to restrain growth in direct funded personnel. By establishing budgetary targets consistent with current fiscal realities, we will be able to hold our civilian labor force at FY10 end-of-year levels, except for limited growth in critical areas such as the acquisition workforce, the intelligence community, the information technology community (i.e. conversion from NMCI to NGEN), in-sourcing of security personnel (i.e. Marine Corps Civilian Law Enforcement Personnel) and personnel in our cyber community. Our Civilian Marine work force remains the leanest among DoD with only one civilian for every 10 Marines.

Our Priorities

Commandant's Four Priorities: To best meet the demands of the future and the many types of missions Marines will be expected to perform now and beyond the post-OEF security environment, I established four enduring priorities in 2010. To that end, we will:

- ***Provide the best trained and equipped Marine units to Afghanistan. This will not change and remains our top priority;***
- ***Rebalance our Corps, posture it for the future and aggressively experiment with and implement new capabilities and organizations;***
- ***Better educate and train our Marines to succeed in distributed operations and increasingly complex environments; and***
- ***Keep faith with our Marines, our Sailors and our families.***

We are making significant progress within each of these four critical areas; however, there are pressing issues facing our Corps today that require the special attention and assistance of Congress. These include specific programs and initiatives within the command, ground, logistics and aviation portfolios of the MAGTF.

Reset: The Marine Corps is conducting a comprehensive review of its equipment inventory to validate reset strategies, future acquisition plans, and depot maintenance programming and

modernization initiatives. *As already stated, after 10 years of constant combat operations, the Marine Corps must reset the force coming out of Afghanistan.* The reset of equipment retrograded to home station from Iraq (approximately 64,000 principal items) is complete. However, the equipment density list currently supporting combat operations in Afghanistan totals approximately 95,000 principal items, of which approximately 42 percent was retransferred directly from Iraq to support the surge of 2009. The bulk of this transferred equipment included high demand items such as communications equipment and vehicles to include the majority of our Mine Resistant Ambush Protected vehicles and 100 percent of our medium tactical vehicle fleet.

Sustaining current combat operations has reduced the aggregate readiness of the non-deployed force. *Non-deployed unit readiness is degraded and has been the "bill payer" for deployed unit readiness.* We sacrificed readiness levels of our home station units to ensure Marines in combat had the very best equipment. *Through the support of Congress over the past few years, we have received a good portion of the required funding for reset and have made significant progress at our depots in restoring and procuring required materiel.* But there is more to do at our home stations. Thirty-three percent of non-deployed units report the highest readiness levels for their designed mission, which leaves 67 percent of non-deployed units in a degraded state of readiness. The largest contributing factor to degraded readiness within non-deployed units is equipment supply. The non-deployed force provides the Nation depth in responsiveness and options when confronted with the unexpected. Our Marines at home must be "geared up" and ready to be called at a moment's notice. Low levels of readiness within the non-deployed force increases risk in the timely and successful execution of a military response to crises or contingencies. *Therefore, it is critical that the Marine Corps continues to receive Congressional assistance on required funding to reset our equipment from the conflicts of the past decade.*

In January 2012, I signed the *Marine Corps OEF Ground Equipment Reset Strategy*, rooted in the lessons learned from our successful redeployment and retrograde from Iraq. This strategy is helping to identify what equipment we will reset and what we will divest. It prioritizes investment and modernization decisions in accordance with the capabilities of our middleweight force construct, defining unit-level mission essential tasks and equipment requirements to support the range of military operations, and equips to core capabilities for immediate crisis response deployment and building strategic depth. We have issued disposition instructions on 8,400 principal items associated with the initial draw-down of forces that will occur this fall. In Afghanistan, 35 percent of that equipment has entered the redeployment and retrograde pipeline. Initial shipments of equipment have arrived at home stations and depots, and are being entered into the maintenance cycle. We currently expect divestment of approximately 21 percent of the total Afghanistan equipment density list as obsolete, combat loss or otherwise beyond economical repair. These are combat capability items that must be replaced.

The reset of our equipment after more than a decade of combat requires an unprecedented level of effort. Our Marine Corps depots will be asked to do more once again; they stand ready to do so. As our Nation looks to efficiencies in its Armed Forces, we must maintain a keen awareness of the role that depots play in keeping our country strong. The continued availability of our depot capacity both at Barstow, California and Albany, Georgia is essential to our ability to self-generate readiness and to respond when we must surge in response to wartime demand. Acknowledging fiscal realities, I directed, with the Secretary of the Navy's approval, the

consolidation of the two Marine Corps depots under a single command with two operating plant locations. Consolidating our depots under a single commander is the right balance between fiscal efficiency and meeting the unique requirements of the Marine Corps. This consolidation will reduce costs, standardize processes between industrial plants and increase efficiency.

Modernization: In conjunction with our reset efforts, we are undertaking several initiatives to conduct only essential modernization of the Marine Corps Total Force. This will place us on a sustainable course to achieve institutional balance. We are doing so by judiciously developing and procuring the right equipment needed for success in the conflicts of tomorrow, especially in those areas that underpin our core competencies. As such, I ask for continued Congressional support to modernize equipment and maintain a high state of readiness that will place us on solid footing in a post-Afghanistan security environment. While budgetary pressures will likely constrain modernization initiatives, we will mitigate pressure by continuing to prioritize and sequence both our modernization and sustainment programs to ensure that our equipment is always ready and that we are proceeding in a fiscally responsible manner. Modernization programs that require significant additional funding above current levels will be evaluated for continued operational requirement and capability/capacity modification.

We recognize that our planned, force structure reduction following our commitment in Afghanistan will accommodate a level of decreased modernization investment due to a requirement for a smaller quantity of modernized equipment. However, any *qualitative* modernization reductions will impact our ability to respond to future adversaries and threats. The current baseline budget allows for equipment modernization on a reasonable timeline across the FYDP. Possible future reductions in the baseline budget will result in delays, modification or elimination of key modernization programs. *Modernization in the following areas is critical to maintaining operational capabilities and readiness:*

- *Ground Combat Tactical Vehicles*
- *Aviation*
- *Preparing for Future Battlefields*
- *Amphibious and Pre-positioning Ships*
- *Expeditionary Energy*
- *Intelligence, Surveillance and Reconnaissance.*

Ground Combat Tactical Vehicle Strategy: The programmatic priority for our ground forces is the seamless maneuver of Marines from the sea to conduct operations ashore whether for training, humanitarian assistance or combat. Our Ground Combat Tactical Vehicle (GCTV) Strategy is focused on achieving the right mix of assets, while balancing performance, payload, survivability, fuel efficiency, transportability and cost. Vehicles comprising our GCTV strategy include our entire inventory of wheeled and tracked vehicles and planned future capabilities including the Joint Light Tactical Vehicle (JLTV), Amphibious Combat Vehicle (ACV) and the Marine Personnel Carrier (MPC). Throughout 2011 and informed by cost, we conducted a comprehensive systems engineering review of amphibious vehicle operational requirements. The review evaluated the requirements for water mobility, land mobility, lethality and force protection of the future environment. The identification of essential requirements helped to drive down both the production and the sustainment costs for the amphibious vehicles of the future.

We are conducting an Analysis of Alternatives on six ACV options, the results of which will help to inform the direction and scope of the ACV program. The MPC program is maturing as a wheeled armored personnel carrier and complements the ACV as a possible solution to the general support lift capacity requirements of Marine forces operating in the littorals.

We are firmly partnered with the U.S. Army in fielding a JLTV to replace a portion of our legacy medium lift utility vehicles. Our long-term participation in this program remains predicated on development of a cost-effective vehicle, whose payload integrates seamlessly with our expeditionary operations and likely amphibious and strategic lift profiles.¹² The Joint Requirements Oversight Council has approved the JLTV Capability Development Document, and our Combat Development Command in Quantico is leading the Army and Marine Corps effort to establish a program of record at Milestone B in the third quarter of FY12. Our approach to JLTV is as an incremental acquisition, and our objective for Increment I currently stands at more than 5,000 vehicles. Factoring all the above considerations, the current pathway for our GCTV Strategy includes the following actions:

- Develop a modern ACV.
- Develop and procure JLTV.
- Sustain High Mobility Multipurpose Wheeled Vehicles (HMMWVs) through 2030 by utilizing an Inspect and Repair Only As Necessary Depot Maintenance Program and a HMMWV Modification Line.¹³
- Initiate a legacy Amphibious Assault Vehicle upgrade as a bridge to ACV
- Continue research and development in MPC through FY14 to identify the most effective portfolio mix of vehicles.
- Limit procurement of vehicles to reduced Approved Acquisition Objective estimates as identified.

Marine Corps Aviation: Marine Corps Aviation is proud to celebrate its centennial of service to our Nation this year. Our priority for aviation is support of Marines in Afghanistan and wherever Marines are deployed. *On average, more than 40 percent of our aviation force is deployed at any time, with an additional 25 percent preparing to deploy. All told, this equates to two-thirds of Marine Aviation forces currently deployed or preparing to deploy.* We are continuing a modernization effort that began more than a decade ago. Today, the Marine Corps is challenged to replace aging platforms that have reached the end of their service lives or suffered accelerated wear in harsh operating environments, thus reducing service life and resulting in the loss of critical war-fighting capabilities. Our Aviation Plan is a phased multi-year approach to modernization that encompasses aircraft transitions, readiness, aircraft inventory shortfalls, manpower challenges, safety and fiscal requirements.

In an era of budgetary constraint and amidst calls for reductions in the collective aviation assets within DoD, it is important to understand that Marine Air is not redundant with other services' capabilities. The U.S. Air Force is not designed to operate from the sea, nor are most of its aircraft suited for operations in the types of austere environments often associated with expeditionary missions. The Navy currently does not possess sufficient capability to operate

¹² For two axle combat vehicles, this equates to combat weights in the 18,000 to 19,000 lbs range, translating to empty vehicle weights in the range of 12,000 to 13,000 lbs.
¹³ HMMWV recapitalization does not meet Marine Corps requirements for those light vehicles with the most demanding missions. They cannot deliver reliability, payload, service life, mobility, the ability to fit on MPF shipping and growth potential. The JLTV is the most cost-effective program to meet capability gaps for those light combat vehicles with the most demanding missions.

their aircraft ashore once deployed forward on carriers—and yet history has shown that our Nation often needs an expeditionary aviation capability in support of both naval and land campaigns. The following programs form the backbone of our aviation modernization effort:

- **F-35B:** As we modernize Marine fixed-wing aviation assets for the future, the continued development and fielding of the short take-off and vertical landing (STOVL) F-35B Joint Strike Fighter remains the centerpiece of this effort. The capability inherent in a STOVL jet allows the Marine Corps to operate in harsh conditions and from remote locations where few airfields are available for conventional aircraft. It is also specifically designed to operate from amphibious ships—a capability that no other tactical aircraft possesses. The ability to employ a fifth-generation aircraft from amphibious ships doubles the number of “carriers”—11 CVN and 11 LHD/LHAs—from which the United States can employ fixed wing aviation. Once fully fielded, the F-35B will replace three legacy aircraft—F/A-18, EA-6B and AV-8B—saving the DoD approximately \$1 billion in legacy operations and maintenance costs.

The F-35B program has been a success story over the past year. Due to the performance of F-35B prototypes in 2011, the program was recently removed 12 months early from a fixed period of scrutiny. The F-35B completed all planned test points, made a total of 260 vertical landings (versus 10 total in 2010) and successfully completed initial ship trials on USS Wasp. Delivery is still on track; the first three F-35Bs arrived at Eglin Air Force Base in January of this year. Continued funding and support from Congress for this program is of utmost importance for the Marine Corps as we continue with a plan to “sundown” three different legacy platforms.

- **MV-22B:** The MV-22B Osprey has performed exceedingly well for the Corps and the Joint Force. To date, this revolutionary tiltrotor aircraft has changed the way Marines operate on the battlefield, giving American and Coalition forces the maneuver advantage and operational reach unmatched by any other tactical aircraft. Since achieving Initial Operating Capability (IOC) in 2008, the MV-22B has flown more than 18,000 hours in combat and carried more than 129,000 personnel and 5.7 million pounds of cargo. The MV-22B has made multiple combat deployments to Iraq, four deployments with MEUs at sea, and it is currently on its fifth deployment to Afghanistan. Our squadron fielding plan is well under way as we continue to replace our 44 year old, Vietnam-era CH-46 helicopters. We must procure all required quantities of the MV-22B in accordance with the program of record. Continued calls for cancellation of this program are ill-informed and rooted in anachronisms when measured against the proven record of performance and safety this force multiplier brings to today’s battlefields in support of Marines and the Joint Force.
- **CH-53K:** We are transitioning our rotary-wing assets for the future. The CH-53K is a new build heavy lift helicopter that evolves the legacy CH-53E design to improve operational capability, reliability, maintainability, survivability and cost. The CH-53K will be capable of transporting 27,000 pounds of external cargo under high altitude/hot conditions out to 110 nautical miles, nearly three times the lift capacity of

the legacy CH-53E. It is the only marinized rotorcraft¹⁴ able to lift 100 percent of Marine Corps air-transportable equipment from amphibious shipping (MPF included). Our Force Structure Review validated the need for a CH-53K Program of Record of nine CH-53K squadrons.

- **UH-1/AH-1:** The H-1 program, comprised of the UH-1Y utility helicopter and the AH-1Z attack helicopter, is a single acquisition program that leverages 84 percent commonality of major components, thereby enhancing deployability and maintainability, while reducing training requirements and logistical footprints. Both aircraft are in full rate production. The H-1 procurement objective is 160 UH-1Ys and 189 AH-1Zs for a total of 349 aircraft. Currently, 131 H-1 aircraft are on contract, with 51 UH-1Ys and 21 AH-1Zs delivered to date. The UH-1Y has already deployed with the 13th MEU and has supported sustained combat operations in OEF since November 2009. The AH-1Z achieved IOC in February 2011 and saw its first deployment alongside the UH-1Y in November 2011 as part of the 11th MEU. The continued procurement and rapid transition to these two platforms from legacy UH-1N and AH-1W assets in our rotary-wing squadrons remains a priority.
- **KC-130J:** The new KC-130J Hercules has been fielded throughout our active component, bringing increased capability, performance and survivability with lower operating and sustainment costs to the Marine Air Ground Task Force. Using the Harvest HAWK weapon mission kit, the KC-130J is providing extended endurance Close Air Support to our Marines in harm's way. Currently, we have procured 47 KC-130Js of the stated program of record requirement totaling 79 aircraft. Continued procurement of the program of record will allow us to fully integrate our active and reserve force with this unique, multi-mission assault support platform.

Preparing for Tomorrow's Fight: The irregular battlefields of today, and those of tomorrow, dictate that operations be more distributed, command and control be decentralized and forces be more dispersed. Using our Force Structure Review as a guide, we are continuing to build the right capacity and capability to enable Marines operate rapidly as befits the tempo of our role as a crisis response force. Several important areas to enable our operations are:

- **Cyber:** The Defense Strategic Guidance rightly informs that "modern armed forces cannot conduct high-tempo, effective operations without reliable information and communications networks and assured access to cyberspace and space."¹⁵ Marines have been conducting cyber operations for more than a decade, and we are in a multi-year effort to expand our capacity via U.S. Marine Corps Forces Cyber Command as we increase our cyber force by approximately 700 Marines through FY16. Given the fiscally constrained environment and complexity of cyberspace, our approach is strategically focused on ensuring efficiency in operations and quality of service. The Marine Corps will aggressively operate and defend its networks in order to enable critical command and control systems for Marines forward deployed around the

¹⁴ The term "marinized" indicates that an aircraft meets naval aviation requirements for use and storage in a maritime environment. Aviation platforms used by the Navy and Marine Corps require special outfitting unique for use on and from naval vessels.

¹⁵ *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, pg 5.

world. Recent cyber accreditations and readiness inspections validate our network operations command and control processes and procedures. As we transition to a Government Owned/Operated network environment, the Marine Corps will pursue efficiencies through automation, consolidation and standardization to ensure availability, reliability and security of cyber assets.

- **SOF:** As the Marine Corps contribution to SOCOM, Marine Special Operations Command (MARSOC) maintains a shared heritage and correspondingly strong bond with its parent Service as “soldiers from the sea.” MARSOC will provide a total of 32 employable Marine Special Operations Teams in FY13 while establishing the staff of the Marine Special Operations School, maintaining a targeted dwell ratio and continuing creation of a robust language capability. Based on our Force Structure Review of last year and a programmed end strength of 182,100 Marines, I have authorized an increase of 821 Marines in MARSOC.
- **Command & Control (C2):** Technology and network-based forces are an essential part of modern operations. Our C2 modernization efforts for the future build upon lessons learned during combat operations in Afghanistan and Iraq. Recent operations have shown that moving data to lower levels (i.e. the digital divide) increases operational effectiveness. We are mitigating the decision to cancel the Ground Mobile Radio by building on investments already made in tactical communications modernization. We will continue efforts to ensure C2 Situational Awareness convergence and interoperability with the Joint Force.
- **Advisers and Trainers:** In recognition that preventing conflict may be easier than responding to it and that we can prevent it through selective engagement and employment of advisers/trainers, we have invested in a new organization called Marine Corps Security Cooperation Group that consolidates advisers skills, training and assessment expertise focused on building partnership capacity. We are investigating how we can regionally focus the expertise of this organization.

Amphibious Warships & Maritime Prepositioning Shipping: *Our Service level requirement to deploy globally, respond regionally, and train locally necessitates a combination of tactical airlift, high-speed vessels, amphibious warships, maritime prepositioning shipping, organic tactical aviation, and strategic airlift.* Significant contributions to U.S. security are made by our rotational forces embarked aboard amphibious warships. These forces combine the advantages of an immediate, yet temporary presence, graduated visibility, and tailored, scalable force packages structured around the MAGTF. Rotational Amphibious Ready Groups and Marine Expeditionary Units form together to provide forward deployed naval forces in four Geographic Combatant Command areas of responsibility. Not only do they provide the capability for crisis response, but they also present a means for day-to-day engagement with partner nations and a deterrent to conflict in key trouble spots.

We maintain the requirement for an amphibious warship fleet for contingencies requiring our role in joint operational access. One Marine Expeditionary Brigade (MEB) assault echelon requires 17 operationally available amphibious warships. The Nation’s forcible entry

requirement includes two simultaneously-employed MEBs supported by one or more Maritime Prepositioning Force (MPF)-MEB to fight as a Marine Expeditionary Force from a sea base.

Amphibious warships and the requisite number of ship-to-shore connectors provides the baseline needed for steady state operations and represents the minimum number of ships needed to provide the Nation with a sea-based power projection capability for full spectrum amphibious operations. As of January 2012, there were 29 ships in the Navy's amphibious fleet, with three scheduled for decommissioning and four new ships under construction in the yards. Within the coming FYDP, the inventory will decline in FY14 before rising to an average of 30 amphibious warships over the next 30 years. The lack of amphibious warship lift capacity translates to risk for the Nation, particularly as it reorients to the Pacific.

The continued procurement of scheduled amphibious warships and planning for MPF shipping is essential to ensure greater levels of risk are not incurred in coming years.

- ***San Antonio Class LPD:*** The San Antonio class LPDs continue to gain stability with overall warship performance improving. Through the generosity of Congress, the final two warships in this program are fully funded, and we expect delivery of all 11 planned warships by FY17.
- ***America Class LHA(R):*** A growing maritime threat coupled with aircraft/ground combat equipment modernization dictates the need for continued optimization of the LHA-6 hull form, which is now 60 percent complete. As stated last year, delivery of this amphibious assault warship is scheduled for FY14. The earliest reasonable deployment after allowing time for sea trials, crew training and other factors would be in FY17. Construction of LHA-7 is scheduled to commence in early FY13, but is not yet under contract. The Marine Corps is grateful for and firmly supports the Navy's plan to reintroduce a well deck in our large deck amphibious assault ships, beginning with LHA-8 in FY17 and FY18 timeframe.
- ***2 x Maritime Prepositioned Squadrons (MPSRON):*** Providing a significant contribution to global coverage, forward presence and crisis response, the Maritime Prepositioning Force (MPF) program exists to enable the rapid deployment and engagement of a MAGTF anywhere in the world in support of our National Military Strategy. This strategic capability combines the capacity and endurance of sealift with the speed of airlift. The current MPF program is comprised of 15 ships divided into three MPSRONS located in the Mediterranean Sea, Indian Ocean (Diego Garcia) and Pacific Ocean (Guam and Saipan). In FY13, the DoN plans to eliminate one of these squadrons as an efficiency measure. We are currently reviewing options to develop a balanced MPF posture and MPSRON composition that supports Geographic Combatant Commander requirements, achieves approximately \$125 million in savings across the FYDP, attains a higher lift capacity of the MEB requirement per MPSRON and retains critical sea-basing enabling capabilities. The continued support of Congress for the vital capabilities inherent in our MPF program is essential to the overall warfighting readiness of the Corps.

Expeditionary Energy: For Marines, the term “expeditionary” is a mindset that determines how we man, train and equip our force. We know that resource efficiency aids in combat effectiveness, and that our investments in reset and modernization will provide a force that operates lighter, faster and at reduced risk. Likewise, our force will be more energy efficient to support the type of operations expected of us in the future. To do this, we are changing the way we think about, and use energy.

Over the last 10 years of near continuous combat operations, our need for fuel and batteries on the battlefield has grown exponentially. Since 2001, we have increased the number of radios our infantry battalions use by 250 percent and the number of computers/information technology equipment by 300 percent. The number of vehicles has risen by 200 percent, with their associated weight increasing more than 75 percent as a result of force protection requirements. In the end, our force today is more lethal, but we have become critically dependent on fuel and batteries, which has increased the risk to our logistics trains. Moreover, a 2010 study found that one Marine is wounded for every 50 fuel and water convoys.

To reduce our risk and increase our combat effectiveness, in March 2011, I issued the “*Marine Corps Expeditionary Energy Strategy and Implementation Plan*” to change the way we think about and value energy. This is a “bases-to-battlefield” strategy, which means all Marines will be trained to understand the relationship between resource efficiency and combat effectiveness. We will consider energy performance in all our requirements and acquisitions decisions. We are creating the tools to provide commanders the information necessary to understand their energy consumption in real-time.

Over the FYDP, I have directed \$350 million to “Expeditionary Energy” initiatives. Fifty-eight percent of this investment is directed towards procuring renewable and energy efficient equipment. Some of this gear has already demonstrated effectiveness on the battlefield in Helmand Province. Twenty-one percent of this investment is directed towards research and development of new capabilities and the remaining investment is to support operations and maintenance. We expect this investment to improve the energy efficiency of our MEBs by nine percent. As such, we will enable ourselves to sustain longer and go further, incurring less risk. The MEB of 2017 will be able to operate one month longer on the same amount of fuel that we plan to use today, and it will need 208 fewer fuel trucks, thereby saving seven million gallons of fuel per year. This translates to a lighter, more agile and more capable Marine Corps.

Providing Capable Bases, Stations & Support Facilities

FY13 Military Construction: The Marine Corps maintains a commitment to facilities and infrastructure supporting both operations and quality of life. Our military construction and family programs are important to sustain our force structure and maintaining readiness. *This fiscal year we are proposing a \$761 million Military Construction (MILCON) program to support warfighting, family housing and infrastructure improvements.* The focus of our efforts this fiscal year is the construction of Joint Strike Fighter and MV-22B support facilities, infrastructure improvements, and training and education facility improvements. Additionally, this budget request includes replacement of inadequate and obsolete facilities at various locations.

Through the support of Congress, between FY08-FY12 we programmed 70 Bachelor Enlisted Quarters (BEQ) projects resulting in 149 barracks buildings primarily located at Camp Lejeune, North Carolina; Camp Pendleton and Twentynine Palms, California; and Marine Corps Base, Hawaii. These BEQ projects were typically completed in two years, with most at or below cost. These facilities, that incorporated energy efficiency measures, have significantly improved the quality of life of our single Marines, who for many years, lived in substandard, World War II era barracks. Our FY13 MILCON program includes a \$49 million request for barracks, a motor pool and other facilities to support the consolidation of Marine Corps Security Force Regiment assets at Naval Weapons Station, Yorktown, Virginia. This project was not a part of our original BEQ initiative, but is necessary as the current facilities used by the Regiment at Naval Station Norfolk have been condemned.

Infrastructure Sustainment: As resources and military construction funds become more constrained, the Marine Corps will continue to rely on the sound stewardship of existing facilities and infrastructure to support our needs. In FY13, the Marine Corps will again program facilities sustainment funding at 90 percent of the DoD Facilities Sustainment Model, resulting in a facilities sustainment budget of \$653 million.

Installation Energy Initiatives: The FY13 budget provides \$164 million in Operations & Maintenance funding to continue progress in achieving mandated energy goals by 2015. This funding will target energy efficiency goals established by the *Energy Independence & Security Act of 2007* aimed at reducing energy intensity by 30 percent from a 2003 baseline. This progress will be made by replacing older heating, cooling, lighting and other energy-consuming building components with more efficient technologies. We will use this funding to achieve renewable energy goals established by the *National Defense Authorization Act of 2007*. Overall, the planned investments are intended to increase energy security on our installations while reducing the cost of purchased utilities.

Investing in the Education & Training of our Marines

Courses and Facilities: A broadly-capable middleweight force will meet future requirements through the integration of newly acquired and traditional operational competencies. To remain America's Expeditionary Force in Readiness, the Marine Corps requires balanced, high-quality training and education at all levels. As history has repeatedly shown, wars are won by the better-trained force, not necessarily the larger one. In the midst of ongoing combat operations, we are realigning our education and training efforts to enable our Marines and Sailors to succeed in conducting distributed operations in increasingly complex environments against any threat. Training and education, with an emphasis on experimentation and innovation, will help our Nation maintain global relevance by developing solutions that continue to outpace emerging threats. These efforts include continued emphasis on our core values of honor, courage and commitment, and on building principled warriors who understand the value of being an ethical warrior. Moreover, in the post-Afghanistan security environment of reduced defense dollars, we will need to offset reductions in end strength with better educated and more capable Marines and Marine units. The current and future fiscal environment requires a selective, strategic investment in training and education...put another way, "When you're low on money, it's a good time to think."

Training: Our current training is focused on preparing Marine units for combat, counterinsurgency and stability operations in support of OEF. If anything, the past 10 years of combat have demonstrated that there is a positive correlation between quality training and education and individual/unit readiness; both directly translate to operational success. Therefore, as we draw-down from Afghanistan, our training will rebalance to support the execution of a wider range of operational capabilities. We will achieve this balance by leveraging competencies in entry-level and skills progression training and by re-emphasizing core competencies in combined arms and amphibious operations, to include MEB level core capabilities. Training will also feature significant attention to irregular warfare, humanitarian assistance, and inter-agency coordination. All our training programs will provide standardized, mission essential task based training that directly supports unit readiness in a cost-effective manner.

Specifically, future training will center on the MAGTF Training Program. Through a standardized training approach, the MAGTF Training Program will develop the essential unit capabilities necessary to conduct integrated MAGTF operations. Building on lessons learned over the past 10 years, this approach includes focused battle staff training and a service assessment exercise modeled on the current exercise, Enhanced Mojave Viper. Additionally, we will continue conducting large scale exercises that integrate training and assessment of the MAGTF as a whole. The MAGTF Training Program facilitates the Marine Corps' ability to provide multi-capable MAGTFs prepared for operations in complex, joint and multi-national environments against hybrid threats.

Education: We are making steady progress in implementing the recommendations of the 2006 Officer Professional Military Education (PME) Study (*The Wilhelm Report*) to transform the Marine Corps University (MCU) into a "World Class Institution." There are two primary resource components in doing so—funding for military construction, and for faculty and staff. These two components are not mutually exclusive. New facilities coupled with increases in resident student through-put require additional faculty and staff. We will remain engaged with Congress over the coming years on the approximately \$330 million in necessary funding for facilities, faculty and staff as we continue the transformation of the MCU. This is a high priority for me. This year, I committed \$125 million to get this initiative moving.

We are widening opportunities for resident professional education by doubling available school seats in courses such as the Marine Corps Command and Staff College beginning in the academic year 2014. We are making adjustments to triple through-put at the Expeditionary Warfare School for our company grade officers. We are increasing enlisted resident PME courses as well, and are adding more distance education learning opportunities and requirements, especially at the junior enlisted and non-commissioned officer level.

As we look to "whole of government approaches" and the goal of improved integration in joint and combined operations, we are adding fellowships to allow more Marines the opportunity to benefit from non-traditional education outside DoD institutions. *In the past year, we have increased our number of Marines assigned to the Department of State and the United States Agency for International Development through fellowships and the State-Defense Exchange*

Memorandum of Understanding. Later this year, we are adding fellowships at the Departments of Justice, Homeland Security, and Treasury, as well as at Yale University. We are expanding the scope of training at existing institutions like the Marine Corps Center for Advanced Operational Culture Learning and the Center for Irregular Warfare Integration Division that focus on readying Marines for engagement, security cooperation and partner capacity building missions. Our goal is to develop a Corps of Marines that have the skills needed to operate and engage effectively in culturally-complex environments.

Our education and training programs benefit from our relationships with allies and partners in the international community. Each year, hundreds of international military students attend Marine Corps training and education venues ranging from Marine Corps Command & Staff College to military occupation specialty producing schools. The International Military Education and Training (IMET) program and similar security assistance opportunities promote regional stability, maintain U.S. defense partnerships, and promote civilian control of the military in student home countries. Many military leaders from around the world have benefited from the IMET program. To better support DoD's goal of providing PME to international military students, we have created a blended seminar program where foreign officers participate in Marine Corps PME through a mix of non-resident online courses and resident instruction in the United States.

Training Enablers: In order to fully realize these training and education enhancements, we will keep investing in the resources, technologies and innovations that enable them. This investment includes modernizing our training ranges, training devices, and infrastructure to ensure quality resources are available to support the training of Marines, individual to MAGTF. We will also leverage advanced technologies and simulation systems to create realistic, fully-immersive training environments.

Keeping Faith with Marines, Sailors and their Families

Mission First, Marines Always: We expect and require extraordinary loyalty from our Marines and Sailors —loyalty to country, family and Corps. Our Nation has been at war more than a decade, placing unprecedented burdens on Marines, Sailors, families, Wounded Warriors and the families of the fallen. They have all made tremendous sacrifices, many in the face of danger; we owe our complete loyalty back to them all.

We will work to ensure the critical needs of our families are met during times of deployment and in garrison by providing the services, facilities and programs to develop the strength and skills needed to thrive while facing the challenges of operational tempo. If wounded, injured or ill (WII), we will seek out every available resource to restore Marines to health. We will enable the return to active duty for those seeking it. For those unable to do so, we will responsibly transition them to civilian life. We will support and protect the spouses and families of our wounded and those of our fallen Marines. There are several areas and programs central to our tenet of "keeping faith with Marines, Sailors and their families."

Recruiting and Retention: As first stated, the individual Marine is our greatest asset; we will continue to recruit and retain the best and brightest of America's sons and daughters. Recruiting is the lifeblood of our Corps, and is our bedrock to "Make Marines, Win Battles, and

Return Quality Citizens;” citizens who, once transformed, will be Marines for life. *To operate and succeed in potentially volatile times, Marines must be physically fit, morally strong, intelligent, and capable of operating advanced weapon systems using the latest technology. We will not compromise on these standards.* Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention, and improved readiness for the Operating Forces. We need your continued support in maintaining quality accessions.

Our officer accessions mission has continued to decline over the past two years in light of a planned draw-down of forces. Our FY13 accession officer mission is 1,500 active duty and 125 Reserve officers. For enlisted Marines, the accession figures include 28,500 regular (active component) and 5,700 reservists. We traditionally achieve 100-103 percent of our total accession goals, and expect to do so again in FY13. We have continued to achieve unprecedented levels of enlisted and officer retention. This effort is critical to the proper grade shaping of the Marine Corps, regardless of force size. Combined officer, enlisted and reserve retention efforts ensure the Marine Corps maintains essential operational experience and leadership. Although overall retention is excellent, shortages do exist in certain grades and skills within the officer and enlisted ranks, requiring careful management and innovative solutions. At a minimum, sustained Congressional funding to incentivize retention is necessary to maintaining quality personnel in these critical skill sets.

Diversity: Diversity, in both representation and assignment of Marines, remains a strategic issue. The Marine Corps diversity effort is structured with the understanding that the objective of diversity is not merely to strive for a force that reflects a representational connectedness with the rich fabric of all the American people, but to raise total capability through leveraging the strengths and talents of all Marines. We are near completion of a new comprehensive campaign plan to focus our diversity effort in areas where improvement is most needed and anticipate release of this roadmap this year. The accession and retention of minority officers is an enduring challenge for our Corps. Mentoring and career development of all minority officers has become increasingly important in order to change officer profile projections. Since 2010, we have conducted leadership seminars, introducing diverse college undergraduates to Marine leadership traits and leadership opportunities in the Marine Corps, at various locations throughout our country, and are actively seeking out new communities within which to continue this effort. *Overall, we seek to communicate the Marine Corps diversity mission through community outreach and recruit marketing; to ensure continued opportunities for merit based development and advancement; and to optimize training and education to increase the understanding for all Marines of the value that diversity brings to the Total Force.*

Wounded Warrior Outreach Programs: Through the Wounded Warrior Regiment (WWR) and our ever-expanding outreach programs, the Marine Corps keeps faith with wounded, ill, and injured (WII) Marines and their families. This enduring commitment includes full spectrum care and support for WII Marines from point of injury or illness through return to duty or reintegration to the civilian community. The WWR continues to enhance its capabilities to provide added care and support to WII Marines. Whether WII Marines are joined to the WWR or remain with their parent commands, they are provided non-medical support through the recovery phases. Congressional funding for our WII Marines allows us to provide robust, interconnected support in the following areas: Administrative Support, Recovery Care

Coordination, Transition Assistance, Warrior Athlete Reconditioning Programs, Integrated Disability Evaluation System Support, the Sergeant Merlin German Wounded Warrior 24/7 Call Center and our Hope and Care Centers.

The challenging nature of the terrain in Afghanistan requires a greater level of dismounted operations than was the case in Iraq. This fact coupled with the prevalence of improvised explosive devices has caused a growing class of Marines and Soldiers to suffer catastrophic injuries—injuries involving multiple amputations that present significant quality of life challenges. *Our Corps, the DoN, DoD, the Department of Veterans Affairs (VA) and Congress are concerned about this special group of Wounded Warriors must remain committed to supporting this special group of Wounded Warriors.* To help the catastrophically injured (those who will likely transition to veteran status) and their families successfully meet these challenges, we must continue engaging in a high level of care coordination between our WWR advocates, the VA's Federal Recovery Coordinators, VA Liaisons for Healthcare stationed at DoD Military Treatment Facilities (MTFs), Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn Case Managers and medical providers to ensure all of our wounded Marines' needs are met. This includes arranging for assistive technologies, adaptive housing, and all available health care and benefits (DoD and VA) they have earned. Additionally, WWR's Marine Corp Liaison assigned at the VA collaborates closely with VA Care Management team to resolve Marine Corp issues or care management needs.

Combat Health & Resiliency of the Force: Marines, Sailors and their families have experienced significant stress from multiple deployment cycles, the rigors of combat, high operational tempos, the anxieties of separation and countless other sources from a decade at war. We remain engaged in developing ways to reduce the traditional stigmas associated with seeking mental health care, but perhaps more importantly, we continue to add resources and access to care to meet the mental health needs of Marines, Sailors and their families.

Post Traumatic Stress (PTS) will be a long-term issue for all DoD leadership, requiring close attention and early identification of those affected in every Service. PTS is diagnosed as a disorder (PTSD) once the symptoms become distressful to a Marine and his or her ability to function in the military environment is impacted.¹⁶ Although most Marines with PTS symptoms will not develop PTSD, our leaders require the skills and training to identify and intervene earlier for those at the highest risk of developing PTSD, especially given that often there are long delays in the development of this condition. As such, we are empowering leaders to identify and intervene earlier through increased training and awareness using programs like our Marine Corps Combat Operational Stress Control Program and embedded Operational Stress Control and Readiness teams in our ground units. We are employing better screening practices in our standard health assessments, establishing deployment health clinics (*i.e. facilities not labeled as mental health clinics nor associated with a Military Treatment Facility in an overall effort to reduce stigma*) and tracking those with significant injuries often leading to PTSD via our Wounded Warrior Regiment.

¹⁶ The current yearly rate of PTS diagnosis in active duty Marines is less than 2 percent as compared to 3.5 percent in the civilian population. The percentage of Marines who will be diagnosed over their lifetime with PTS is estimated to be 10-18 percent while the civilian population lifetime diagnosis is estimated to be 6.8 percent.

We are engaged on multiple fronts to diagnose and treat those with a traumatic brain injury (TBI) including prevention, education, early identification, treatment, rehabilitation and reintegration. We are actively implementing the requirements of DoD Directive Type Memorandum 09-033 regarding mild TBI/concussion. Moreover, the Marine Corps, with Navy support, has established a Concussion and Musculoskeletal Restoration Care Center in-theater. This center provides front-line care to patients with mild TBI/concussion and has dramatically improved identification, diagnosis, treatment, outcomes and return to duty rates. In concert with Navy Medicine, we are fielding a TBI module within the Medical Readiness Reporting System to track TBI exposures and diagnoses.

***Suicide Prevention in the Force:** We continue to report a positive, steady decrease in the number of suicides within the Corps from high levels seen in 2009. While we cannot yet draw a conclusion between our prevention efforts and the reduced suicide rate, we are cautiously optimistic our programs are having a positive effect. However, reported suicide attempts have continued to increase. We suspect this increase in attempts may be due to improved surveillance—fellow Marines recognizing the signs of suicide and intervening to stop attempts, and more Marines reporting past attempts when coming forward for help.¹⁷ Regardless, we still need to do better because one suicide completed is one too many.*

Suicide is a preventable loss of life that diminishes readiness and deeply affects our Marine Corps family. We believe that suicide is preventable through engaged leadership, focused on efforts aimed at the total fitness of each Marine to include physical, social, spiritual and psychological dimensions. The Marine Corps is involved with five major studies to better understand suicide risk among service members, contributing factors and ways at prevention. This past year, we expanded our “Never Leave a Marine Behind” suicide prevention program for non-commissioned officers (NCO) and Junior Marines to the staff non-commissioned officer and commissioned officer ranks. Our DSTRESS hotline and website, implemented last year on the West Coast as a pilot program, will be expanded to serve those across the Corps. We will remain engaged on multiple fronts to combat suicide in our ranks.

***Sexual Assault Prevention & Response:** The key to preventing sexual assault is ensuring everyone understands his or her role and responsibilities in preventing it. A consistent, vigorous training and education element are crucial. *Bystander intervention* has been identified as a best practice for engaging Marines in their role to prevent sexual assault and is being incorporated into our Sexual Assault Prevention and Response (SAPR) training. In January 2012, we launched the video-based NCO Bystander Intervention course, called “Take A Stand.” This course was modeled after our successful, award-winning Suicide Prevention Program awareness campaign entitled “Never Leave A Marine Behind.”*

We have initiated aggressive actions to elevate and highlight the importance of our SAPR program. Our victim-centric SAPR program focuses on: preventing sexual assault, improving a victim’s access to services, increasing the frequency and quality of information provided to the victim regarding all aspects of his or her case and expediting the proper handling and resolution of a sexual assault case. We are credentialing our Sexual Assault Response Coordinators and

¹⁷ There were 33 confirmed suicides and 175 attempts in the Marine Corps during Calendar Year 2011.

Victim Advocates on victim advocacy. We have standardized training protocols for our 24/7 hotline, in use at all major bases and stations to provide information, resources and advocacy of sexual assault. We have increased SAPR training at all levels for our judge advocates (JA). This year, mobile training teams from our Trial Counsel Assistance Program will continue to instruct Navy Criminal Investigative Service agents and JAs on sexual assault investigation and best practices at bases and stations in Japan, Hawaii and on the East and West coasts.

Veteran Marines: The concept of keeping faith also applies to our Veteran Marines. In 2011, the Marine Corps launched a comprehensive effort to anchor the legacy of our Montford Point Marines—20,000 African American men who underwent segregated training from 1942-1949 and ultimately integrated the Corps—into our training and education curricula. The Montford Point Marine legacy will be used to educate and inspire all men and women who enter the Marine Corps today regardless of race, religion or creed. We will teach the importance of varying perspectives, compassion, courage, perseverance and self sacrifice through the Montford Point Marine history. *We are thankful to Congress for recently conferring the Congressional Gold Medal on the Montford Point Marines, a fitting tribute to a pioneering group of Marines who fought valiantly in some of the bloodiest battles of the Pacific and later went on to serve in Korea and Vietnam.*

Family Readiness Programs: As directed in my Planning Guidance issued to the Corps in October 2010, we are in the final stages of a review of all family readiness programs to identify ways we can better assist and provide services to our families. Over the past year, Marine Corps Community Services conducted dozens of focus groups at bases and stations throughout the Marine Corps with active and reserve component Marines, commanders, senior enlisted advisers and spouses. The focus groups, survey and prioritization results found that the top-rated programs conformed to the Commandant's Planning Guidance priorities or Congressional mandates. These assessments revealed opportunities to increase program success in three areas: (1) defining future capabilities and sustainability standards that correlate to the Commandant's Planning Guidance priorities but also recognized unique installation or command missions, locations or market conditions; (2) balancing available resources to support priorities and defined capabilities; and (3) developing accountability and inspection processes to support capability sustainment. Efforts are currently under way to apply these results and develop actionable program plans and supporting resource requirements to provide and maintain capabilities at the appropriate level for the right duration.

With at least 50 percent of our Corps composed of unmarried men and women, this year we mandated that every battalion and squadron have a representative from the Single Marine Program serving on its unit family readiness command team. This will provide an advocate on behalf of single Marines to ensure information, normally communicated solely from leadership to Marine spouses and families, is shared with their parents and siblings.

Transition Assistance: *There are three things the Marine Corps does for our Nation: make Marines; win our Nation's battles; and return quality citizens.* We are conducting a wholesale revision of our Transition Assistance Management Program (TAMP) to better meet the needs of our transitioning Marines in support of returning quality citizens. We are integrating TAMP, as

part of the Professional and Personal Development Program, into the life-cycle of a Marine from recruitment, through separation or retirement, and through Veteran Marine status.

We have transformed our Transition Readiness Seminar from a mass training event, in need of great improvement, into an individualized and practical learning experience with specific transition readiness standards that are effective and beneficial to Marines. In January 2012, we began holding a revised and improved Transition Readiness Seminar Pilot Program at four separate installations with full implementation scheduled for March 2012; early feedback on our pilot program has been very favorable. The revised five-day Transition Readiness Seminar includes two days of mandatory standardized core curriculum with four well defined military-civilian pathways:

- University/College
- Vocational/Technical training
- Employment
- Entrepreneurial Endeavors.

In this new system, a Marine will choose the pathway that best meets his or her future goals and will have access to individual counseling services related to each pathway. The enhanced TAMP program will support improved reach-back and outreach support for those who may require more localized support in their hometowns with information, opportunities or other specific needs. We are determined to make the Marine Corps TAMP program more value added for our departing Marines.

Compensation: The President's budget acknowledges the reality that military pay, allowances, and health care consume roughly one-third of the defense budget. These costs cannot be ignored in a comprehensive effort to achieve savings. In my judgment, this budget achieves the appropriate balance in compensation, force structure, and modernization. It sustains the recruitment, retention, and readiness of the talented personnel that defend our nation.

The proposed compensation reforms are sensible. Basic pay raises in fiscal years 2013 and 2014 will match increases in the private sector. We propose more modest raises in later years - but no reductions, no freezes. TRICARE enrollment fees and deductibles increase for retirees, but they are tiered based on retired pay and remain significantly below market rates. Pharmacy co-pays will trend towards market rates for retail purchases, but will be substantially lower for generic drugs and mail-order delivery.

These changes are not intended to alter care services currently provided to our active duty personnel and their families. Those who have been medically retired as a result of their service, particularly our Wounded Warriors, are also exempted. So are our Gold Star Families. It is the right thing to do for those who have given so much.

Finally, I endorse creating a commission to recommend reforms in retired pay. Any changes should grandfather benefits for those currently serving. We cannot break faith.

Summary

History has shown that it is impossible to predict where, when and how America's interests will be threatened. What is known, however, is America cannot maintain a strong economy, cannot have a strong industrial base, cannot have access to overseas markets and cannot assure its allies without security...at home and abroad. Looking ahead at the fiscal challenges we face as a Nation, our country will still need to respond to crisis and project power abroad, wherever and whenever needed. The optimum and most economical means to do so is through a multi-capable force afloat that can also come ashore rapidly.

The Navy and Marine Corps Team is the Nation's risk mitigator for an unknown future and the crisis response force that will be "the most ready when the nation is least ready." There is a cost to maintaining this capability. But, with that cost, our Nation gains the ability to respond to unexpected crises, from humanitarian assistance and disaster relief efforts, to non-combatant evacuation operations, to the conduct of counter-piracy operations, raids or strikes. This same force can be reinforced quickly to contribute to assured access anywhere in the world in the event of a major contingency. It can be "dialed up or dialed down" like a rheostat to be relevant across the range of military operations. No other force possesses the flexibility to provide these capabilities, but yet can sustain itself logistically for significant periods of time, at a time and place of its choosing.

Through the fidelity and support of Congress, our Marines and Sailors in the fight have received everything necessary to ensure success over the past decade of near constant combat operations. Our combat forces' best interests and needs remain my number one focus until our National objectives in the Long War have been achieved. However, as we rightfully begin to transition to the challenges and opportunities of the post-OEF world and reorient to the Pacific under our new Defense Strategic Guidance, the Marine Corps must begin to rebalance and modernize for the future.

Through judicious choices, forward planning and wise investments—ever mindful of the economy in which we live—we have worked diligently to determine the right size our Corps needs to be and to identify the resources we will require to respond to crises around the world, regardless of clime or place. As we continue to work with Congress, the Navy and the DoD in maintaining the institutional pillars of our high state of readiness, you have my assurance that your Corps will be "ever faithful" in meeting our Nation's need for military crisis response.



General James F. Amos
Commandant of the Marine Corps



On October 22, 2010 General James F. Amos assumed the duties of Commandant of the Marine Corps. General Amos was born in Wendell, Idaho and is a graduate of the University of Idaho. A Marine Aviator, General Amos has held command at all levels from Lieutenant Colonel to Lieutenant General.

General Amos' command tours have included: Marine Wing Support Squadron 173 from 1985-1986; Marine Fighter Attack Squadron 312 - a component of Carrier Air Wing 8 onboard USS Theodore Roosevelt (CVN-71) - from 1991-1993; Marine Aircraft Group 31 from 1996-1998; 3rd Marine Aircraft Wing in combat during Operations IRAQI FREEDOM I and II from 2002-2004; II Marine Expeditionary Force from 2004-2006; and Commanding General, Marine Corps Combat Development Command and Deputy Commandant, Combat Development and Integration from 2006 to July 2008. Additional operational tours have included Marine Fighter Attack Squadrons 212, 235, 232, and 122.

General Amos' staff assignments have included tours with Marine Aircraft Groups 15 and 31, the III Marine Amphibious Force, Training Squadron Seven, The Basic School, and with the MAGTF Staff Training Program. Additionally, he was assigned to NATO as Deputy Commander, Naval Striking Forces, Southern Europe, Naples Italy where he commanded NATO's Kosovo Verification Center, and later served as Chief of Staff, U.S. Joint Task Force Noble Anvil during the air campaign over Serbia. Transferred in 2000 to the Pentagon, he was assigned as Assistant Deputy Commandant for Aviation. Reassigned in December 2001, General Amos served as the Assistant Deputy Commandant for Plans, Policies and Operations, Headquarters, Marine Corps. From 2008-2010 General Amos was assigned as the 31st Assistant Commandant of the Marine Corps.

General Amos' personal decorations include the Navy Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit with Gold Star, Bronze Star, Meritorious Service Medal, Joint Service Commendation Medal, and the Navy and Marine Corps Achievement Medal.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 16, 2012



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 28 2012

The Honorable Howard P. "Buck" McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As required by section 231 of title 10, United States Code, I am forwarding the annual long-range plan for the construction of naval vessels. I certify that both the budget for Fiscal Year 2013 and the future-years defense program (FYDP) for Fiscal Years 13-17 provide a sufficient level of funding to procure the naval vessels specified by the plan on the schedule outlined therein.

The plan outlines the naval force structure requirements that are derived in response to the new set of strategic priorities and guidance contained in the recently released *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*; the construction plan necessary to meet these requirements; and the fiscal resources necessary to implement the plan. The plan is affordable within the FYDP but presents a resourcing challenge outside the FYDP largely due to investment requirements associated with the SSBN(X) program.

I look forward to working with you to achieve the requisite investments to safeguard our Nation's maritime strength and endurance.

Enclosure 1:
Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY2013

cc:
The Honorable Adam Smith
Ranking Member



**Annual Report to Congress on
Long-Range Plan for
Construction of
Naval Vessels for FY2013**

Prepared by:

Deputy Chief of Naval Operations (Integration of Capabilities and Resources) (N8)

Office of the Chief of Naval Operations

2000 Navy Pentagon

Washington, DC 20350-2000

April 2012

Cost to prepare this report: \$344,000

Long-Range Plan for Construction of Naval Vessels for FY2013

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Long-Range Plan for Construction of Naval Vessels for FY2013

Part I - Executive Summary

I. Reporting Requirement

This report is submitted in accordance with section 231 of title 10, United States Code, as amended by section 1021 of the National Defense Authorization Act for Fiscal year 2012, Public Law 112-81, which requires the Secretary of Defense to submit to the congressional defense committees, coincident with the defense budget materials for a fiscal year, an annual, long range plan for construction of combatant and support vessels for the Navy.

II. Submission of the Report

This report outlines the Department of the Navy's (DoN) five-year shipbuilding plan included in the President's FY2013 President's Budget (PB2013), which conforms to the defense budget topline associated with the 2011 Budget Control Act (BCA). It then provides a long-range projection of new ship construction by major ship types over the following 25-year period, and the resulting battle force inventory expected at the end of each fiscal year (FY). The plan details the naval force structure *requirements* that are derived in response to the new set of strategic priorities and guidance contained in the recently released *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*; the construction plan necessary to build to and sustain those requirements; and the fiscal resources necessary to implement the plan.

III. Towards a 21st Century Battle Force

The strategic direction and guidance found in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* requires the Department of the Navy to organize, train, and equip a Navy-Marine Corps Team that is **built and ready for war, and operated forward to preserve the peace**. In general, the Team must be able to:

- Maintain a safe, secure, and effective sea-based nuclear deterrent force;
- With joint and interagency partners, particularly the US Coast Guard, defend the homeland in depth;
- With allies and like-minded nations, secure global sea lanes;
- Rebalance its posture to emphasize engagement in the Asia-Pacific and Middle Eastern regions;
- Provide a stabilizing presence in other regions by relying on innovative, low cost, and small footprint approaches;
- Respond promptly to crises with forward-deployed, combat credible forces;
- Assure access in any theater of operations, even in the face of new anti-access/area-denial (A2/AD) strategies and technologies;
- Establish control over, on, and under the sea wherever and whenever necessary; and

- Conduct a large-scale naval campaign in one region while denying the objectives of—or imposing unacceptable costs on—an opportunistic aggressor in a second region.

To accomplish this set of missions within the challenging fiscal constraints set by the 2011 BCA, the Department of the Navy is designing and building a Navy-Marine Corps Team with the capabilities and capacities that best balance war-fighting risk across the full range of potential military operations. A simple organizational construct guides the DoN's efforts, which is that naval forces operating ashore, manned and unmanned platforms operating above, on, under, and from the sea, and enablers such as distributed sensor networks and durable data and communication links, modular, adaptable payload bays, open architecture combat systems, innovative payloads, networked-enabled weapons, and flexible logistics systems—all operated by the finest Sailors and Marines in our history—should and will work as a single, inter-connected, and cohesive fighting Team.

Today's battle force numbers 282 warships of all types.¹ After accounting for the funding limits of the 2011 BCA and the specific resourcing decisions made in the recently completed strategic review, and considering the full range of supporting capabilities, capacities, and enablers found in the combined Navy-Marine Corps Team, this report assumes the 21st Century Battle Force will have about 300 warships, including:

- 12-14 fleet ballistic missile submarines;²
- 11 nuclear-powered aircraft carriers;
- Approximately 48 nuclear-powered attack submarines;
- 0-4 nuclear-powered cruise missile submarines;³
- Approximately 90 large, multi-mission, surface combatants;
- Approximately 55 small, multi-role, surface combatants;
- Approximately 32 amphibious landing ships;⁴
- Approximately 29 combat logistics force ships; and
- Approximately 33 support vessels of all types.

This projection will be informed by the completion of a formal Force Structure Assessment (FSA) and the ongoing Department of Defense review of its operational plans for potential regional contingencies.

¹ As of March 19, 2012

² DOD plans to replace the 14 Ohio-class SSBNs with 12 new SSBN(X)s starting in the late 2020s.

³ The 4 SSGNs now in service will retire in the mid-2020s. The DoN is exploring the possibility of inserting Virginia Payload Modules, a "quad-pack" of large diameter payload tubes, in Block V VIRGINIA-class attack submarines to offset the loss of SSGN strike capability.

⁴ The strategic review focused primarily on sustaining Amphibious Readiness Groups/Marine Expeditionary Units forward in the Western Pacific and Persian Gulf in a crisis response role. It took risk in generating the 30 operationally available ships necessary to conduct a 2-Marine Expeditionary Brigade (MEB) forcible entry operation. To lower risk, this plan strives to maintain an active inventory above 32 active amphibious ships.

IV. PB2013 Long-Range Naval Vessel Construction Plan

Table ES-1 depicts the Long-Range Vessel Construction Plan necessary to build and maintain a battle force inventory of approximately 300 ships with the mix of ship types outlined in the previous section. This battle force is fully capable of meeting the strategic guidance found in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, and the construction plan that builds it sustains the national shipbuilding design and industrial base.

Table ES-1. FY2013-2042 Long-Range Naval Vessel Construction Plan

Fiscal Year	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42				
Aircraft Carrier	1				1							1																						
Large Surface Combatant	2	1	2	2	2	2	2	2	2	2	2	3	2	3	2	3	2	3	2	2	2	2	2	2	2	2	3	3	3	3	3	3		
Small Surface Combatant	4	4	4	2	2	3	3	3	3	3	3	3	3	3	3					1	1	1	1	1	1	1	2	3	4	4	4	2		
Attack Submarines	2	1	2	2	2	2	2	3	2	3	2	1	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	2	1	2	
Ballistic Missile Submarines						1	1		1			2		1	1	1	1	1	1	1	1	1	1	1										
Amphibious Warfare Ships				1	1							2		1	2	1	1	1	2	1	1	2												
Combat Logistics Force				1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Support Vessels	1	1	2	2	1	1	2	2	2	3	2	1		1	1	2	2	3	2	2														
Total New Construction Plan	10	7	9	9	7	11	8	12	9	12	13	12	10	9	8	9	9	9	9	8	11	8	8	5	3	7	10	8	11	8	6	3		

The total inventory of battle force ships and numbers of each type of ship will vary from year to year as a result of the complex relationship between retirements, procurement, design and construction times, as well as funding availability, industrial base capacity, and war-fighting priorities. When considering all these relevant factors, the 30-year shipbuilding construction plan presented in Table ES-1 should result in the annual Naval Battle Force Inventory shown in Table ES-2, which represents the projected numbers of ships in service on the last day of each fiscal year.

Table ES-2. FY2013-2042 Naval Battle Force Inventory

Fiscal Year	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42		
Aircraft Carrier	10	10	11	11	11	11	11	11	11	12	11	11	11	11	12	11	11	11	11	11	11	11	11	11	11	11	11	11	10	10		
Large Surface Combatant	80	78	78	80	82	84	86	87	88	87	89	89	88	89	90	89	87	85	81	80	79	78	80	82	84	86	88	88	88	88	88	88
Small Surface Combatant	35	30	29	30	32	35	39	37	38	40	39	41	43	46	49	52	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
Attack Submarines	55	55	54	53	50	51	51	48	46	47	47	46	45	45	44	43	43	43	45	45	46	47	48	49	50	48	49	49	49	49	49	49
Cruise Missile Submarines	4	4	4	4	4	4	4	4	4	4	4	4	4	2	1																	
Ballistic Missile Submarines	14	14	14	14	14	14	14	14	14	14	14	14	14	14	13	12	11	11	11	10	10	10	10	10	10	10	10	10	10	11	12	
Amphibious Warfare Ships	31	29	28	29	30	31	31	31	31	32	32	34	34	34	33	34	33	33	33	32	33	34	33	33	33	33	32	31	32	31	32	31
Combat Logistics Force	32	32	31	31	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29
Support Vessels	24	27	30	32	33	33	35	34	33	33	35	35	33	32	33	33	33	33	33	33	32	33	33	33	33	33	33	34	33	33	33	33
Total Naval Force Inventory	285	279	276	284	285	292	300	295	295	296	300	303	301	302	304	303	302	300	297	295	296	297	298	297	298	299	302	305	307	305	307	307

V. Estimated Levels of Annual Funding Required for the Long-Range Shipbuilding Program

The Department of the Navy divides the 30-year planning horizon of this report into three discrete planning periods: the near-term planning period, which covers the two Future Years Defense Plans (FYDPs) between FY2013 and FY2022; the mid-term planning period, which covers the two FYDPs between FY2023 and FY2032; and the far-term planning period, which covers the two FYDPs between FY2033 and FY2042. Due to uncertainty over the exact nature of the future security environment, evolving military requirements, and the pace of technological

advancements over this 30-year planning period, the accuracy of our long-term ship and cost projections decline, perhaps dramatically, from each planning period to the next.

Based on our best estimates, we project that the required average annual spending on new ship construction in the near-term planning period to be \$15.1B/year in FY2012 constant dollars.⁵ During the mid-term planning period between FY2023 and FY2032, average yearly shipbuilding expenditures will climb to \$19.5B/year as the DoN recapitalizes its Fleet Ballistic Missile Submarine (SSBN) force. In the far-term planning period, average yearly expenditures fall to an average of \$15.9B/year. Over the entire 30-year planning horizon, the required annual spending on new ship construction, SCN and National Defense Sealift Fund (NDSF), is \$16.8B/year.

VI. Planning Assumptions

This 30-year shipbuilding plan is based on several key assumptions:

- *The battle force inventory target that forms the basis for the accompanying 30-year shipbuilding report will not change substantially with the Navy Force Structure Assessment or the Department of Defense review of its operational plans for potential regional contingencies.*
- *Yearly spending on Navy shipbuilding will increase starting in the second FYDP of the near-term period, and remain at higher levels throughout the mid-term planning period before falling down to annual shipbuilding levels nearer to historical averages*
- *All battle force ships—particularly Large Surface Combatants—will serve to the end of their planned or extended service lives.*
- *The Department of the Navy will be able to maintain cost control over its major shipbuilding acquisition programs, especially once individual ship classes shift to serial production.*
- *The Department of the Navy will be able to cover the Manpower, Operations and Maintenance (MPN/O&MN), Weapons Procurement Navy (WPN), and Other Procurement Navy (OPN) costs associated with this plan.*

If any of these assumptions prove to be faulty, future shipbuilding plans will include fewer ships and battle force inventory levels will change, inevitably falling below 300 ships.

⁵ Unless otherwise specified, all costing data in this report is expressed in FY2012 constant dollars.

Annual Long-Range Plan for Construction of Naval Vessels for FY2013

Part II – FY2013 Report

I. Reporting Requirement

This report is submitted in accordance with section 231 of title 10, United States Code, as amended by section 1021 of the National Defense Authorization Act for Fiscal Year 2012, Public Law 112-81, which reads as follows:

(a) ANNUAL NAVAL VESSEL CONSTRUCTION PLAN AND CERTIFICATION—The Secretary of Defense shall include with the defense budget materials for a fiscal year:

(1) A plan for the construction of combatant and support vessels for the Navy developed in accordance with this section; and

(2) A certification by the Secretary that both the budget for that fiscal year and the future-years defense program submitted to Congress in relation to such budget under section 221 of this title provide for funding of the construction of naval vessels at a level that is sufficient for the procurement of the vessels provided for in the plan on the schedule provided in that plan.

(b) ANNUAL NAVAL VESSEL CONSTRUCTION PLAN

(1) The annual naval vessel construction plan developed for a fiscal year for purposes of subsection (a)(1) should be designed so that the naval vessel force provided for under that plan is capable of supporting the national security strategy of the United States as set forth in the most recent national security strategy report of the President under section 108 of the National Security Act of 1947 (50 U.S.C. 404a), except that, if at the time such plan is submitted with the defense budget materials for that fiscal year, a national security strategy report required under section 108 has not been submitted to Congress as required by paragraph (2) or paragraph (3), if applicable, of subsection (a) of such section, then such annual plan should be designed so that the naval vessel force provided for under that plan is capable of supporting the ship force structure recommended in the report of the most recent quadrennial defense review.

(2) Each such naval vessel construction plan shall include the following:

(A) A detailed program for the construction of combatant and support vessels for the Navy over the next 30 fiscal years.

(B) A description of the necessary naval vessel force structure to meet the requirements of the national security strategy of the United States or the most recent quadrennial defense review, whichever is applicable under paragraph (1).

(C) The estimated levels of annual funding necessary to carry out the program, together with a discussion of the procurement strategies on which such estimated levels of annual funding are based.

(c) **ASSESSMENT WHEN VESSEL CONSTRUCTION BUDGET IS INSUFFICIENT TO MEET APPLICABLE REQUIREMENTS** —If the budget for a fiscal year provides for funding of the construction of naval vessels at a level that is not sufficient to sustain the naval vessel force structure specified in the naval vessel construction plan for that fiscal year under subsection (a), the Secretary shall include with the defense budget materials for that fiscal year an assessment that describes and discusses the risks associated with the reduced force structure of naval vessels that will result from funding naval vessel construction at such level. Such assessment shall be coordinated in advance with the commanders of the combatant commands.

In addition, in Senate Report 100-77 of the National Defense Authorization Act for Fiscal Year 2008 dated June 5, 2007, the Senate Armed Services Committee requested an addendum to this report that addresses the Navy's plans for decommissioning ships during the Future Years Defense Plan (FYDP). Accordingly, the following information is included with this report:

- (i) Hull numbers of the ships that are to be disposed of by dismantling or sinking within the FYDP,
- (ii) Hull numbers of ships that are to be decommissioned within the FYDP,
- (iii) Gaps in capability that will occur upon the decommissioning of each ship, including duration of that capability gap, and
- (iv) Disposition proposed for each ship upon decommissioning.

II. Submission of the Report

This report outlines the Department of the Navy's (DoN) five-year shipbuilding plan included in the President's FY2013 President's Budget (PB2013), which conforms to the defense budget topline associated with the 2011 Budget Control Act (BCA). It then provides a long-range projection of new ship construction by major ship types over the following 25-year period, and the resulting battle force inventory expected at the end of each fiscal year (FY). The plan details the naval force structure *requirements* that are derived in response to the new set of strategic priorities and guidance contained in the recently released *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*; the construction plan necessary to build to and sustain those requirements; and the fiscal resources necessary to implement the plan.

In response to the new strategic priorities and guidance found in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, the Department of Defense is now reviewing and updating the requirements for naval presence and forces and its operational plans for a variety of potential regional contingencies. When these efforts are complete, the DoN will revisit and reassess the force structure judgments and decisions in a supporting Naval Force Structure Assessment (FSA).

III. Towards a 21st Century Battle Force

The strategic direction and guidance found in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* requires the Department of the Navy to organize, train, and equip a Navy-Marine Corps Team that is **built and ready for war, and operated forward to preserve the peace**. In general, this Team must be able to:

- Maintain a safe, secure, and effective sea-based nuclear deterrent force;
- With joint and interagency partners, particularly the US Coast Guard, defend the homeland in depth;
- With allies and like-minded nations, secure global sea lanes;
- Rebalance its posture to emphasize engagement in the Asia-Pacific and Middle Eastern regions;
- Provide a stabilizing presence in other regions, by relying on innovative, low cost, and small footprint approaches;
- Respond promptly to crises with forward-deployed, combat credible forces;
- Assure access in any theater of operations, even in the face of new anti-access/area-denial (A2/AD) strategies and technologies;
- Establish control over, on, and under the sea wherever and whenever necessary; and
- Conduct a large-scale naval campaign in one region while denying the objectives of—or imposing unacceptable costs on—an opportunistic aggressor in a second region.

To accomplish this set of missions within the challenging fiscal constraints set by the 2011 BCA, the Department of the Navy is designing and building a Navy-Marine Corps Team with the capabilities and capacities that best balance war-fighting risk across the full range of potential military operations. A simple organizational construct guides the DoN's efforts, which is that naval forces operating ashore, manned and unmanned platforms operating above, on, under, and from the sea, and enablers such as distributed sensor networks and durable data and communication links, modular, adaptable payload bays, open architecture combat systems, innovative payloads, networked-enabled weapons, and flexible logistics systems—all operated by the finest Sailors and Marines in our history—should and will work as a single, inter-connected, and cohesive fighting Team.

Since every naval force or platform should be able to draw from the combined capabilities, capacities, and enablers found in the wider Navy-Marine Corps Team, counting platforms and forces gives only a partial picture of the aggregate combat power of the combined Team. Indeed, a more thoroughly inter-connected Navy and Marine Corps allows a smaller naval force to achieve greater awareness in all operating domains—space, air, sea, undersea, land, and cyberspace—and to effectively and efficiently execute integrated, coordinated actions even when the force is conducting widely distributed naval maneuver within and across theaters, or when in disaggregated, geographically fixed sea, air, and land control missions.

As just one of many examples, swift, fast-sailing frigates were once the eyes of the fleet. In the future, the eyes of the Navy will be its Maritime Patrol and Reconnaissance Force (MPRF). With its combination of Broad Area Maritime Surveillance unmanned aerial systems and manned P-8A Poseidon Multi-mission Maritime Aircraft, the MPRF will provide US naval commanders with an unparalleled level of maritime domain awareness. As a result, counting the number of ships in the Navy's battle force no longer gives one a full appreciation for the broad, cross-domain capabilities, capacities, and enablers found in the combined Navy-Marine Corps Team.

Today's battle force numbers 282 warships of all types.⁶ After accounting for the funding limits of the 2011 Budget Control Act and the specific resourcing decisions made in the recently completed strategic review, and considering the full range of supporting capabilities, capacities, and enablers found in the combined Navy-Marine Corps Team, this report assumes the 21st Century Battle Force will have about 300 warships, including:

- 12-14 fleet ballistic missile submarines;⁷
- 11 nuclear-powered aircraft carriers;
- Approximately 48 nuclear-powered attack submarines;
- 0-4 nuclear-powered cruise missile submarines;⁸
- Approximately 90 large, multi-mission surface combatants;
- Approximately 55 small, multi-role surface combatants;
- Approximately 32 amphibious landing ships;⁹
- Approximately 29 combat logistics force ships;
- Approximately 33 support vessels of all types.

This report outlines the Long-Range Naval Vessel Construction Plan necessary to build and maintain the battle force inventory outlined above and the resources necessary to implement the plan. This battle force is fully capable of meeting the strategic guidance found in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, and adequately sustains the national shipbuilding and naval combat systems design and industrial base.

However the battle force inventory above should be considered an interim planning target pending the outcome of a formal Force Structure Assessment (FSA) and the ongoing Department of Defense review of its operational plans for potential regional contingencies. The final FSA-derived inventory targets will remain valid as long as there are no further changes to defense strategic guidance, the global force management allocation plan, or to Department fiscal guidance. Should changes to any of these three things occur, a further review and assessment of battle force requirements will be necessary.

⁶ As of March 23, 2012.

⁷ The 14 OHIO-class SSBNs will ultimately be replaced by 12 new SSBN(X)s starting in the late 2020s.

⁸ The 4 SSGNs now in service will retire in the mid-2020s. The DoN is exploring the possibility of inserting Virginia Payload Modules, a "quad-pack" of large diameter payload tubes, in Block V VIRGINIA-class attack submarines to offset the loss of SSGN strike capability.

⁹ The strategic review focused primarily on sustaining Amphibious Readiness Groups/Marine Expeditionary Units forward in the Western Pacific and Persian Gulf in a crisis response role. It took risk in generating the 30 operationally available ships necessary to conduct a 2-Marine Expeditionary Brigade (MEB) forcible entry operation. To lower risk, this plan strives to maintain an active inventory above 32 active amphibious ships.

priorities. When considering all these relevant factors, the 30-year shipbuilding construction plan presented in Table 1 should result in the annual Naval Battle Force Inventory shown in Table 2, which represents the projected numbers of ships in service on the last day of each fiscal year.

Table 2. FY2013-2042 Naval Battle Force Inventory

Fiscal Year	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42
Aircraft Carrier	10	10	11	11	11	11	11	11	11	12	11	11	11	11	12	11	11	11	11	11	11	11	11	11	11	11	11	11	10	10
Large Surface Combatant	80	78	78	80	82	84	86	87	88	87	89	89	89	89	90	89	87	85	81	80	79	78	80	82	84	86	88	89	88	
Small Surface Combatant	35	30	26	30	32	35	39	37	38	40	39	41	43	46	49	52	55	55	55	55	55	55	55	55	55	55	55	55	55	
Attack Submarines	55	55	54	53	50	51	49	49	47	47	46	45	45	44	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43	
Cruise Missile Submarines	4	4	4	4	4	4	4	4	4	4	4	4	4	4	2	1														
Ballistic Missile Submarines	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	13	12	11	11	11	10	10	10	10	10	10	10	10	10	11
Amphibious Warfare Ships	31	29	28	29	30	31	31	31	31	32	32	34	34	34	33	34	33	33	32	32	33	34	33	33	33	32	32	31	32	
Combat Logistics Force	32	32	31	31	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	
Support Vessels	24	27	30	32	33	35	35	34	33	33	35	35	35	35	37	33	33	33	33	33	33	33	33	33	33	33	33	34	33	
Total Naval Battle Force Inventory	246	278	278	284	292	300	295	296	288	300	303	301	302	304	303	302	300	297	295	295	297	299	302	306	309	307	305	307	307	

V. Planning and Resource Challenges

All of the above factors complicate the development of any coherent long-range shipbuilding plan. However, these more routine planning challenges are compounded by an even more serious planning and resource challenge facing the Department over the coming 30-year period. The ships brought into service during the 1980s to serve in the Cold War “600-ship Navy”—some procured at a rate of four to five ships per year in a single class—will all retire over the 30-year planning period. Given that the 21st Century Battle Force is projected to be about half the size of the Cold War fleet, and when considering expected resource constraints, the DoN cannot recapitalize its legacy ships at the same rate at which they were originally procured. Indeed, as shown in Table 1, over the next 30 years the DoN will procure a total of 268 ships of all types, for an average of about 9 ships per year; at no time will any single ship type or ship class be procured at a rate greater than three ships per year, with the exception of relatively inexpensive small surface combatants (i.e., Littoral Combat Ships).

Even the relatively low numbers found in Table 1 assume the Department of the Navy will utilize spiral upgrades to existing ships to the maximum extent possible, extend the service lives of specific classes of ships, and operate every ship procured to the very end of its expected service life. All of these measures will help maintain the size of the battle force inventory during the heavy ship retirement period expected in the 2020s and 2030s. However, even after all of these measures are taken, executing even the relatively modest build plan found in Table 1 within expected future resource limitations will present a stiff planning and resource challenge.

To outline the resources necessary to build a 300-ship battle force that best meets projected requirements, and to better describe the DoN’s coming numbers-resource challenge, this report splits the plan’s 30-year planning horizon into three 10-year planning periods. Doing so is also helpful because the accuracy of our plans and projections inevitably decline, perhaps dramatically, over time. These three periods are the:

- Near-term planning period. The near-term planning period covers the two Future Year Defense Plans (FYDPs) between FY2013 through FY2022. The projections in this period are based on our most accurate understanding of required combat capabilities, future defense budget toplines, and shipbuilding costs. The cost estimates for this period are therefore the most accurate of the three planning periods.

- Mid-term planning period. The mid-term period, which covers the two FYDPs between FY2023 to FY2032, is based on a projection of numerous new replacement ships we now plan to build. The costs for these ships have yet to be informed by formal analyses of alternatives, and are therefore based on inflation-adjusted projections of the building costs for the ships they are scheduled to replace. As a result, the accuracy of plan cost estimates diminishes for the force structure estimates in this timeframe.
- Far-term planning period. The final, far-term period, covering the two FYDPs from FY2033 to FY2042, simply assumes a one-for-one replacement for ships expected to retire during this period. Since the strategic environment and state of technology 20-30 years hence are both sure to be much different than they are today, the ship and cost projections in this period are much more speculative.

Using this organizational framework, the following sections will describe the PB2013 30-year shipbuilding plan in more detail, and highlight the unique institutional management and resource challenges associated with each planning period.

A. Near-Term Planning Period (FY2013-FY2022)

Table 3 displays the Department of the Navy's new ship construction procurement and funding plans in the first FYDP of the near-term planning period, as reflected in the FY2013 President's Budget submission.¹⁰

Table 3. FY2013-2017 New Construction Shipbuilding Procurement and Funding Plan (TYSM)

Ship Type	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017		Total	
	(\$M)	\$ Qty	\$ Qty	\$ Qty	\$ Qty	\$ Qty	\$ Qty	\$ Qty	\$ Qty	\$ Qty		
CVN 78 ¹	608	1	666		2,999		1,662		2,868		8,803	1
DDG 51	3,515	2	2,014	1	3,002	2	3,508	2	4,048	2	16,088	9
LCS ²	1,785	4	1,820	4	1,881	4	1,013	2	896	2	7,395	16
SSN 774 ³	4,092	2	4,607	1	6,282	2	5,727	2	5,528	2	26,237	9
SSBN(X)									778		778	
LPD 17			54		38		24				116	
LHA(R)					79		240		2,097	1	2,416	1
T-AO(X)							694	1			694	1
MLP	38		562	1							600	1
T-ATF(X)							216	2			216	2
HISV	189	1									189	1
Total New Construction	10,228	10	9,722	7	14,281	8	13,085	9	16,215	7	63,532	41

Notes:

1. Funding for the CVN 78-class program reflects a FY2013 request for Congressional authorization to incrementally fund nuclear aircraft carrier full procurement funding over a six-year period. Advance procurement and advance construction have been previously appropriated.
2. Funding does not include LCS mission modules, which are funded in Other Procurement, Navy (OPN).
3. Advanced Procurement/Economic Order Quantity (EOQ) funding previously appropriated.

The first FYDP of the near-term planning period sees the Department of the Navy building ships within established BCA budget limits. To achieve this plan, Department leaders must maintain

¹⁰ In this report, new ships planned for future procurement or for replacement of legacy ships are annotated with (X) after their ship type until their class has been named, such as T-ATF(X) in Table 3.

strict cost control on those new ships now in production, and successfully and cost-effectively manage the design, building, and introduction of several new classes of ships.

- Aircraft carriers. JOHN F. KENNEDY (CVN 79), the second GERALD R. FORD (CVN 78)-class nuclear-powered aircraft carrier, will be authorized in FY2013. CVN 79 will incorporate the lessons learned from the first ship-of-class. This carrier will be delivered in time to replace USS *Nimitz* (CVN 68) in FY2023.
- Large surface combatants (LSCs). The Navy reopened the ARLEIGH BURKE DDG production line in FY2010, and continues to build the very capable Flight IIA version of the ship through FY2016. In FY2016, however, the Navy will shift production to the Flight III variant with the new, more powerful Air and Missile Defense Radar (AMDR) system with upgrades in detection capability and combat system performance. The Flight III will also have the appropriate power generation capacity and cooling necessary to support these enhancements. Accordingly, these ships will be the battle force's premier integrated air and missile defense (IAMD) platforms, and will replace the legacy TICONDEROGA (CG 47)-class cruisers. The Navy is requesting authority for a 9-boat multi-year procurement starting in FY2013 and extending through FY2017 in the next FYDP. Original plans called for a building profile of 2-2-2-2-1 starting in FY2013. However, to accommodate 2011 BCA funding limits, the profile was changed to 2-1-2-2-2.
- Small surface combatants (SSCs). Throughout the first FYDP, the Littoral Combat Ship (LCS) continues in full-rate construction, with a total of 16 ships procured. This is two ships fewer than in the PB2012 plan, a result of 2011 BCA funding limits.
- Attack submarines: Procurement of VIRGINIA (SSN 774)-class attack submarines also continues across the FYDP. The Navy is requesting authority for a 9-boat multi-year procurement starting in FY2014 and extending through FY2018 in the next FYDP. Original plans called for a building profile of 2-2-2-2-1 starting in FY2014. However, to accommodate 2011 BCA funding limits, the profile was changed to 1-2-2-2-2.
- Amphibious assault ships. The Navy will procure the first LHA (R) Flight 1 amphibious assault ship in FY2017, one year later than originally expected. Current plans call for this ship to include a well deck and a reduced island to improve its surface and aerial assault capabilities.
- Combat Logistics Force (CLF) ships: The Navy plans to procure the first T-AO (X) in FY2016, built with a double hull to meet International Convention for the Prevention of Pollution from Ships (MARPOL) standards. While this represents a delay in construction from last year's plans, the delay will have no impact on the number of operationally available Fleet Oilers.
- Joint High Speed Vessels. The last of ten planned JHSVs is procured in FY2013. This reflects a drop in planned ship construction compared to last year's plan. This drop is a function of two things. First, the overall requirement for JHSVs, as validated in the just completed strategic review, fell from 16 to 10 ships. Second, the Department of the Army transferred the 5 JHSVs it procured to the Department of the Navy as an efficiency measure. These two actions prompted the DoN to halt planned JHSV production at 10 ships.

- **Other support ships:** In response to urgent needs expressed by Combatant Commanders in several theaters, a fourth Mobile Landing Platform is added in FY2014, and modified to serve as Afloat Forward Staging Bases (AFSB). Current plans call for the third MLP, authorized in FY2012, to also be modified to an AFSB configuration. In addition, the T-ATF(X) procurement in FY2016 begins the recapitalization of the four retiring Fleet Tugs (T-ATF 166 class). The near-term period's second FYDP sees continued serial production of the Littoral Combat Ship and VIRGINIA-class SSN. The costs for these ships are well known and stable. The third of FORD-class CVN is procured in FY2018, maintaining the five-year cost centers required for a long-term, steady-state carrier force structure of 11 CVNs. By this time, the costs for this ship should be completely stable. The same goes for the Flight III DDG 51s, which are built at a steady rate of 2/year across the FYDP, and the T-AO(X), which shifts into a steady one-per-year build rate in FY2020. Also during this period, the last two of four Fleet Tugs are procured.

New starts in the second FYDP include the first two of five planned replacements for current Ocean Surveillance Ships (T-AGOS(X)), and the first two of four planned replacements for current Salvage Ships (T-ARS(X)). These are both relatively small and inexpensive ships. A larger and more complex new start will be the first three LSD(X)s, the replacement for LSD 41 and 49 Dock Landing Ships now in fleet service. As the first of these legacy ships will not retire until FY2026, this procurement action is ahead of need; it is being taken primarily to preserve the shipbuilding industrial base and to maintain a long-term total amphibious inventory slightly above 32 active ships. The additional ships in the inventory will help reduce the risk associated with generating the 30 operationally available amphibious ships needed to support a two-Marine Expeditionary Brigade forcible entry operation.

Without question, however, the most complex new start of the second FYDP, if not the entire 30-year planning period, will be the first of a new class of Fleet Ballistic Missile Submarines (SSBN(X)). Current plans call for 12 new SSBN(X)s with life-of-the-ship, nuclear reactor cores to replace the existing 14 OHIO-class SSBNs now in commission. Detail design for the first SSBN(X) begins in FY2017, and the lead ship in the class will be procured in FY2021, at the end of the first planning period, at a projected total cost of \$11.7B (\$4.5B in plans (non-recurring engineering) and \$7.2B in ship construction). When coupled with the three aforementioned new starts in this second FYDP, yearly shipbuilding budgets will see a sharp increase, topping \$20B/yr by FY2021. Despite the steep rise in yearly shipbuilding costs in the period's later years, annual shipbuilding spending over the entire near-term planning period averages \$15.1B, which is aligned with historical norms. And, with the steady delivery of ships contracted over the last few budget cycles and in the period's first FYDP, the overall size of the battle force begins a slow but steady climb, reaching 300 ships by FY2019 before falling slightly between FY2020 and FY2022.

B. Mid-Term Planning Period (FY2023-FY2032)

This high cost for replacing the nation's secure, second-strike nuclear deterrent force will have a disproportionate impact on DoN shipbuilding plans and associated costs throughout the mid-term planning period and into the early years of the far-term planning period. This plan assumes the average recurring affordability target for the second through twelfth SSBN(X)s will be \$6.025B per boat. This cost reflects a concerted DoN effort to rationalize the boat's requirements, which cut the projected recurring cost for the boats by nearly \$1B. The SSBN(X) Milestone A Acquisition Decision Memorandum established an even lower affordability target of \$5.3B per

boat.¹¹ While the DoN cannot yet state with certainty it will achieve this aggressive target, it is committed to meeting this goal. Indeed, the DoN PB2012 budget submission added \$150M in research and development dollars to explore ways to drive down the recurring costs for follow-on boats.

Obviously, spending \$5-6B per year for a single ship over a 10 to 12-year period will strain the DoN's yearly shipbuilding accounts, since the Department must continue to build other ships throughout this period to maintain the overall battle force inventory at about 300 ships. The following provides a quick summary of our other mid-term procurement plans.

- The DoN will continue building FORD-class CVNs throughout the mid-term planning period, with cost centers in FY 2023 and FY2028.
- The DoN plans to procure up to 33 of the AMDR-equipped Flight III DDG 51s started in the near-term planning period. Twenty of these ships, designed primarily for integrated air and missile defense, including ballistic missile defense (BMD) will be built in the mid-term planning period, with the last coming in FY2030. In FY2031, the Department plans to start building an affordable follow-on, multi-mission DDG to replace the large number of Flight I, II, and IIA DDG 51s that start to retire in the mid to late-2020s. The requirements of this ship have yet to be defined.
- The DoN will continue to procure both versions of the Littoral Combat Ship through FY2026, and achieve the 55-ship inventory objective in FY2029. With a 25-year service life, the first LCS will retire in FY2033. Consequently, the first follow-on LCS(X) will be procured in FY2030 at the end of the mid-term planning period.
- The last 10 VIRGINIA-class SSNs will be built in the mid-term planning period. RDT&E for the VIRGINIA replacement submarine, tentatively known as SSN-774(X), will be geared for a first start in FY2033, the first year of the far-term planning period.
- The DoN will continue to procure Flight I LHA(R) amphibious assault ships in the mid-term period. Three of these large, multi-purpose warships will be built every four years, starting in FY2024.
- Three of 10 planned LSD(X)s are to be procured in the near-term planning period, all ahead of need. The remaining 7 ships will be procured during the mid-term planning period, with the last coming in FY2032. This building profile, which helps preserve the shipbuilding industrial base, will help maintain the long-term inventory for amphibious ships at or above 32 ships from FY2022 through FY2040.
- Five of 17 planned double-hulled T-AO(X)s are to be procured in the near-term planning period. Ten of 12 remaining oilers will be procured at the rate of one-per-year through the mid-term planning period. The T-AO(X)s will replace 15 legacy Fleet Oilers as well as 4 SUPPLY-class Fast Combat Support Ships. When the last T-AO(X) is built in the far-term planning period, the Combat Logistics Force will consist of 12 T-AKE Dry Cargo/Ammunition Ships and 17 Fleet oilers.

¹¹ \$4.9B in FY2010 dollars, as approved in the OHIO Replacement (OR) Program Milestone A Acquisition Decision Memorandum dated Jan 10 2011.

- The first class of JHSVs will begin to retire toward the end of the mid-term planning period. As a result, the DoN plans to start building the first JHSV(X) follow-on in FY2029.
- The DoN will build Submarine Tenders (ASs) in FY2023 and FY2025, in time to replace the 2 legacy ASs, which will retire in FY2029 and FY2030. The Navy will also complete the last 2 T-ARS(X) Salvage Ships and last 3 T-AGOS Ocean Surveillance Ships in the mid-term planning period.
- The Department will recapitalize the first of its two Command Ships (LCCs), whose service lives were extended in the near-term planning period, starting in FY2032.
- Four former OHIO-class Fleet Ballistic Missile Submarines were converted to Guided Missile Submarines (SSGNs) between FY2002 and FY2008. With their high-capacity strike and irregular warfare capabilities, these ships contribute significantly to the Navy's war-fighting capability. However, given the cost pressures caused by the SSBN(X), the DoN cannot afford to recapitalize them. As a result, the aforementioned strategic review added RDT&E and non-recurring engineering funding in the FY2013-FY2017 FYDP for Virginia Payload Modules (VPMs), a "quad-pack" of large diameter payload tubes that could be inserted aft the sail of future VIRGINIA-class SSNs. If future budgets allow, this advance engineering work will enable the DoN to consider incorporating VPMs in the FY2019 Block V VIRGINIA Class buy.

To cover both the SSBN(X) program as well as other shipbuilding programs, yearly shipbuilding expenditures during the mid-term planning period will need to average about \$19.5B/year. This is over \$4B more per year than in the near-term planning period, and nearly \$3B more per year than the steady-state 30-year average requirement of \$16.8B/year. The Department is doing everything in its power to try to reduce projected yearly shipbuilding costs during this period, such as trying to reduce the recurring cost of the second through twelfth SSBN(X)s to \$5.3B, down from a projected \$6B. Even if these efforts are successful, however, sustaining a viable overall ship construction plan during this period will be the key challenge for the Department over the 30-year planning period covered by this report. That said, if all the foregoing plans come to fruition, the overall battle force inventory will remain above 300 ships for 8 of 10 planning years.

C. Far-Term Planning Period (FY2033-FY2042)

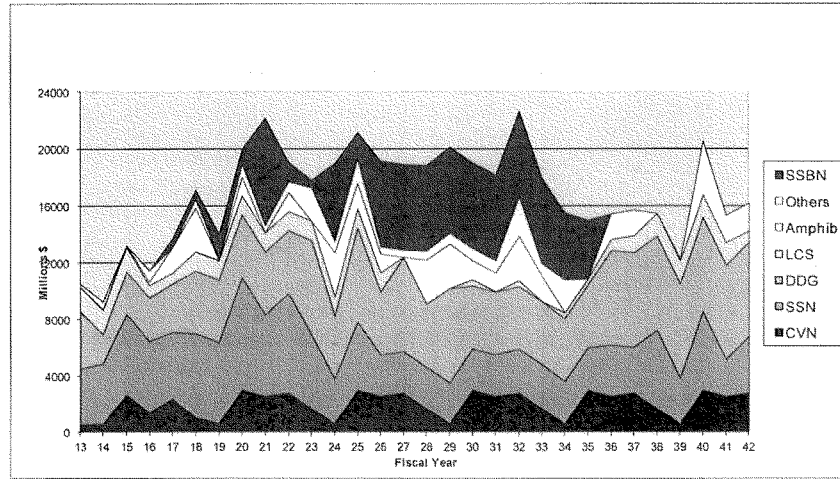
By the early years of the far-term planning period, the SSBN(X) and LSD(X) are no longer in production, and both Large and Small Surface Combatants are well into their production runs. The only new projected starts during this period are the replacements for VIRGINIA-class SSNs and SAN ANTONIO-class LPDs. As a result, the total battle force inventory begins to climb, reaching 307 ships by FY2042, even as average annual shipbuilding expenditures begin to fall. Indeed, projected average yearly shipbuilding expenditures for the entire far-term planning period fall by \$3.6B/year to \$15.9B/year.

The greatest planning concern during the far-term period involves our Large Surface Combatant force. The 33 Flight III DDG 51s to be procured between FY2016 and FY2030 will replace legacy CG 47-class Guided Missile Cruisers, and improve the integrated air and missile defense of the battle forces. Due to the already pressurized funding situation in the mid-term planning period due to the SSBN(X), however, the DoN will not be able to start building the follow-on LSCs soon

enough to keep up with the large number of legacy DDGs scheduled to retire in the FY2033-FY2042 timeframe. In order to ameliorate this problem, the DoN plans to extend the service lives of all Flight IIA DDG 51s (starting with DDG 79) to 40 years in an effort to reduce the impact of the DDG 51 retirement schedule on overall LSC force structure. However, even with this measure, and starting a sustained LSC build rate of three ships-per-year in FY2036, the LSC inventory will fall to a low of 78 ships in FY2034—15 below the current planning requirement—before rebounding to 88 LSCs in FY2039. Department leadership is focused on this problem, and is examining a variety of ways to mitigate the shortfall. However, as this problem demonstrates, the impact of the SSBN(X) program will be wide and deep throughout the mid- and far-term planning periods.

VI. Estimated Levels of Annual Funding Required for the Long-Range Shipbuilding Program

Figure 1. Annual Funding Required for Navy Long-Range Shipbuilding (FY2013-2042) (FY2012\$)



Note: This estimate shows funding required for the Navy's combat and support force.

Figure 1 depicts the annual shipbuilding funding requirements necessary to implement the DoN's Long-Range Naval Vessel Construction Plan. Within the constraints discussed above, we believe this chart accurately reflects shipbuilding costs over the near, mid, and long-term planning periods, although the DoN's confidence in cost projections declines over time. In the near-term, this equates to an average of approximately \$15.1B/year. During the mid-term planning period between FY2023 and FY2032, average yearly shipbuilding expenditures will climb to \$19.5B/year as the DoN recapitalizes its SSBN(X) force. In the far-term planning period, average yearly expenditures fall to an average of \$15.9B/year. Over the entire 30-year planning horizon, the required annual spending on new ship construction, SCN and National Defense Sealift Fund (NDSF), is \$16.8B/year.

The Department recognizes that its 30-year shipbuilding plan represents an enormous demand on national resources, and is committed to maintaining stability in planned requirements, funding and shipbuilding profiles in order to tightly control the demands on these precious resources. The Department is also committed to working closely with the shipbuilding and combat systems industries to implement its plans within the projected funding profile.

VII. Planning Assumptions

This 30-year shipbuilding plan is based on several key assumptions:

- *The battle force inventory target that forms the basis for the accompanying 30-year shipbuilding report will not change substantially with the Navy Force Structure Assessment or the ongoing Department of Defense review of its operational plans for a variety of potential regional contingencies.* Individual ship targets may vary slightly based on a detailed analysis of Combatant Commander requirements in light of the new defense strategy.
- *Yearly spending on Navy shipbuilding must increase starting in the second FYDP of the near-term period, and remain at higher levels throughout the mid-term planning period before falling down to annual shipbuilding levels nearer to historical averages.* During the 2020s and early 2030s, a large number of surface ships and submarines built during the Cold War build-up in the 1980s and early 1990s—particularly the OHIO-class SSBNs—will reach the end of their service lives. This will inevitably cause the annual shipbuilding expenditures from FY2020 through FY2032 to be higher than those seen from the mid-1990s through 2020.
- *All battle force ships—particularly Large Surface Combatants—will serve to the end of their planned or extended service lives.* In this fiscal environment, the DoN can ill-afford to inflate future shipbuilding requirements by retiring ships earlier than planned.
- *The Department of the Navy will be able to maintain cost control over its major shipbuilding acquisition programs, especially once individual ship classes shift to serial production.* The Department will need to focus on limiting overruns for first ships-of-class.
- *The Department of the Navy must still be able to cover the Manpower, Operations and Maintenance (MPN/O&MN), Weapons Procurement Navy (WPN), and Other Procurement Navy (OPN) costs associated with this plan.* DoN leaders are committed to avoiding a “hollow force.”

If any of these assumptions prove to be faulty, future shipbuilding plans will include fewer ships and battle force inventory levels will change, inevitably falling below 300 ships.

VIII. Major Risks

The FY2013 President's Budget and the Future Years Defense Plan through FY2017 fully funds the construction of naval vessels in the plan presented in Table 1. Beyond the FYDP, however, and as described in detail in this report, the need to recapitalize our Fleet Ballistic Missile Submarine force will cause noteworthy risks to the Navy's overall shipbuilding plan. If the DoN is unable to sustain average annual shipbuilding budgets of \$19.5B over the course of the mid-term planning period, plans to recapitalize the Nation's secure second-strike nuclear deterrent

and the Navy's conventional battle force will have to be dramatically changed, and the overall size of the battle force will drop below the levels needed to meet all naval presence and warfighting requirements.

IX. Summary

The shipbuilding program described in this report builds and maintains a battle force inventory of approximately 300 ships, which will be refined with the completion of an ongoing Force Structure Assessment. This battle force is part of a broader Navy-Marine Corps Team that is built and ready for war, and operated forward to preserve the peace. The battle force represents an integrated and balanced fleet with the necessary capabilities and capacities to meet anticipated future demands for forward presence, deterrence, and war-fighting missions.

Driven largely by SSBN(X) costs in the mid-term, this plan requires an average steady-state annual investment of \$16.8B over the next 30-year period. This resource allocation level is somewhat higher than the shipbuilding investments made over the past decade, which has seen two long ground wars. If these shipbuilding investments are not funded, the battle force inventory will inevitably decline to well below 300 ships.

Appendix 1**Planned Ship Decommissionings, Dismantlings, and Disposals during FY2013-FY2017
Future-Years Defense Plan (FYDP)****I. Introduction**

This addendum report is in compliance with the Senate Armed Services Committee request for additional information regarding decommissioning and disposal of naval vessels:

The Committee directs the Secretary of Defense to include, as an addendum to the annual report on the construction of naval vessels, commencing with submission of the report for fiscal year 2009, Navy's plans for decommissioning ships during the Future Years Defense Plan (FYDP). The addendum shall address: (i) hull numbers of ships that are to be disposed by dismantling or sinking within the future-years defense plan; (ii) hull numbers of ships that are to be decommissioned within the future-years defense plan; (iii) gaps in capability that will occur upon the decommissioning of each ship, including duration of that capability gap; and (iv) disposition proposed for each ship upon decommissioning.

II. Ships Planned for Decommissioning or Deactivation During the Future Years Defense Plan

Table AI-1 lists, by year, the Navy ships that are to be decommissioned or deactivated within the FYDP. The table identifies the planned disposition for each ship. There are no potential gaps in war-fighting capability that will result from the projected ships being removed from service. USS PONCE (LPD 15), originally scheduled for decommissioning in FY12, will be retained in service and redesignated as an interim Afloat Forward Staging Base (AFSB(I)) to support mine warfare missions in the 5th Fleet Area of Operations.

III. Ships Planned for Dismantling and Disposal During the Future Years Defense Plan

The Navy recognizes that environmental and safety risks increase as inactive ships deteriorate and their disposal is delayed. The longer retired ships sit in the inactive ship inventory, the higher the environmental risks and disposal costs. As a result, the DoN has worked hard to reduce its inventory of inactive ships from the most recent high of 195 ships in 1997 to 54 ships today.

The Navy establishes its ship disposition plans based on the methods available that are most advantageous to the government. As indicated earlier, ships not identified for disposal are retained for possible future mobilization requirements. When it is determined that there is little likelihood of disposal by transfer to other government organizations, foreign military sales, donation use as a museum/memorial in a public display, and when no requirements exist to support fleet training use or weapons effectiveness testing, the ship will be disposed of by dismantling. Ships designated for foreign military transfer will be retained in a FMS hold status for no more than two years. If at that time the ships are not part of an active FMS case, the DoN will review their status. Depending on the outcome of this review, the ships may remain as an FMS asset, be designated as a logistic support asset, or dismantled.

Table A1-1. Ships Planned for Decommissioning or Deactivation¹ during the FYDP

Inactivation Year (FY)	Ship Name	Disposition
2013	USS ENTERPRISE (CVN 65)	Dismantle
	USS UNDERWOOD (FFG 36)	Foreign Military Sales
	USS CROMMELIN (FFG 37)	Foreign Military Sales
	USS CURTS (FFG 38)	Foreign Military Sales
	USS KLAKRING (FFG42)	Foreign Military Sales
11 ships	USS REUBEN JAMES (FFG 57)	Foreign Military Sales
	USS CARR (FFG 52)	Foreign Military Sales
	USS COWPENS (CG 63)	OCIR ²
	USS ANZIO (CG 68)	OCIR
	USS VICKSBURG (CG 69)	OCIR
	USS PORT ROYAL (CG 73)	OCIR
2014	USS DENVER (LPD 9)	OCIR
	USS WHIDBEY ISLAND (LSD 41)	OCIR
	USS TORTUGA (LSD 46)	OCIR
	USS HALYBURTON (FFG 40)	Foreign Military Sales
	USS MCCLUSKY (FFG 41)	Foreign Military Sales
	USS THACH (FFG 43)	Foreign Military Sales
	USS DE WERT (FFG 45)	Foreign Military Sales
	USS RENTZ (FFG 46)	Foreign Military Sales
14 ships	USS NICHOLAS (FFG 47)	Foreign Military Sales
	USS ROBERT G BRADLEY (FFG 49)	Foreign Military Sales
	USS GETTYSBURG (CG 64)	OCIR
	USS CHOSIN (CG 65)	OCIR
	USS HUÉ CITY (CG 66)	OCIR
	USS DALLAS (SSN 700)	Dismantle
2015	USS PELELIU (LHA 5)	OCIR
	USNS FLINT (T-AE 32)	Dismantle
	USS TAYLOR (FFG 50)	Foreign Military Sales
	USS GARY (FFG 51)	Foreign Military Sales
	USS FORD (FFG 54)	Foreign Military Sales
	USS ELROD (FFG 55)	Foreign Military Sales
11 ships	USS SIMPSON (FFG 56)	Foreign Military Sales
	USSVANDEGRIFT (FFG 48)	Foreign Military Sales
	USS SAMUEL B ROBERTS (FFG 58)	Foreign Military Sales
	USS LA JOLLA (SSN 701)	MTS Conversion
	USS CITY OF CORPUS CHRISTI (SSN 705)	Dismantle
2016	USS ALBUQUERQUE (SSN 706)	Dismantle
3 ships	USS HOUSTON (SSN 713)	Dismantle
	USS PONCE (AFSB 1)	OCIR
2017	USNS HENRY J KAISER (T-AO 187)	Dismantle
	USNS JOSHUA HUMPHREYS (T-AO 188)	Dismantle
	USS KAUFFMAN (FFG 59)	Foreign Military Sales
	USS RODNEY M DAVIS (FFG 60)	Foreign Military Sales
	USS NORFOLK (SSN 714)	Dismantle
9 ships	USS BREMERTON (SSN 698)	Dismantle
	USS JACKSONVILLE (SSN 699)	Dismantle
	USS SAN FRANCISCO (SSN 711)	MTS Conversion
	USS BUFFALO (SSN 715)	Dismantle

Note:

- For the purposes of the report, US Navy vessels are commissioned ships that are decommissioned and removed from active status. USNS vessels are non-commissioned vessels that are deactivated and removed from active status.
- OCIR - Out of Commission, In Reserve

The process for dismantling nuclear-powered ships is more complex than conventionally-powered ships and requires special care. The DoN dismantles these complex ships through a special recycling process and disposal of nuclear propulsion plant components.

The removal of conventionally-powered ships by sinking is conducted as part of an approved training exercise or to support weapons testing requirements. These types of activities are generally known as sinking exercises, or SINKEXs. Inactive ships contribute significantly to the Navy in this role, as these exercises often result in cost savings for developmental programs requiring live-fire testing, provide key learning necessary to improve fleet tactics and weapons design, and provide on-going statistical data to assess weapons performance. Another alternative for sinking may be to provide an ocean bottom artifact to support fish and marine growth as an artificial reef. In both cases the Navy complies strictly with the Environmental Protection Agency directives of 1996 and 1999.

The Navy intends to dismantle the ships listed in Table A1-2 within the FYDP. Specific dates have not been determined as several factors dictate when the ships will be put under contract for their scrapping or, in the case of nuclear-powered ships, for their recycling. The actual date of dismantlement depends on such factors as the timing of decommissioning or deactivation; the location of the ship and attendant requirements for hull cleaning and transfer to the dismantlement facility; time available to strip the ship of any salvageable Navy components; any special holds placed on ships while reconsidering dismantlement; and availability of disposal funds.

Table A1-2. Ships Planned for Disposal by Dismantling

Ex-SHASTA (T-AE 33)	Ex-CONSTELLATION (CV 64)
Ex-DULUTH (LPD 6)	Ex-INDEPENDENCE (CV 62)
Ex-THOMAS S GATES (CG 51)	Ex-FORRESTAL (AVT 59)
Ex-YORKTOWN (CG 48)	Ex-ROBIN (MHC 54)
Ex-JARRETT (FFG 33)	Ex-DOYLE (FFG 39)
Ex-HAWES (FFG 53)	Ex-SHREVEPORT (LPD 12)
Ex-OGDEN (LPD 5)	USNS FLINT (T-AE 32)

Table A1-3 lists the ships that the Navy plans to dispose of by way of fleet SINKEXs during the upcoming FYDP. As mentioned previously, although SINKEXs contribute to inactive ship inventory reduction, the primary purpose of a SINKEX is to conduct weapons effectiveness testing or Fleet training. In addition to the Title 10 requirements, SINKEX events provide essential validation of modeling and simulation that reduces overall live testing requirements or meets the limited need for a target that cannot be practically provided by purpose-built targets. The Chief of Naval Operations has issued new guidelines for the conduct of SINKEXs, which authorize such exercises only if they meet one of the following criteria: (1) the event is required to satisfy Title 10 requirements for ship survivability or weapons lethality evaluation; or (2) the event supports major joint or multi-national exercises or evaluation of significant new multi-unit tactics or tactics and weapons combinations. In addition, the CNO approves all SINKEX events.

With SINKEXs limited to these CNO-approved requirements, the number of future events will be reduced. Navy anticipates the number of events to drop from an average of five to six per year since 2005 to an average of one to two per year, and in some years the number will fall to

zero. In order to save the expense of maintaining inactive ships, if there are no near-term requirements for SINKEX assets, the CNO will review the status of any vessels designated for disposal by sinking, to determine if the ships should be dismantled.

Table A1-3. Ships Planned for Disposal by Sinking

EX-CORONADO (AGF 11)
EX-NIAGARA FALLS (T-AFS 3)
EX-CONCORD (T-AFS 5)
EX-KILAUEA (T-AE 26)

IV. Summary

This report outlines the Navy's plans for retired or retiring ships developed as a result of an annual Ship Disposition Review conducted in January 2012. As a result of this review, the Navy plans to retire 48 ships during the FYDP, with dispositions for retention in the inactive fleet, foreign military sales, interagency transfers, donations for public displays, or dismantling. The Navy plans to dispose of 18 inactive ships for which it has no further use—14 by dismantlement and four during SINKEXs.

Appendix 2

Changes between the PB2012 and PB2013 Long-Range Naval Construction Plan

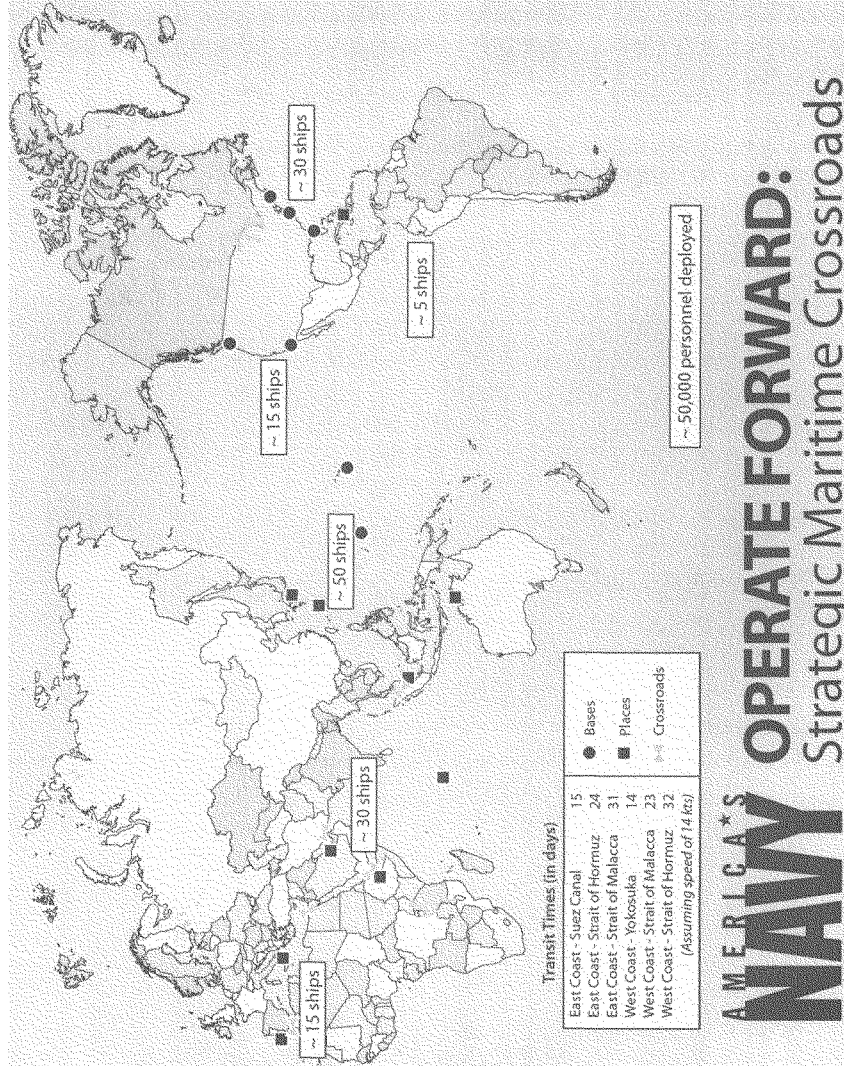
Department of the Navy shipbuilding plans are based on three central principals: (1) maintain required battle force capability to meet the national defense strategy; (2) balance needs against expected resources; and (3) maintain an adequate shipbuilding industrial base. In this regard, there are two major differences between the PB2013 and PB2012 Long-Range Naval Construction Plans. First, the FY2013-FY2017 Future Years Defense Program (FYDP) found in the PB2013 Plan reflects the budgetary constraints associated with the 2011 Budget Control Act. Second, the PB2013 Plan's long-range projections focus first on battle force inventory requirements, and then outline the resources necessary to build to and maintain those requirements.

As a result of these differences, the number of ships to be procured between FY2013 and FY2017 in the PB2013 Plan are smaller than the numbers found in the PB2012 plan, while the projected number of ships to be procured over the following 25-year period is higher in the PB2013 Plan than found in the PB2012 plan.

Specifically, compared to the PB2012 Plan, the PB2013 Plan:

- Maintains procurement of the nuclear-powered aircraft carrier JOHN F. KENNEDY (CVN 79) in FY2013, and preserves a five-year procurement center between construction starts for GERALD R. FORD (CVN 78, 2008) and the as yet unnamed CVN 80 in FY2018. CVN 79 will capture the lessons learned from the construction of CVN 78, and be delivered in time to replace the USS NIMITZ in FY2023.
- Continues to fully fund the research and development of the OHIO-Replacement Program while delaying the start of the lead ship two years, from FY2019 to FY2021. The lead ship procurement of OHIO-Replacement must commence in FY2021 to ensure the first OHIO-Replacement can be on strategic patrol by FY2031.
- Increases BMD-capable ship inventories at a slower rate than the PB2012 Plan, reaching 35 BMD ships in FY2017 vice 41 in FY2016. However, both of the FY2017 DDGs will be Flight III variants with the new Air and Missile Defense Radar (AMDR), with greatly improved sensitivity and longer range detection and engagement of increasingly complex threats. The DDG 51 Multiyear Procurement (MYP) proposed for FY2013 to FY2017 will procure six DDG 51 Flight IIA ships and three DDG 51 Flight III ships.
- Continues to invest in the Littoral Combat Ship (LCS) to increase capabilities and capacities that reflect the many conventional challenges and also the irregular nature of current conflicts. The PB2013 plan has two fewer LCSs than the PB2012 plan, with one less planned ship in FY2016 and FY2017. These cuts were made to achieve 2011 BCA spending reduction targets.
- Slips procurement of an Amphibious Assault Ship (LHA-8) from FY2016 to FY2017. Additionally, the plan delays decommissioning of an Amphibious Assault Ship (LHA-5) from FY2014 to FY2015 to maintain large deck amphibious ships in the inventory pending LHA 6 delivery to the Fleet.

- Slips the start of the LSD(X) from FY2017 to FY2018, but then accelerates LSD(X) procurement in the mid-term planning period to maintain a long-term active inventory of 32 or more amphibious landing ships. The DoN remains committed to maintaining a force capable of executing a two-Marine Expeditionary Brigade forcible entry operation.
- Delays the initiation of the Fleet Oiler (T-AO(X)) and procures 2 less ships in the FYDP by shifting the lead ship procurement from FY2014 to FY2016. Due to budget constraints T-AO(X) procurements in FY2015 and FY2017 have been delayed outside the FYDP.
- Adds a fourth Mobile Landing Platform (MLP) in FY2014, modified to an Afloat Forward Staging Base (AFSB) configuration. The plan also converts the FY2012 MLP into an AFSB configuration. This 2+2 force of seabasing ships supports the two active Maritime Prepositioning squadrons called for in the new strategic guidance.
- Cancels the procurement of a sixth T-AGOS ship. Analysis shows that 5 T-AGOS ships are sufficient to maintain 4 operationally available ships, with some increased risk.
- Truncates the procurement of Joint High Speed Vessels (JHSV) to maintain a force of 10 ships, judged to be sufficient to support the new strategic guidance.



**WITNESS RESPONSES TO QUESTIONS ASKED DURING
THE HEARING**

FEBRUARY 16, 2012

RESPONSES TO QUESTIONS SUBMITTED BY MS. PINGREE

Secretary MABUS. The Department of the Navy (DON) is dedicated to eradicating sexual assault, and has established the DON Sexual Assault Prevention and Response Office (SAPRO), which reports directly to the Secretary of the Navy. This office, in addition to the 21st Century Sailor and Marine initiative works to remove the stigma of reporting sexual assault incidents. This includes eliminating requirements to report post-assault counseling on some Federal security clearance forms, and improving victims' abilities to quickly transfer from a command. Since alcohol is shown to be a common factor in sexual assault and domestic violence, the Navy is instituting breathalyzer tests for sailors as they report aboard ships for duty. Additionally, the Department of the Navy has instituted a host of training sessions as educating our sailors and marines remains a top priority.

Navy

The Navy has a full cadre of Sexual Assault Prevention and Response (SAPR) training to ensure all sailors are aware of contributing factors that increase the chance of becoming a victim, the available reporting options, contact information for SAPR personnel and other personnel who can provide care and support, as well as other training initiatives.

- All enlisted personnel receive SAPR training during new recruit training. Students at Training Support Center (TSC) "A" schools receive bystander intervention training which encourages sailors to "step-up" and stop potential sexual assaults and other dangerous situations that may occur. A sexual assault prevention pilot program is being run by Great Lakes leadership, with support from the Chief of Naval Operations and the Department of the Navy Sexual Assault Prevention and Response Office (DON-SAPRO). This pilot focuses on Navy's highest risk demographic (E1-E4, 20-24 years old) and involves a suite of prevention strategies. Results to date have been positive and more analysis will be conducted as the pilot continues.
- SAPR training is required annually for all Navy personnel and by direction will be delivered face to face with the involvement of Command senior leadership. Navy provides two levels of annual training, (1) Basic Awareness and (2) Application of Concepts, both of which support continual learning.
- Sexual assault awareness and prevention training is provided at the Navy's prospective Commanding Officer and Executive Officer, Command Master Chief, Department Head and Division Officer leadership courses. This SAPR training is commensurate with increases in their rank, responsibility and accountability. Training emphasizes the impact command climate has on setting a tone of professionalism, respect and trust. Additionally, the SAPR training focuses on the correct process for reporting sexual assaults as well as providing support to victims.
- All Commanding Officers are required to have a comprehensive SAPR briefing from the Installation Navy Sexual Assault Response Coordinator (SARCs) within 90 days of assuming command. During this briefing, Commanding Officers are made aware of the following: (a) program and services provided to victims by the SARC; (b) required SAPR positions in the unit; (c) reporting options (restricted or unrestricted); and (d) command requirements in response to a victim's report. They are also provided a newly revised Commander's Toolkit, which gives valuable information to Commanding Officers on sexual assault response.

Marine Corps

The Marine Corps is providing training on how to intervene as it relates to sexual assault for every person coming into the Marine Corps and every person in the Marine Corps.

- SAPR training is being taught at initial entry and accessions levels.
- "Take A Stand," sexual assault prevention training for Non-Commissioned Officers (NCOs), focusing on bystander intervention, was launched 15 January 2012. Target completion date for all NCOs is 1 October 2012.

- Standardized Command Team Training will be implemented 16 April 2012. Training will be mandatory for all current and incoming Commanding Officers, Executive Officers, First Sergeants, and Sergeants Major. Training is designed to equip command teams with the skills necessary to implement an effective unit SAPR program, properly care for victims who come forward, and improve their command climate as it relates to sexual assault.
- Updated curriculum for Uniformed Victim Advocate training has been credentialed by the National Advocacy Credentialing Board and will be implemented beginning in June 2012.
- Revised annual training for all marines, scheduled for implementation late summer 2012, will incorporate bystander intervention techniques.
- The top-down leadership message, beginning with the Commandant and disseminated throughout the Corps, is that “It is every marine’s inherent responsibility to prevent sexual assault.” This message emphasizes the need of all marines to intervene and prevent sexual assault. [See page 38.]

General AMOS. The Marine Corps has been and continues to be vigilant in our prevention and response efforts. We believe prevention starts with engaged and concerned leadership with a top-down, clear and consistent message: One sexual assault in the Marine Corps is one too many and it will not be tolerated. We recognize the devastating and lifelong impact sexual assault has on victims as well as the detrimental effects it places on readiness throughout the entire Corps. This criminal act goes against who we are as marines and it goes against our core values.

The overarching priority for the Marine Corps is to reduce the number of incidents and increase reporting by using a consistent and focused emphasis on command climate and engaged leadership. As such, we have proactively undertaken a number of initiatives to get ahead of this problem and the trends we are seeing. First and foremost, I recently convened an Operational Planning Team (OPT) on sexual assault, consisting of 22 senior officers and staff noncommissioned officers (SNCO) whom I hand-selected based on their integrity, experience and sterling reputation throughout our Corps. This group met throughout April 2012 to evaluate all issues of sexual assault in the Marine Corps today with the goal of establishing a comprehensive Service Campaign Plan to bring about substantive change. I will soon issue formal guidance to all commanders in the Marine Corps implementing this very aggressive Plan. I intend to gather all Marine Corps General Officers at Quantico early this summer to reinforce this implementation by personally passing my expectations in terms of sexual assault prevention and enforcement. This plan will be enforced with the utmost rigor, and I intend to hold leaders at all levels, bystanders, and most especially perpetrators of sexual assault accountable for riding our ranks of sexual assault.

Furthermore, the Sergeant Major of the Marine Corps and I are currently traveling to bases and stations throughout the Marine Corps for a period of 60 days to address all officers and SNCOs on leadership challenges and trends today, requiring their utmost attention. Sexual assault is a principal focus of these briefs, where I am personally charging leaders at every level of command that a cultural change must occur now.

The Marine Corps also has revitalized our curriculum for Non-Commissioned Officers to include a new, video-based bystander intervention curriculum—“Take A Stand”—which is designed to reduce stigma by stimulating conversation and engaging marines with a more personalized message about sexual assault prevention. We are also incorporating video-based training into other initiatives, to include our command team, annual and chaplain training. Our aggressive training plan includes quality assurance efforts, such as regional road shows that occurred in February and March 2012 to train our senior Sexual Assault Response Coordinators on implementing new policies. In addition, our updated curriculum for Uniformed Victim Advocate training has been credentialed by the National Advocacy Credentialing Board and will be implemented beginning in June 2012.

The Marine Corps is aware that sexual assault remains one of the most under-reported crimes. It is our duty to ensure victims feel safe coming forward and trust that we will act in their best interest. Command team training, taught by subject matter experts at the installation level, emphasizes the importance of a command climate that does not condone sexual assault and reinforces the message that senior leaders will take appropriate actions with every tool available when reports are made. Commanders are instructed to complete this training within 45 days of assuming command.

We have established 24/7 sexual assault Helplines at every major installation and Marine Forces Reserve to provide victims with information, resources and advocacy. These Helplines are answered 24 hours a day, 7 days a week, by an advocate who

is trained to provide immediate assistance to victims of sexual assault. Full-time Sexual Assault Response Coordinators and Victim Advocates also stand ready to provide a coordinated effort among first responders.

In recent years, we have learned that the prevention of and response to sexual assault must be multi-faceted and cannot be managed in isolation. The recent integration of sexual assault services within our Behavioral Health Branch has proven to be beneficial. The overlapping impact of alcohol use and abuse, Post Traumatic Stress and suicidal ideations resonate within our other programs. Pooling our resources and taking a holistic approach to care has strengthened our ability to address the co-occurring needs of victims.

Throughout the Corps, we now have 27 Master of Criminal Law billets, which are positions for Judge Advocate General (JAG) attorneys equipped with the special skills and training to prosecute sexual assault cases and mentorship to train other JAGs in sexual assault. During FY11, the Marine Corps Trial Counsel Assistance Program (TCAP) trained 118 Marine Judge Advocates in sexual assault investigation and prosecution best practices at locations on the East and West Coasts and in Hawaii. TCAP will continue this training in FY12 with plans to train approximately 125 Marine Judge Advocates and 75 enlisted legal service specialists (paralegals). We have invested in the skill sets of special agents within our Navy Criminal Investigative Service cadre, with 1,200 special agents now trained as sexual assault first responders. An additional 48 more special agents will receive advanced training this year. Lastly, we have a Victim Witness Assistance Program in place with liaison officers trained to ensure victims & witnesses are treated fairly and with dignity and that they are afforded rights and access to the resources necessary to address their cases and individual situations. We stand ready to continue listening, evaluating and making necessary changes. From training initiatives to providing support services, a comprehensive approach is utilized to combat sexual assault as it impacts the victim and the combat readiness of the Total Force. [See page 38.]

RESPONSE TO QUESTION SUBMITTED BY MR. RIGELL

Secretary MABUS. The alternative fuel initiative is an important investment for the Navy because it addresses a core concern for the future; specifically, our national strategic and military operational need for energy security and independence from foreign oil. Investing in future technologies, which the alternative energy effort represents, is crucial to the Department of the Navy's ability to remain the world's premier expeditionary force and avoid detrimental operational effects of rising energy costs.

Navy is pursuing multiple paths to achieve a less petroleum dependent future. Navy will spend nearly \$16M in FY12 on the laboratory capabilities to examine, test, and certify alternative fuels, which will position us to validate the safe use of a wide variety of drop-in replacement fuels in the future. The need to find cost competitive alternative fuels has never been greater. Unrest in Libya, Iran and elsewhere in the Middle East drove up the price of a barrel of oil by \$38, which increases Navy's fuel bill by over \$1 billion. Because every \$1 rise in a barrel of oil is effectively a \$30M unbudgeted bill to the Navy, in FY12 the Navy is facing a greater than \$900M additional fuel cost because the price has risen faster than that estimated when the budget was passed. These price increases force us to cut our training and readiness budget, meaning our sailors and marines steam less, fly less and train less.

Navy is forecasted to spend nearly \$4B in FY12 on liquid fuel. Of this, only \$12M, or 0.3% of the total FY12 fuel bill, will be used to procure alternative fuel. This purchase price is roughly equivalent to a \$.40 increase in the price of a barrel of petroleum. These 450,000 gallons of neat biofuel will be used to support the Green Strike Group demonstration during the Rim of the Pacific Exercise (RIMPAC) 2012. This neat biofuel will be combined with traditional fossil fuel to achieve a 50/50 biofuel/fossil fuel blend (the form in which it will be burned), making its consumed cost per gallon for this summer's test event \$15.25/gal. The exercise culminates our testing and certification program by allowing the fleet to utilize 50/50 blends in operations such as underway replenishments for our destroyers and refueling of helicopters and jets on the decks of the carrier. Although the Navy must pay a premium price to obtain a small amount of biofuel for research and development, as well as test and certification purposes, the Navy will only purchase alternative fuels for operational purposes if the price is competitive with conventional fossil fuels. These alternative fuels will enable us to smooth out future price shocks. [See page 40.]

RESPONSE TO QUESTION SUBMITTED BY MR. JOHNSON

Secretary MABUS. The Annual Report to Congress on the Long-Range Plan for Construction of Naval Vessels for FY2013 is attached on **pages 157 through 183**.
[See page 44.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

FEBRUARY 16, 2012

QUESTION SUBMITTED BY MR. FORBES

Mr. FORBES. Despite describing the great potential of the UCLASS program in testimony for negating emergent A2/AD technologies, this program appears to be downgraded in the Navy's FY13 budget request and the FYDP. The UCLASS program was cut by \$240 million this year and the limited operational capability (LOC) date is being delayed by two years from 2018 to 2020. Also, UCLASS was not mentioned as a key program for projecting power in contested areas in the Defense Budget Priorities and Choices document nor was it identified in the written testimony of Secretary Mabus as a capability the Navy is investing in to counter advanced A2/AD challenges. Given these decisions to cut the program and exclude it as a key investment to counter A2/AD technologies, how does the UCLASS program support defense strategy and how does the current funding profile support the UCLASS program in the Navy's new Strategic Guidance?

Admiral GREENERT. The Navy is committed to the UCLASS program and has no plans of abandoning development of the weapon system despite an austere fiscal environment. This key technological advancement will provide our carrier strike group with a low-observable, long-range, persistent unmanned intelligence, surveillance, reconnaissance and targeting (ISR&T) capability. This new capability will enhance the carrier strike group's ability to project power in anti-access/area denial threat environments enabling U.S. Naval forces to defeat aggressors and aid our allies and partners in these critical areas.

The target date for limited operational capability has shifted by two years from 2018 to 2020 to reduce schedule and technical risk, as well as to meet the savings targets mandated by the Budget Control Act.

QUESTION SUBMITTED BY MR. LANGEVIN

Mr. LANGEVIN. Mr. Secretary, do you feel confident that the command relationships between 10th Fleet/Fleet Cyber Command, U.S. Cyber Command, and other Service cyber organizations are now adequately clarified?

Secretary MABUS. Yes, the command relationships are now adequately defined.

Command relationships within the joint cyberspace operations community are temporarily defined per the Transitional Cyberspace Command and Control Concept of Operation. The Joint Staff expects to define the permanent command relationships in early CY2014. It is unclear at this time whether, and to what degree, the permanent Cyberspace Operations Command and Control Model will affect the Fleet Cyber Command's relationship with the other Service cyber component commands or USCYBERCOM.

QUESTIONS SUBMITTED BY MR. TURNER

Mr. TURNER. How does delay in procurement of the *Ohio* class replacement affect program risk? Does the two-year delay increase the risk that would come with any further procurement schedule delays? How much margin for error is there in the new schedule? Would further schedule delays prevent the Navy from meeting STRATCOM's at-sea deterrence requirements? What if maturation of key technology, such as the life-of-the-boat reactor needed for the *Ohio* class replacement, does not occur on the expected schedule?

Secretary MABUS. The delay provides the program two additional years to lower technology and design risk prior to construction. The reduced ramp-up in funding re-phases design work to achieve some improvement in the overall level of design maturity at lead ship construction. The planned construction periods for OHIO-Class Replacement, while achievable, are aggressive and cannot be shortened. With the two year delay there is no additional margin for error. Additional delay will prevent meeting current sea-based strategic deterrent requirements. To support the long-standing Polaris Sales Agreement with the United Kingdom (UK), the Navy remains committed to delivering the design of the Common Missile Compartment (CMC) on time to support the UK Successor program.

While the two-year delay results in moderate operational risk to the Navy's ability to meet STRATCOM's current sea-based strategic deterrent requirements during the transition period from the OHIO-class to the OHIO-Class Replacement, the absence of SSBN class overhauls during this period helps mitigate this reduced force level. Unforeseen issues with construction of OHIO-Class Replacement or emergent material problems with the aging OHIO Class will present challenges.

Technology development for the OHIO-Class Replacement represents relatively low risk provided the program continues to receive the requested DOD and DOE funding. Major efforts involve scaling proven VIRGINIA class submarine technology to an SSBN-sized submarine. The OHIO-Class Replacement life-of-ship core design leverages previous core design efforts and ongoing technology demonstration efforts that are not affected by the overall ship design and construction schedule slip.

Mr. TURNER. What is the Navy's contingency plan for the *Ohio* class replacement program if the life-of-the-boat reactor technology is not successful? Does it include procuring additional submarines in order to ensure the Navy can meet STRATCOM's at-sea deterrence requirements?

Secretary MABUS. Naval Reactors is confident that a life-of-ship core for OHIO Replacement (OR) can be delivered on-time and budget, provided continued funding as requested, including funding for the related Land-Based Prototype Refueling Overhaul. Should funding constraints prevent Naval Reactors from completing the manufacturing development required to bring the life-of-ship core's technologies to a production scale, OHIO Replacement will be designed with a reactor plant requiring a mid-life refueling, therefore requiring the Navy to procure 2 additional ships, at a cost of at least \$10B (FY10), in order to ensure STRATCOM's current at sea requirements are met during the years when ships are in refueling.

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. In your prepared statement, you indicated that "the Department has considered the risks and applied our available resources efficiently and carefully." Does this mean that existing contract support across the Department of Navy reflects the most cost efficient and risk averse workforce available and that all in-sourcing the Navy may seek for cost or risk mitigation reasons has been achieved?

Secretary MABUS. The Department of the Navy (DON) consistently strives to ensure that the Navy, Marine Corps, and Secretariat achieve the most cost-effective, Total Force workforce mix, and continuously seeks opportunities to mitigate costs and risks. In-sourcing for cost or risk mitigation reasons is an on-going process. DON continues to review for opportunities to in-source requirements to achieve the most cost efficient workforce while also minimizing risk as necessary.

Ms. BORDALLO. Given the civilian personnel constraints first reflected in last year's budget and continued in the FY13 submission, can you certify in full accordance with 10 USC sections 129 and section 129a? Your certification was due on 1 February, when can the committee expect it?

Secretary MABUS. I signed the required certification letter on February 27, 2012, and it has been submitted to the House and Senate Armed Services Committees.

Ms. BORDALLO. How does the Department of Navy's budget request for FY13 reconcile with legislative language set forth in Division A, Section 8012 of Consolidated Appropriations Act of 2012 (P.L. 112-74) which states that "...during fiscal year 2012, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength)", and more specifically, that the fiscal year 2013 budget request be prepared and submitted to the Congress as if this provision were effective with regard to fiscal year 2013?

Secretary MABUS. The Department has established projected civilian funding levels based on overall program decreases, and works daily to balance critical mission requirements with fiscal realities. Current manpower targets represent our efforts to manage civilian personnel within FY 2010 funded levels, with some exceptions for critical growth areas such as the acquisition workforce, joint basing, intelligence programs, shipyards, and in-sourcing of security guards. The measures we are implementing with regard to civilian funding levels are consistent with current law, which directs us to manage civilian staffing levels based on expected workload and funding. An inevitable consequence of this is the use of common management tools, such as man hours and full time equivalents (FTE), in budgeting and planning. Our procedures allow for the adjustment of budgeted targets in light of unanticipated programmatic and fiscal realities.

Ms. BORDALLO. President Obama has made reducing reliance on contractors and rebalancing the workforce a major management initiative of his Administration. In your opinion, given the restrictions on the size of your civilian workforce imposed by the Office of the Secretary of Defense, does the Navy and Marine Corps FY13 budget request reflect an appropriately balanced workforce across all major capabilities, functional areas, and requirements?

Secretary MABUS. The size of the civilian workforce is a function of the funded workload required to accomplish the Department of the Navy mission. When Department managers make decisions, they strive, consistent with legal requirements, to balance mission priorities, workload, and fiscal realities. The Department of the Navy has been very aggressive in reducing reliance on contractors, particularly service support and advisory and assistance contracts. From the FY 2010 budget request, funding has decreased 25%, from \$4.5 billion to \$3.3 billion, for these types of contracts.

However, the Department has increased funding for maintenance contracts, such as ship, facilities, equipment, and aircrafts, in order to sustain and maintain our force structure and infrastructure for the future. Since FY 2010, funding for maintenance contracts has grown from \$6.6 billion to \$10.3 billion. In some cases, the Navy does not have the organic capability to perform the required work and must partner with the private sector to accomplish this critical maintenance. An example of this is the inactivation of USS ENTERPRISE, which drives nearly \$1 billion of the increase since FY 2010. We are continuing our in-sourcing and acquisition initiatives, to the greatest extent possible, and work diligently to maintain an appropriately balanced workforce of civilians and contractors.

Ms. BORDALLO. The Department's budget request overview included discussion of improved buying power and how acquisitions are managed. To what extent is the Department of Navy using its Inventory of Contracts for Services to make such improvements and influence how it manages the DON Total Force?

Secretary MABUS. The Inventory of Contracts for Services is a data source, one of many tools we use in varying degree, to develop, manage, and shape the DON Total Workforce. The DON is working diligently on a solution to improve the inventory by becoming fully compliant with Section 8108 (FY11 DOD Full-Year Continuing Appropriations Act leveraging the Army's Contractor Manpower Reporting Application as related to the Inventory of Contracts for Services). The DON submitted to Congress (via USD(P&R)) a Plan of Action and Milestone document for implementing Section 8108, that will gather direct labor hours/dollars for specific contracted services work. DON is engaged with USD(AT&L) to initiate the rule-making process to add a standard contract clause requiring this type of reporting. Initial capability is forecasted, and on schedule, to be completed in September 2012.

Ms. BORDALLO. If relief was not sought, does that mean that the Department of Navy is comfortable that all contracted services currently procured by the Department are the most cost effective source of labor and minimize risk?

Secretary MABUS. Department of the Navy (DON) sought and received relief from civilian hiring restrictions from DOD to meet identified manpower requirements. The assessment of the most cost effective source of labor and the associated risk management is a continuous effort.

Ms. BORDALLO. What assurances can you give me that as civilian reductions or hiring freezes are occurring across Navy and Marine Corps installations work is not shifting illegally to contract performance?

Secretary MABUS. The Department of the Navy adheres to the guidelines as set forth in 10 USC Section 2461, which generally provides at (a) (1), "No function of the Department of Defense performed by Department of Defense civilian employees may be converted, in whole or in part, to performance by contractor unless the conversion is based on the results of public-private competition . . ." and 10 USC 2463 provides guidelines and procedures for use of civilian employees to ensure compliance with legislative requirements concerning the use of contracted services.

To manage contracted services oversight, which includes managing appropriate contractor application, the DON established the Senior Services Manager Organization (SSM) within DASN (Acquisition and Procurement) to focus on the following when contracting for services:

- Improved Requirements Definition
- Improved Oversight (Management and Oversight Process for the Acquisition of Services (MOPAS2))
- Increased development/use of tools, templates and best practices
- Organizational Health Assessments regarding services acquisition
- Policy
- Robust Spend Analysis

The SSM is also engaged with DON and OSD stakeholders to become compliant with 10 USC 2330a (Inventory of Contracts for Services), which requires the DON to complete a review of the inventory to identify any inherently governmental or closely associated with inherently governmental functions being performed by contractors and remediate as required.

Ms. BORDALLO. This committee was recently made aware of a decision to convert functions at Naval Shipyard Portsmouth to contract performance. This decision was made absent a cost analysis or determination, with the justification that requirements to do so are not applicable because the affected employees are non-appropriated fund employees. Do you agree with that decision or do you support the suspension of such action to convert work to contract service pending a thorough cost analysis to ensure the most cost effective labor source is selected?

Secretary MABUS. The Navy's decision to convert a Morale, Welfare, and Recreation (MWR) operation at the Portsmouth Naval Shipyard to contract performance is appropriate and is consistent with both statute and policy.

The functions in question support a food and beverage activity at the Portsmouth Naval Shipyard's Tirante Tavern; a Morale, Welfare, and Recreation (MWR) Category 'C' operation whose current workforce consists of non-appropriated fund (NAF) employees. Category 'C' operations are chartered to operate in a self-sustaining, revenue-generating manner and by policy are not to be subsidized by appropriated funds (except at designated remote and isolated locations, which are authorized funding under Category B rules). When a Category 'C' activity is in a Red Flag status, management must develop a solution or the activity must be closed. In order to avoid closing Tirante Tavern, and to comply with Navy policy, the Shipyard is pursuing a concession contract to run the food operation at the Tavern.

Closing Tirante Tavern would not only negatively affect the NAF employees who work there, but also personnel at the Shipyard who are patrons of the Tavern. Therefore, in order to avoid closing the Tavern, the Shipyard will pursue a concession contractor to run a new food operation at the Tavern. If successful, this will allow for a food service option to be available for patrons while also meeting Category C financial operating requirements. As a contract operation, all risk is allocated to the contractor, who will pay the MWR activity a concession fee.

As a result of a United States Comptroller General decision, the Department of Defense is not compelled to conduct a public-private competition to support conversion of non-appropriated fund employee operations, such as Tirante Tavern, to contractor operation. Instead, the Navy will use sound business management practices to include cost justification that supports continued operation with breakeven or positive cash flow.

Ms. BORDALLO. In achieving the right mix for the Total Force, how does the Department of Navy use the annual inventory of inherently governmental and commercial activities, and associated manpower mix determinations, to identify the civilian workforce reductions reflected in the past two budgets?

Secretary MABUS. The Department of the Navy uses the inventory to influence workforce shaping and other manpower and manning decisions as we continue to better integrate our Total Force and comply with the general policy for Total Force management.

Ms. BORDALLO. As efficiencies are being executed across the Department of Navy, is the workload and functions associated with those being tracked as eliminated or divested through the annual inventory of functions?

Secretary MABUS. The Department of the Navy (DON) is committed to tracking efficiencies and ensuring impact to the warfighter, capabilities, and missions is minimized. To accomplish this, the DON continues to leverage existing processes and forums to inform risk management and execution. At the senior-level, the DON continues to utilize two major governing bodies to ensure leadership has the wherewithal to interact on a timely and meaningful basis with those responsible for execution. At the subordinate-level, individual entities within DON continue to manage and document processes and requirements. Overall, this approach is iterative and will continue to inform the way ahead as plans mature. To date, this structure is generating the results needed to successfully track and manage efficiencies.

Ms. BORDALLO. These questions are in relation to a document entitled "DON Options/Opportunities List" which has been circulated throughout the Navy for comments and which is related to "the next phase of (the Navy's) business transformation efforts." What is the status of the document? Which if any of the options have been approved or tasked for further consideration? With respect to installation management, which functions are being considered for divestiture and which alternate service providers are being considered for the provision of Naval shore operations? Please discuss the "other non-BRAC" actions being considered.

Secretary MABUS. 1) What is the status of the document? The DON OPTIONS/ OPPORTUNITIES List is a pre-decisional staff level working document that is being used to solicit and collect proposals for follow-on evaluation.

2) Which if any of the options have been approved or tasked for further consideration? Currently, none of the items on the list have been prioritized or selected for follow on evaluation. The DON is establishing a formal process to collect cost savings and effectiveness proposals, evaluate them and present them through a formal process for consideration by leadership.

3) With respect to installation management, which functions are being considered for divestiture? None. There are proposals submitted. However, it is premature to speculate on which proposals will be vetted as they have not been fully researched.

4) Which alternate service providers are being considered for the provision of Naval shore operations? There is a proposal to determine if alternate service providers can fill these roles. No actual providers have been considered at this time.

5) Please discuss the "other non-BRAC" actions being considered. There are no specific "non-BRAC" actions being formally considered.

Ms. BORDALLO. Does the Navy envision greater interservice cooperation in depot-level maintenance and repair during FY 13 and throughout the FYDP?

Secretary MABUS. The Navy has maintained an excellent working relationship, particularly within Aviation, with the other Services to ensure the best readiness is achieved for the best value. A formal Depot Source of Repair (DSOR) process has been used to place depot repair capability where it is best suited to meet Service needs while minimizing duplication across the DOD maintenance enterprise. Many examples of cooperation exist including DON C-130 aircraft being maintained by USAF Air Logistics Centers, helicopter engines being maintained by Army Depots, USAF CV-22 scheduled depot aircraft events and A-10 engines being maintained by Navy Fleet Readiness Centers. The Navy will continue to cooperate within DOD maintenance enterprise to offer best value, highly capable maintenance services to meet all Service readiness needs.

A specific area of increased cooperation for the Navy in interservice depot-level cooperation in FY13 will be with the stand-up of Joint Strike Fighter (JSF) depot repair capability at six organic maintenance facilities:

FRC E, Fleet Readiness Center East, MCAS Cherry Point, NC FRC SE, Fleet Readiness Center Southeast, NAS Jacksonville, FL FRC SW, Fleet Readiness Center Southwest, NAS North Island, CA OO-ALC, Ogden Air Logistics Center, Hill AFB, UT OC-ALC, Oklahoma City Air Logistics Center, Tinker AFB, OK WR-ALC, Warner Robins Air Logistics Center, Robins AFB, GA Interservice JSF repair capability will continue to expand through December 2015. Follow-on repair capability will be assessed as the program matures.

Ms. BORDALLO. Other than issues related to refueling of nuclear carriers, what is the impact, if any, on the Navy of changes in the definition of depot maintenance and the change in the definition of core for depot maintenance? What waiver requests should we anticipate from the Navy and what will be the rationale for the waiver requests?

Secretary MABUS. The current statutory definition of depot maintenance (10 U.S.C. §2460) does not explicitly state major modifications are excluded from the definition of depot maintenance as they were previously. However, we believe that DOD's proposed implementation guidance will allow the Services some degree of flexibility on how the statute is interpreted once this guidance is final.

The current "core" statute (10 U.S.C. §2464) requires the Services to report on the core requirements for Special Access Programs (SAP) or seek waivers. The previous "core" language provided exclusions for this area. Given the nature of SAP, visibility of program information to support reporting of core requirements is extremely limited. Navy would need to establish new reporting and waiver processes to comply with the new core statute.

Navy intends to submit three waiver requests:

- Exclusion of carrier refueling and complex overhauls (RCOHs) from core requirement determinations (10 U.S.C. §2464).
- Exclusion of RCOHs from "50-50" determinations (10 U.S.C. §2466).
- Exclusion of SAP from core requirement determinations (10 U.S.C. §2464).

Fulfilling the "core" (10 U.S.C. §2464) and "50-50" (10 U.S.C. §2466) requirements for RCOHs would be cost prohibitive and not in the best interest of national security.

Ms. BORDALLO. I'd like to ask you questions I posed to the service vice chiefs during an October hearing. Why would Congress consider any potential changes to recruiting and retention incentives such as military retirement and health care or reductions to essential training accounts when the military departments can't identify the cost of what they pay for contracted services? So what is your military depart-

ment doing to reduce contracted services and work requirements instead of just reducing dollars? If you are only reducing dollars then you are likely setting up conditions to default to contractors in light of the current civilian personnel constraints.

Secretary MABUS. The Department of the Navy (DON) is continuously improving its ability to identify cost of contracted services. However, health care and military retirement costs represent a growing proportion of total military expenditures each year. It is essential to seek opportunities to address these growing costs to enable the system to be fiscally sustainable and support the need to recruit and retain the highest quality personnel in our all volunteer force. The DON has focused on prioritizing our requirements and reducing contract services. The DON recently established the Senior Services Manager Organization (SSM) within DASN (Acquisition and Procurement) to review, manage, and address the significant opportunities to increase efficiencies and reduce costs in services acquisitions as detailed in USD(AT&L)'s Better Buying Power Initiatives. The DON SSM is currently engaged in improving services acquisition through (but not limited to):—Improved Requirements Definition—Improved Oversight (Management and Oversight Process for the Acquisition of Services (MOPAS2))—Increased development/use of tools, templates and best practices—Organizational Health Assessments regarding services acquisition—Policy—Robust Spend Analysis—Market/Business Intelligence—Strategic Sourcing

The Fiscal Year 2013 Budget Request has been developed to ensure that the Department of the Navy is fully and properly resourced to meet all identified mission requirements and that the appropriate utilization of the entire Total Force adheres to legislative requirements.

Ms. BORDALLO. Did the Department of Navy seek relief from DOD mandated civilian personnel levels in order to in-source contracted work more cost effectively performed by civilians?

Admiral GREENERT. While the Department did not seek relief from mandated civilian personnel levels to in-source more work, relief was sought and received in order to sustain civilian personnel in acquisition workforce, joint basing initiatives, increases for shipyards, planning and maintenance operations, NGEN/Cyber workforce support, security guard services, and planned in-sourcing. Where appropriate, the Department continues in-sourcing contracted services that are more cost effectively performed by civilian personnel.

Ms. BORDALLO. What processes are in place within the Navy and Marine Corps to ensure the workload associated with reductions being made in the civilian workforce is in fact ceasing, as opposed to being absorbed by other labor sources such as contractors or military personnel?

Admiral GREENERT. Managers within the Navy strive for the most effective utilization of its human resources by balancing and assigning workload based on validated manpower requirements. DON reduction in civilian workforce has been based on process improvements and/or workload reduction. Transfer of work from Government personnel to contractor performance cannot be done without a public-private competition. Recent efficiency reviews monitored levels of the Total Force mix to identify and assess trends. In addition, the DON adheres to the DODI 1100.22 (Policy and Procedures for Determining Workforce Mix), which provides workforce mix guidance to assess instances where human capital shortages and excesses are identified and to align manning levels to achieve a more effective and efficient division of labor.

Ms. BORDALLO. There was a lot of discussion last year about the “exceptions” to the FY10 civilian levels Secretary Gates mandated. Please provide a detailed list of all exceptions the Department of Navy has had approved to date and the reason for those exceptions, as well as any exceptions across that were requested but not approved, and the justification for such.

Admiral GREENERT. The following exceptions were requested, approved, and included in the FY 2012 President's Budget baseline:

1. Shipyard Planning Support and Maintenance—exempted to allow shipyards to meet required ship maintenance schedules primarily from SSN-688 engineering overhauls and CVN drydocking availability.
2. Acquisition Workforce—exception to continue re-constitution of this workforce.
3. Joint Basing—exception to meet functional transfer requirements that support approved movement of personnel between bases.
4. In-sourcing—exception to restore inherently governmental work to our Government employed civilian personnel. This is a critical portion of the Department of the Navy's contractor reduction efforts.
5. Marine Corps—exception to allow USMC to maintain current onboard personnel.
6. NGEN/Cyber workforce—exception to allow proper transition from contractor support to in-house support.

From the establishment of the FY 2012 President's Budget baseline, the Deputy Secretary of Defense has granted the Department of the Navy exceptions in the following areas:

1. Ship Maintenance and Ship Depot Operations Support—exempted to allow shipyards to meet required ship maintenance schedules. 2. Security Guards—exception to allow for compliance with Public Law 107–314.

The Department of the Navy has had no requests for exceptions disapproved.

Ms. BORDALLO. To what extent have the existing data sets available to Navy planners, specifically the annual inventory of inherently governmental and commercial activities, contributed to the functional streamlining, organizational realignments, workforce shaping decisions, and civilian personnel reductions reflected in last year's efficiencies initiative and continued in this year's budget?

Admiral GREENERT. The annual inventory of Inherently Government and Commercial Activities and the Inventory of Contracted Services are two of the tools used by department leadership to make human resource and workforce shaping decisions and implement functional streamlining and organizational realignments. The data sets contained within the inventory are used in varying degrees to influence decision-making as we continue to better integrate our Total Force.

All of the resources reduced from DON overhead within functional streamlining, organizational realignments, and workforce shaping reported in the FY 2012 President's Budget request, have remained intact through the FY 2013 budget review.

Ms. BORDALLO. The Navy is a leader in the use of Performance Base Logistics contracts. How do you plan to balance that strategy with requirements to maintain a core depot capacity and also to reduce redundancy to limit costs?

Admiral GREENERT. Navy maintains a stable and appropriately sized public sector workforce as part of its core depot level maintenance capability and capacity. To defray excessive overhead and leverage incentive-based contracts, the Navy also actively pursues Performance Based Logistics (PBL) contracts to improve weapon system readiness. Where applicable, Navy also seeks to establish Public-Private Partnerships (PPPs) to sustain or improve our existing public sector maintenance capability and to utilize the integrated logistics chains associated with PBLs. This approach is in alignment with OSD guidance which identifies PBLs as the preferred product support strategy. Navy monitors the performance of PBLs, as well as the public-private balance provided by their associated PPPs, to ensure core depot capacity is met while reducing costs.

Ms. BORDALLO. Do you anticipate any changes to naval air training requirements as a result of the new defense strategy?

Admiral GREENERT. Yes, naval air training requirements will be refined to align with the new defense strategy and Navy Headquarters is working with Fleet commanders to identify the required changes. A recent U.S. Fleet Forces Command study identified training gaps and made recommendations on how to improve our Naval Air fleet training.

The current Fleet Readiness and Training Plan will remain the framework that naval air units will continue using to gain their required readiness for deployment certification. However, increased emphasis on the ability to operate freely in an Anti-Access/Area Denial environment will be the primary focus of this effort. Changes in Anti-Submarine Warfare, Strike Warfare, Anti-Surface Warfare, Mine Warfare, Electronic Warfare, and Cyber warfare training are also anticipated.

Ms. BORDALLO. During a hearing in October I asked Admiral Ferguson about the Navy's progress in identifying what is spent on contracted services and progress being made in the statutorily required inventory of contracts for services. His response during that hearing was an effort was underway in the Navy to see what's inherently governmental and where excessive overhead and charges were being paid in service contracts. Would you please share the results of that effort? Have you identified contracts where inherently governmental work is being performed or where excessive overhead charges are occurring and what specific actions have been taken since that October hearing to correct this?

Admiral GREENERT. The Department of the Navy (DON) is focused on validating and reducing our use of service contracts and on improving management of services through establishment of a uniform process to identify, assess, plan, and monitor service acquisitions. A key part of this is our annual review of our Inventory of Contracts for Services submission to Congress. During our post-award review for FY10, we did identify a limited number of inherently governmental work/positions performed by contractors. These positions, once identified, were added to our DON In-Sourcing Plan.

To seek further efficiency in our contracted services, DON is conducting a pilot program to review all of our contracts with a focus on such areas as requirements definition, market research, contract administration and management, competition,

contract type, and cost (including contract fee structures and pass through rates). To aid management in identifying excessive overhead rates, DON has an effort underway to gather direct labor hours/dollars for specific contracted services work. In concert with USD(AT&L), DON will seek to add a standard contract clause requiring this type of reporting.

Ms. BORDALLO. What processes are in place within the Navy and Marine Corps to ensure the workload associated with reductions being made in the civilian workforce is in fact ceasing, as opposed to being absorbed by other labor sources such as contractors or military personnel?

General AMOS. While the Marine Corps is not reducing its civilian workforce, the FY13 civilian personnel budget reflects efforts to restrain growth in direct funded personnel. By establishing budgetary targets consistent with current fiscal realities, we will be able to hold our civilian labor force at FY10 end-of-year levels, except for limited growth in critical areas such as the acquisition workforce, the intelligence community, the information technology community (i.e. conversion from NMCI to NGEN), in-sourcing of security personnel (i.e. Marine Corps Civilian Law Enforcement Personnel) and personnel in our cyber community. Our Civilian Marine workforce remains the leanest among DOD with only one civilian for every 10 marines.

Ms. BORDALLO. In October when General Dunford testified to this committee, I asked him about the statutorily required inventory of contracts for services. His response at that hearing was that an assessment of the level of Marine Corps service contracting was underway in conjunction with the budget process and that an initial assessment would be complete in December. Can you please provide the results of that assessment? And I'll ask the same questions I did back in October: What is the Marine Corps doing to reduce contracted services and work requirements instead of just reducing dollars? If you are only reducing dollars then you are likely setting up conditions to default to contractors in light of the current civilian hiring freezes.

General AMOS. In August 2010, Secretary Gates directed the Department of Defense (DOD) to reduce duplication, and overhead, and instill a culture of savings and restraint. The Marine Corps' review of service contracts in the fall of 2011 was a continuation of, and an update to, that effort. Our review demonstrated the progress we had made toward achieving DOD's reduction goals. In FY11, the Marine Corps exceeded the DOD goal of reducing reliance on service support contractors by 10% from FY10, by achieving an overall reduction of 13%.

The Marine Corps maintains a long-standing reputation in DOD as being a frugal, lean Service delivering the best value for the defense dollar. We continue our tradition of pursuing ways to streamline operations, identify efficiencies and reinvest savings, and this strategy includes a careful review of all work requirements. We recently completed a review of our civilian labor payroll; and following an almost thirteen month hiring freeze, we have begun hiring to fill our critical civilian vacancies.

The Marine Corps recognizes the fiscal realities currently confronting our Nation. We are making hard choices inside our Service, ensuring that we ask only for what we need. Studying civilian workforce requirements, reviewing service contracts and balancing work requirements between contractors, civilian marines and our Active Duty marines are but a few of the measures we have undertaken to ensure we spend every dollar wisely while continuing to maintain our forward presence and provide the best trained and equipped marine units to Afghanistan.

QUESTIONS SUBMITTED BY MR. CONAWAY

Mr. CONAWAY. What has the Navy done to develop and implement effective ERP training programs for personnel within and outside of the financial management community who utilize, or will be expected to utilize, an ERP system in their day-to-day operations?

Secretary MABUS. The Navy Enterprise Resource Planning (ERP) end user training strategy incorporates best practices learned from years of private industry experience in training end users of ERP systems. The Navy ERP's Business Process Experts, the Navy's Office of Financial Operations (FMO) and the Defense Finance and Accounting Service (DFAS) participate in all financial functional testing to ensure the system supports existing financial policy/guidance (DOD Financial Management Regulation (FMR) and U.S. Treasury) and are reflected in training documentation. The Navy ERP training strategy is based on knowledge transfer between the functional and business process experts at Navy ERP, the FMO and those at each of the Systems Commands. That transfer begins with extensive business process work-

shops 18–24 months prior to deployment. The transfer continues through a Train-the-Trainer event generally scheduled four months prior to go-live. The knowledge gained by the deploying command's business process experts is transferred to the command's end users through just in time training events generally scheduled from two months prior to go-live to two months after.

Finally, the knowledge transfer is continued through the Navy ERP Program Office functional experts deployed to each command site providing over-the-shoulder support directly to command end users from three months prior to deployment through six months post-deployment to ensure effective business operations through the transition period. Basic users, those using primarily time and attendance functions, receive training through Web Based Training course. Power Users, those using more functionality and may have multiple roles, receive Instructor Lead Training provided by their Command's trainers and business process experts. For example, approximately 21,000 basic users and 9,854 power users were trained for the NAVSEA Working Capital Fund deployment and approximately, 4,500 basic users and 807 power users were trained for the deployment of the Single Supply Solution to the Fleet Logistics Centers and their partner sites.

The Navy ERP Program Office develops and maintains standard training materials. These incorporated both Navy standard financial management guidelines from Navy FMO and industry best practices. The training material consists of:

- Presentations containing business processes and best practice business rules
- Step-by-step work instructions
- Hands-on exercises and supporting data
- Simulations of Navy ERP transactions

Deploying commands have the option of supplementing the standard training materials with additional command-specific information, generally in the form of local business rules and command-specific data sets for hands-on exercises thereby enhancing the importance of Command financial management practices. The Navy ERP Program Office maintains a live training environment for hands-on exercise and practice. The configuration of the training environment is updated to mirror the Production environment once each quarter. The data is revised regularly to reflect changed or new functionality.

The Global Implementation Team (GIT) works with our Business Process leads in developing the training materials. The GIT is not the owner or lead of the functionality, however, the team obtains guidance from the Navy ERP BP Teams. The BP Leads, including the Financial BP Leads, work with the FMO on development, testing, review and validation of the functionality and compliance matters.

Mr. CONAWAY. What has the Navy done to reduce problem disbursements and address the underlying causes of problem disbursements in its efforts to develop and implement ERPs?

Secretary MABUS. Navy Enterprise Resource Planning (ERP) has forced us to discipline our business processes through systemically enforcing industry best practices and pushing us to correct long standing inefficiencies.

For example, we perform a "three way match" by validating the invoice, obligation and receipt prior to disbursement. Navy ERP employs a systemic process to perform pre-validation of available obligations prior to disbursement. This "three way match" process is performed for both internally and externally entitled transactions to ensure funds are available prior to disbursement. By ensuring the availability of funds prior to disbursement, the potential for problem or unmatched disbursements is significantly reduced.

In addition, Navy ERP posts cash based on a pay-ready file that is generated from the internally entitled payments. This business process results in no unmatched disbursements. The alternative would be to post cash based on files ERP receives from the Treasury reporting system used by the Defense Finance and Accounting Service (DFAS). If Navy ERP waits to post cash based on this Treasury file, there could be timing issues resulting from differences between the availability of the ERP pay ready file as compared to the Treasury file. These timing differences would result in unmatched disbursements.

For externally entitled transactions, Navy ERP employs disbursement to obligation matching logic in order to translate legacy data elements from these external entitlement systems to Navy ERP data elements to ensure disbursements match.

Outside the Navy ERP, the Defense Finance and Accounting Service (DFAS) developed a tool to monitor problem disbursement and problem collection transactions, as well as produce monthly cash reconciliations for Navy accounting systems. Massive amounts of transactions that require specific data elements to be correct in order to successfully post into our accounting systems make the identification and research of unreconciled/unmatched accounting transactions difficult. The Business Activity Monitoring (BAM) Tool was implemented to reconcile this transaction level

business activity between our accounting systems and Treasury. The cash reconciliation modules of BAM are in place for Navy ERP, as well as our legacy General Fund accounting system (STARS). BAM also provides DFAS and the Navy insight into the problem disbursement and collection issues impacting the Department in our legacy accounting system. BAM receives daily feeds of problem transactions from our legacy General Fund accounting system (STARS). The tool provides visibility of the detail transactions as well as the ability to categorize these transactions by major command, assign the reason the transaction became a problem disbursement and assign an accountant or technician responsibility to work the transaction. Transactions cannot be corrected within BAM, as it is only a monitoring tool. However, by providing a tool that can categorize transactions, assign responsibility and produce metrics associated with problem disbursements, BAM reduces duplication of effort and provides valuable information regarding the cause of problem disbursements in our legacy systems. DFAS utilizes this information to collaborate with the Navy to address both the inflow and cause of the problem disbursements. DFAS has also worked on Lean6 projects to address some of the root cause issues.

Our e-Commerce initiatives, such as the use of Wide Area Work Flow (WAWF) to electronically process vendor payments, are reducing manual process cost, rework and erroneous transactions associated with labor and human error.

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. Secretary Mabus, I believe you stated yesterday that, I quote, "We're losing some ships that are not as capable as the new ships coming in." End quote.

First off, I agree that the new warships being delivered, specifically the new VIRGINIA class fast attacks and the new destroyers bring new, meaningful, and impressive capabilities to our Navy. But to lose 7 cruisers early that are not near their expected end of life and rationalize that they are all being replaced by more capable ships does not add up.

Of the 10 ships coming into the fleet this year, half will be either Littoral Combat Ships or Joint High Speed Vessels; these ships will be great ships for their specific missions; but they obviously do not have nearly the capabilities of the 7 Aegis Class cruisers that are being retired early between 18 and 21 years of service. Allegedly, bypassing their modernization, complete with HM&E, Weapons systems, and BMD upgrades will save \$1.5 billion. It will put our Air Defense, ASW, and future BMD mission at risk. These ships all have 14–17 more years of service in them.

Could you explain how the Navy will plan to meet the new capabilities gap introduced into the fleet with this proposed reduction in cruisers?

Secretary MABUS. Our FY2013 decision to decommission seven Ticonderoga class guided missile cruisers (CG) is consistent with new strategic guidance and exemplifies 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, prioritizing readiness over capacity. 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.

The early decommission of selected CG 47-class guided missile cruisers will be mitigated by a current force DDG 51 modernization plan and new construction DDG 51 Flt IIAs and Flt IIIs. PB13 increases BMD capability and capacity afloat to support the President's directive to meet the growing ballistic missile threat to the U.S. and its Allies. BMD Afloat investments include increases in BMD-capable ship inventories from 23 (today) to 35 in FY2017 utilizing a combination of BMD-capable ship deliveries in the FYDP and the Aegis modernization program to increase capability and capacity in integrated air and missile defense (IAMD).

Further, we will use these assets to support the FY2013 Global Force Management Allocation Plan (GFMAP), which is the authoritative, Secretary of Defense-approved plan for supporting Combatant Commander presence requirements. Through this plan, we will continue to support the Combatant Commanders and their missions as we do today.

Mr. WITTMAN. The new strategic guidance clearly states the DOD will increase focus in Asia-Pacific and rely more heavily on maritime forces in the Middle East.

I think we would all agree that this strategy will ensure that the work load on the Navy and its ships will only increase due to not only the potential threats in the focus regions, but also simply due to the natural geography of the region. This increase in operational tempo will come at a time when deployment lengths, in-

creased frequency of deployments, and delays in required maintenance for our Navy are becoming the norm.

The future strategic work load for the Navy and the current state of the fleet, how are the following decisions strategic? •Cutting one VIRGINIA class fast attack submarine from this FYDP. •Early decommissioning of 7 Aegis cruisers. •Delaying production of the OHIO replacement 2 years, ensuring it will not be operational until the 2020s. The plan is to invest \$500 million less in 2013 to research and design the new SSBN than we did in 2012, the funding should be going the other direction. •Last year's budget requested 13 new-construction battle-force ships to be constructed in 2013; now we are planning to build 10 warships in 2013. •The FY12 FYDP planned for 57 ships from FY13 to FY 17; now after strategically stating we will increase focus on Asia-Pacific and rely more on a maritime presence in the Middle East; that number has dropped to building 41 battle-force ships to be produced from FY13 to FY 17. •SCN account was cut from \$14.9 billion in FY12 to \$13.6 billion in FY13.

The fact is this new strategy is juxtaposed against a fleet that is decreasing in size, while the fleet's tasking is being increased. If we accept the risk of a smaller fleet with increased responsibilities, how do we ensure that fleet is built to last and capable of an increased workload without compromising operational tasking and maintenance standards?

Secretary MABUS. I would challenge your premise that the Fleet, "is decreasing in size." In fact, we will have no fewer ships at the end of the FYDP than we do today and our shipbuilding plans call for reaching at least 300 ships before the end of the decade. We are also investing in shipbuilding and aircraft construction to ensure that the 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. To this end, the Navy is continuing its efforts to restore overall submarine production and increase DDG-51 production from 9 to 10 in the FYDP. 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. The Navy will continue to prioritize readiness and our FY2013 budget submission fully funds ship maintenance and midlife modernization periods.

The Navy can meet Defense Strategic Guidance with the current and projected force structure provided in Navy's PB13 budget submission. Consistent with the Defense Strategic Guidance, the Navy postures continuous, credible combat power in the Western Pacific and the Arabian Gulf/Indian Ocean to protect our vital interests, assure friends and allies, and deter potential adversaries. The Navy can meet this challenge under our current operational tempo and deployment lengths.

Mr. WITTMAN. As you know we have aging L-class ships. We are decommissioning two LSDs early, one 27 years old and the other 22 years old, leaving 6 LSDs in the Whidbey Island class that are between 20 and 26 years old, four LSDs in the Harpers Ferry class that are between 17 and 14 years old, and LSD(X) replacement is outside of the FYDP and pushed further to the right. This replacement needs to come on sooner than later. The status of the amphibious fleet concerns me, especially with our strategic shift to the Asia Pacific. This problem is compounded when you factor in the cyclic operations, combat deployments, and deferred maintenance over the past 10 years. We need to look no further than the current operational status of the ships that support the 31st MEU in the Asia Pacific to find an example of that problem. If we are going to execute this strategy effectively and reset our Navy and Marine Corps team, then we need 38 amphibious ship and we need to see that clearly defined in the 30 year shipbuilding plan. I would like your thoughts on this situation. There are no LSD replacements in the FYDP, so in five years we will have a fleet of 10 LSDs that range from 31-19 years old? We are not procuring an L-Class for at least 6 years. This is the same timeframe that SSBN(X) will start to take up large chunks of our SCN fund. How is this problem going to be solved to ensure we have an appropriate number of capable L-class ships ready to execute this new strategy?

Admiral GREENERT. The Navy remains committed to providing an amphibious lift capacity for 2.0 Marine Expeditionary Brigades (MEB). Based on our ship configuration, the Navy can meet the footprint for this force with 30 ships. Historically, the Navy has maintained 33 assault echelon amphibious ships to mitigate the impact of long-duration maintenance availabilities on the Nation's ability to respond during an emerging crisis. Due to budgetary constraints, the Navy is taking risk in the time line to deliver the 2.0 MEB force. The Navy will maintain between 28 and 31 amphibious ships across the FYDP. To maintain amphibious force structure at an

acceptable level of risk, the Navy intends to procure additional LHA and LSD(X) ships during the time the SSBN(X) is being procured. The LSD(X) ships will recapitalize the LSD 41/49 class as those ships reach their 40-year expected service life.

Mr. WITTMAN. The LCS Concept of Operations has always included Sea Swap. This concept is currently being studied by the Navy as a way to maintain a forward presence while reducing steaming hours for our surface ships and submarines while subsequently reducing operating costs and extending the operational service life of these valuable assets. Navy appears to be postured to effectively execute this initiative since it has performed a Sea Swap proof of concept in the past and it can execute the Sea Swap initiative autonomously since it has its own organic airlift capability.

1. Considering the potential frequency of crew swaps, the size of crews and the requirement to support forward deployed ships at sea during a time of war, what options is the Navy reviewing to transport its crews from CONUS to the deployment sites?

2. What cost savings does the Navy estimate it will realize under this construct? Admiral GREENERT. LCS crew swaps within CONUS have used commercial and Government contracted aircraft. However, the Navy is reviewing the use of Navy Unique Fleet Essential Airlift (NUFEA) to move the crews, cargo, and support personnel in peacetime and wartime for LCS crew swaps OCONUS. The Navy controls the use of NUFEA aircraft and projects this alternative to be less expensive than international commercial air. The ability to maintain crew and maintenance team equipment integrity, move cargo, transport hazardous materials, and utilize classified systems is a key force enhancer over commercial transportation sources. Since Navy controls NUFEA, Navy can prioritize use of organic air assets to support theater requirements while responding to emergent tasking. Navy is also examining the use of NUFEA for LCS transportation requirements within CONUS.

The greatest benefit associated with rotational crewing is the increased Operational Availability (Ao) that the ship can provide to the Combatant Commander by keeping LCS on station for longer periods of time (i.e. forward deployed for long periods of time versus periodic transiting under a non-rotational construct). The most significant savings associated with flying crews overseas is the cost avoidance of the fuel required for the transiting and support ships.

Mr. WITTMAN. General Amos, the strategy to shift our focus towards the Asia-Pacific demands that marines not only go back to their roots of amphibious warfare, but you operate in a region that you were all too familiar with in the 20th century.

General:

- We are increasing our presence in the Asia-Pacific.
- We are increasing our deployments in the region that is, by nature, an amphibious region perfect for Navy and Marine Corps operations.
- We are increasing the demand for our marines to respond to contingency operations in the two most operational combatant commands (PACOM, CENTCOM).
- We are decreasing our Marine Corps end strength.
- We are decreasing the number of amphibious ships in the fleet.
- We are still without a solid plan for the future Amphibious Assault Vehicle.
- We are not procuring an L class ship for 6 years.
- LSD(X) has been delayed and is outside of the FYDP.

Are you confident that you have the amphibious assets needed to execute the tasking that this strategy demands? Our Marine Corps needs the right gear for a 21st century mission that there is no denying will be Navy/Marine Corps centric. What risk do you incur by executing this strategy without the requested amphibious lift capability?

General AMOS. The Geographic Combatant Commanders' cumulative operational requirement for amphibious warships falls into three basic categories: forward presence and engagement; crisis response; and operations plans. While amphibious requirements in support of operations plans have remained constant, the demand for the first two categories has dramatically increased in the post-Cold War era. In the past twenty years, U.S. amphibious forces have responded to crises and contingencies well over one hundred thirty times, which is a rate approximately double that during the Cold War. Furthermore, during the same period, forward-postured amphibious forces have continually conducted sea-based security cooperation with international partners—reflecting the philosophy espoused in the Maritime Strategy that preventing war is as important as winning wars.

An inventory of 33 warships allows the Navy/Marine Corps team to adequately meet desired presence goals, supports our ability to build partnerships through engagement, and affords crisis response across the range of military operations. Opti-

mally, deploying three forward Amphibious Ready Groups and Marine Expeditionary Units (ARG/MEUs) and two enhanced Maritime Prepositioning Squadrons (MPSRON), each with one MLP and T-AKE vessel integrated, provides the Nation the ability to respond to small to large scale crisis. These ships, equipment, marines and sailors are the same capability used to strengthen our relationships worldwide and provide a strategic "buffer," protecting our interests and global economy and stability. Rotational ARG/MEUs, working in concert, provide forward deployed naval forces in four Geographic Combatant Command areas of responsibility.

In addition to forward presence and episodic crisis response, we maintain the requirement for an amphibious warship fleet for contingencies requiring our role in joint operational access (JOA). One Marine Expeditionary Brigade (MEB) assault echelon requires 17 operationally available amphibious warships, and the Nation's forcible entry requirement in support of JOA is a minimum of two MEBs. These ships, along with the requisite number of ship-to-shore connectors, represent the minimum number of ships needed to provide the Nation with a sea-based power projection capability for full spectrum amphibious operations. As of March 2012, there were 29 ships in the Navy's amphibious fleet, with three scheduled for decommissioning and four new ships under construction in the yards. Within the coming FYDP, the inventory will decline in FY14 before rising to an average of 30 amphibious warships over the next 30 years. The lack of amphibious warship lift capacity translates to risk for the Nation, particularly as it reorients to the Pacific. The continued procurement of scheduled amphibious warships and planning for MPF shipping is essential to ensure greater levels of risk are not incurred in coming years.

We have aggressively reviewed our amphibious concepts, doctrine and plans this past fall; and have recently developed the Ellis Group, which is an internal consortium of experts specifically charged with developing innovative solutions to overcoming the challenges of a reduced amphibious warship inventory.

Mr. WITTMAN. As you know we have aging L-class ships. We are decommissioning two LSDs early, one 27 years old and the other 22 years old, leaving 6 LSDs in the Whidbey Island class that are between 20 and 26 years old, four LSDs in the Harpers Ferry class that are between 17 and 14 years old, and LSD(X) replacement is outside of the FYDP and pushed further to the right. This replacement needs to come on sooner than later. The status of the amphibious fleet concerns me, especially with our strategic shift to the Asia Pacific. This problem is compounded when you factor in the cyclic operations, combat deployments, and deferred maintenance over the past 10 years. We need to look no further than the current operational status of the ships that support the 31st MEU in the Asia Pacific to find an example of that problem. If we are going to execute this strategy effectively and reset our Navy and Marine Corps team, then we need 38 amphibious ship and we need to see that clearly defined in the 30 year shipbuilding plan. I would like your thoughts on this situation. There are no LSD replacements in the FYDP, so in five years we will have a fleet of 10 LSDs that range from 31-19 years old? We are not procuring an L-Class for at least 6 years. This is the same timeframe that SSBN(X) will start to take up large chunks of our SCN fund. How is this problem going to be solved to ensure we have an appropriate number of capable L-class ships ready to execute this new strategy?

General AMOS. The figure of 38 amphibious ships that you cite originated in 2009, when the Secretary of the Navy, the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps determined that the force structure requirement to support a 2.0 Marine Expeditionary Brigade (MEB) assault echelon (AE) lift was 38 total amphibious assault ships. Understanding this requirement, but understanding also the existing fiscal constraints, the department's leadership agreed to sustain 33 total amphibious ships in the assault echelon. This agreement accepted risk in the arrival of some MEB AE combat support and combat service support. It determined that risk could be accepted by planning for 15 rather than 17 amphibious ships for the MEB AE, and thus the department's goal was to be able to deploy 30 operationally available amphibious ships to meet 2.0 MEB AE OPLAN requirements. The most recent force structure review, conducted by the department in late 2011, has adjusted this requirement to 32 amphibious ships, which reflects plans for 11 LHD/LHAs, 11 LPDs and 10 LSDs in commission, plus a commitment to maintain the two LSDs to be decommissioned in FY 2013 in Category B mobilization status.

The Secretary, the CNO and I are committed to resourcing the President's strategic guidance. I am concerned that the competition for defense dollars beyond the FYDP will force even more difficult choices within Department of Defense and among many important Department of the Navy programs. The Secretary has had to make some tough calls in this regard, but both the CNO and I accept that the risks accepted in this FYDP should allow for many important programs to mature

and compete successfully in future FYDPs. That said, it is important to change the minimum requirement from 32 amphibious warships to 33 over the next year.

There are many programs that are very important to some aspect of our strategy, but not all contribute widely to the range of military operations that will be executed in the years ahead. In this regard, it is hard to overstate the importance of LSD(X) not only to the future capability and capacity of the amphibious force, but to the Nation as a whole. Like the larger amphibious ships in our fleet, their utility extends well beyond their designed purpose. A survey of our allies and competitors around the world indicate a sizeable investment in amphibious ships.

Executing the strategy in the Asia-Pacific region requires a healthy and balanced fleet, and it is reasonable to expect that the Navy and Marine Corps will continue to provide unique and essential capabilities to the Middle East and Southwest Asia. Outside of OPLAN requirements mentioned above, two factors impact amphibious ship capability and capacity. The most demanding factor is requests by Combatant Commanders for amphibious forces on steady-state basis. On average, these requests amount to more than four Amphibious Ready Groups(ARGs)/Marine Expeditionary Units (MEUs), totaling about a dozen amphibious ships at a time. Supporting the majority of these requests for continuous or near continuous presence would require partially overlapping, rotational deployments of amphibious forces from the Continental United States. The capacity of the current inventory does not support these requests, and thus ARGs are apportioned based upon priority. Finally, the occasional (but increasing) use of amphibious ships for non-amphibious operations is a significant factor. These uses include activities such as the support of special operations, minesweeping, security cooperation, medical/humanitarian assistance, and disaster relief.

Since the end of the Cold War, the Navy and Marine Corps team has conducted more than 130 amphibious operations, including (among others) protection of U.S citizens, supporting major evacuations of innocents from dangerous areas, striking terrorist sanctuaries, supporting combat operations, providing humanitarian assistance, and countering piracy. On average, we have conducted more than five real-world amphibious operations a year, more than double the requirement experienced during the Cold War. We expect these steady-state requirements to continue unabated, even as we preserve the capability and capacity to execute operation and contingency plans.

QUESTION SUBMITTED BY MR. OWENS

Mr. OWENS. General Amos, is it true that there is a Joint Urgent Operational Needs Statement that highlights the need to field an unmanned air cargo delivery system? Is the K-MAX system in theater today demonstrating actual combat operations to address this urgent need?

General AMOS. The Joint Urgent Operational Needs Statement (JUONS) CC-0375, approved 11 January 2010, identified the need for an organic, precision, unmanned, aerial resupply capability in order to minimize loss of personnel, equipment and supplies on ground resupply missions and to provide an alternate means of aerial delivery when weather, terrain or enemy pose an unsuitable risk to rotary wing assets. The KMAX system was selected to fulfill this requirement and has been operating in theater providing unmanned aerial logistical support to combat operating forces since Dec 17, 2011.

QUESTIONS SUBMITTED BY MS. HANABUSA

Ms. HANABUSA. Regarding the USS *Chosin*, why after such a big investment is this ship being retired early? What was the total cost of repairs made to the *Chosin* last year?

Secretary MABUS. USS CHOSIN (CG 65) was selected for retirement based on the remaining costs to modernize the ship to include hull, mechanical and electrical upgrades, combat systems upgrades and MH-60R helicopter alterations totaling approximately \$328.5M. Total cost of maintenance repairs made to USS CHOSIN from January 2011 to present is \$74.6 million.

Ms. HANABUSA. Beyond budgetary data, what other factors were accounted for when considering the early decommissioning of 7 cruisers? How do you feel that a reduced number of ships home-ported throughout the Pacific is consistent with the strategic guidance that emphasizes a focus on the region?

Secretary MABUS. The decision to decommission seven Ticonderoga-class cruisers is consistent with new strategic guidance and was made to maintain the proper mix of capability in the battle force in a fiscally constrained environment. The Navy se-

lected ships based on an analysis of the costs required to sustain a ship's material condition and update their combat capability. Selected ships had little or no previous modernization completed, and would become increasingly expensive to maintain and operate.

The Navy recently completed a review of our Fleet's worldwide lay-down. With a focus on supporting the 2012 Defense Strategic Guidance, the review considered placement of new construction ships, planned ship decommissioning and fiscal decisions like the decommissioning of seven cruisers. Based on the results of that review, Navy is making adjustments that slightly increase the number of ships homeported throughout the Pacific and arrive at a 60% Pacific/40% Atlantic distribution of ships by 2020.

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Ms. HANABUSA. In your testimony you mention it would take 17 ships to transport a battalion of marines, what kind of ships make up this 17? What types of equipment will the ships be carrying? How many marines will be transported? What types of capabilities will ports need to accommodate this fleet?

General AMOS. For clarification, the force size discussed during testimony was a Marine Expeditionary Brigade (MEB) rather than a battalion. As currently organized and equipped, a MEB consists of approximately 15,000 marines and sailors, thousands of large and small caliber weapons, hundreds of armored and unarmored vehicles, over 100 combat aircraft, and thousands of tons of supplies. The Assault Echelon (AE) of that MEB is the portion of the brigade that needs to be moved under tactical conditions from ship-to-shore in the first critical hours and days of an amphibious assault; and, as mentioned in testimony, that AE requires 17 amphibious ships.

The actual mix of amphibious ship types required to land the AE of a MEB would be influenced by the requirements of the specific operation, but for planning purposes the notional mix is comprised of 5 Amphibious Assault Ships (LHA/LHD), 5 Amphibious Transport Dock (LPD), and 7 Dock Landing Ships (LSD). The AE includes approximately 11,000 marines and sailors distributed among headquarters elements, three infantry battalions, one artillery battalion, eight aviation squadrons, and a variety of organic armor, engineer, logistics, supply and medical units, as well as naval support element (NSE) that operates landing craft and provides vital support both on the ships and in the landing beaches and zones.

The essential capability that the amphibious fleet, and the Marine Air-Ground Task Forces they carry, provide the Nation is the ability to influence situations on land without depending on existing port or airfield infrastructure. The ships, while at sea, provide the strategically-mobile infrastructure required to execute amphibious operations. Landing and sustaining operations directly from the sea allows us to protect U.S. citizens, allies and interests in austere locations, without requiring intact ports, large airfields, imposition on a host nation, or an aggravation of sovereignty sensitivities. This flexibility allows the U.S. to respond to situations in cri-

sis without relying on the permissions of others, and is often our only means of doing so.

In an amphibious operation, the AE would be followed rapidly by an Assault Follow On Echelon (AFOE), brought ashore as quickly as possible to sustain the operation, provide logistical support, and prepare the force for continued operations as the situation dictates. The AFOE of the MEB includes approximately 4,000 additional marines and sailors, many of the MEB's non-armored vehicles, and a wide range of supplies. Depending on operational requirements, the movement of these personnel, equipment and supplies can be facilitated without developed ports by the use of non-tactical watercraft, floating motorized causeways, and supporting capabilities such as an offshore petroleum distribution system. The total demand for amphibious ships and associated NSE capabilities is driven by several factors. The primary one is the requirement reflected in approved operations and contingency plans (OPLANs and CONPLANs), the most stressing of which requires the assault echelon of two MEBs (notionally 34 amphibious ships) and a variety of supporting capabilities. Beyond specific plans or general assured access capability, the Combatant Commanders register a significant demand for amphibious forces on a steady-state basis. This reflects their need for forward deployed, crisis-response capabilities, as well as the ability to use low-footprint naval forces to conduct security cooperation, medical/humanitarian assistance, and disaster relief. On average, these requests amount to more than four Amphibious Ready Groups (ARGs)/Marine Expeditionary Units (MEUs), totaling about a dozen amphibious ships at a time. Supporting the majority of these requests for continuous or near continuous presence would require partially overlapping, rotational deployments of amphibious forces from the Continental United States. The capacity of the current inventory does not support these requests, and thus ARGs are apportioned based upon priority.

In 2009, the Department of the Navy determined that the force structure requirement to support a 2.0 MEB assault echelon lift was 38 total amphibious assault ships. Understanding this requirement in light of fiscal constraints, the department's leadership agreed to sustain 33 total amphibious ships in the assault echelon. This agreement accepted risk in the arrival of some MEB AE combat support and combat service support. It determined that risk could be accepted by planning for 15 rather than 17 amphibious ships for the MEB AE, and thus the department's goal was to be able to deploy 30 operationally available amphibious ships to meet 2.0 MEB AE OPLAN requirements. The most recent force structure review, conducted by the department in late 2011, has adjusted this requirement to 32 amphibious ships, which reflects plans for 11 LHD/LHAs, 11 LPDs and 10 LSDs in commission, plus a commitment to maintain two LSDs to be decommissioned in FY 2013 in Category B mobilization status.

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QUESTIONS SUBMITTED BY MR. SCOTT

Mr. SCOTT. Can you update the committee on the status of the (Mobile User Objective System) MUOS-1 advance waveform terminal program? When will these terminals be available for global deployment? How long will the U.S. DOD be reliant on legacy UHF satellite services? Will coalition forces also be adopting the advanced waveform or is there a security issue associated with their use of this new platform?

Secretary MABUS. The Joint Tactical Radio System Network Enterprise Domain (NED) program is expected to complete development on the MUOS Wideband Code Division Multiple Access (WCDMA) waveform in September 2012. This waveform will then be ported on the Handheld Manpack and Small Form Fit (HMS) Manpack radio, via an appliqué to the existing form factor. The HMS Manpack will then be the first radio to have the MUOS capability. Manpack radios are expected to be available in limited quantities in FY13; Navy will be acquiring 50 in FY13 for MUOS testing in FY14. The HMS Manpack Program with MUOS capability is targeting a risk reduction event with MUOS-1 in 2-3QFY13 as well as a Follow-On Test and Evaluation (FOT&E) in 2QFY14. These radios are targeted for deployment after a successful FOT&E event.

The MUOS legacy UHF SATCOM payload is equivalent to one UHF Follow-On (UFO) satellite, and enables each MUOS satellite to augment the current legacy UHF SATCOM constellation. This legacy UHF payload was included in the MUOS program to facilitate the transition from legacy UHF to WCDMA without any gaps in service to the warfighter and to help meet the CJCS legacy UHF SATCOM requirements until at least 2018. The new MUOS WCDMA SATCOM capability will reach Full Operational Capability by the end of 2016, at which time the JROC mandated requirement for legacy UHF SATCOM will be retired. However, the UHF SATCOM Community of Interest will continue to keep the existing legacy UHF capability on-orbit to facilitate a successful transition from legacy UHF to MUOS WCDMA, but will not add new legacy UHF SATCOM capacity.

Coalition forces will not be adopting the MUOS WCDMA waveform because of security issues.

Mr. SCOTT. How many of the existing UFO satellites, in percentage terms, are within 12 months of their nominal design life? Since the MUOS advanced waveform terminals are likely to be slow to roll out, even with the launch of MUOS-1, is it possible that our UHF systems might fail to deliver the currently stated requirement for UHF service?

Secretary MABUS. Six of the eight UFO satellites currently on orbit are at or beyond their 14 year design life. The remaining two have been on orbit for 12.3 and 8.3 years respectively.

Navy has implemented several mitigation activities to extend the service life of the existing constellation and increase on-orbit capacity. As a result, the current legacy UHF SATCOM provides the warfighter with approximately 459 more accesses (111 more channels) worldwide than required by the stated CJCS capacity requirement. This additional capacity is equivalent to three UFO satellites and provides a buffer against unplanned losses in the future. Further, in addition to its new Wideband Code Division Multiple Access (WCDMA) payload, each MUOS satellite carries a legacy UHF SATCOM payload that provides capacity equivalent to that provided by one UFO satellite. As a result, MUOS satellites enable a graceful transition from legacy UHF SATCOM capability to the new WCDMA capability, which uses cellular telephone technology to provide a ten-fold increase in UHF SATCOM capacity and throughput to the warfighter.

When the MUOS legacy payload is taken into account, statistical reliability analysis conducted by the Navy has shown that the launch of MUOS-1 on 24 February 2012, and the remaining planned MUOS launches in July of 2013, 2014, 2015, and 2016, will maintain the full legacy UHF SATCOM requirement set by the JROC through 2018. The new MUOS WCDMA capability will reach Full Operational Capability by the end of 2016, at which time the JROC mandated requirement for legacy UHF SATCOM will be retired. Legacy UHF SATCOM capability will continue to be maintained beyond 2018, although at reduced levels, to allow time for remaining users to transition to the new WCDMA capability.

Mr. SCOTT. The U.S. made the decision in 2010 to partner with the Australians on a commercially-provided, UHF hosted payload in the Indian Ocean Region. Now that the private sector intends to launch an identical payload into the Atlantic Ocean Region, what U.S. and Allied plans are being made to take advantage of this capability?

Secretary MABUS. The U.S. DOD partnered with the Australian Minister of Defense (not the commercial provider) for access to 250 kHz of UHF Narrowband SATCOM on a commercial satellite payload that Australia is leasing over the Indian Ocean Region from 2012 to 2027. In exchange, the U.S. will provide the Australians access to 200 kHz of spectrum over the Pacific and 50kHz of spectrum globally from 2018-2033.

Since all DOD requirements for UHF SATCOM capacity are projected to be met over the Atlantic Ocean Region through 2018, the U.S. DOD is not planning to take advantage of this commercially-provided UHF hosted payload in the Atlantic Ocean Region.

Through a combination of the implemented gap mitigation actions, commercial leases, international partnerships, and the MUOS legacy payloads, the DOD UHF SATCOM leadership is maximizing technical and fiduciary efficiencies to ensure the warfighter has access to legacy UHF SATCOM capacity that meets the CJCS requirements and provides a buffer against unplanned losses. Despite projected losses in the UFO constellation, current predictions indicate that the UFO constellation augmented by the MUOS legacy payloads will likely provide the required legacy UHF capacity in all AORs through at least 2018. MUOS WCDMA terminals are projected to be available in 2013 and will start fielding in 2014. Extended availability of legacy capacity will allow the MUOS WCDMA-capable constellation to reach Full Operational Capability and the corresponding terminal programs to synchronize

fielding timelines. Because DOD requirements are met for the foreseeable future, the U.S. Navy is not pursuing any additional commercial UHF SATCOM capacity at this time. The Navy will continue to monitor the health of the current UHF SATCOM constellation for any signs that it is degrading more rapidly than currently projected. If it appears the level of legacy UHF SATCOM service will fall below CJCS requirements, the Navy will revisit all options, including commercial leases and hosted payloads, to maintain the current level of legacy service to the warfighter until the transition to the MUOS WCDMA capability is complete.

Additional details will be available in the Report to the Senate Armed Services Committee on "Ultra High Frequency (UHF) Satellite Communications (SATCOM) Requirements and Options for Additional Capacity" to be submitted by the end of March 2012.

Mr. SCOTT. Given that this commercial capability would not cost anything upon launch, wouldn't its augmentation and license to launch act as insurance should another UFO satellite reach a point of failure? We hear from Combatant Commands and other services that the demand for UHF satellite communications is very high and that many requests are denied. (i.e. there is high demand). Can you address this?

Secretary MABUS. The Department of Defense provides capability based on CJCS mandated requirements. Navy conducted a statistical analysis of the reliability of the UHF Follow-On (UFO) satellite constellation and, when combined with the launches of legacy UHF payloads on Mobile User Objective System (MUOS) satellites, determined that DOD legacy UHF SATCOM CJCS mandated requirements are projected to be met through 2018. MUOS satellites were designed to enable a graceful transition from legacy UHF SATCOM capability to a revolutionary new SATCOM Wideband Code Division Multiple Access (WCDMA) capability, which uses cellular telephone technology to provide a ten-fold increase in UHF SATCOM capacity and throughput to the warfighter.

To mitigate against unplanned losses of additional UFO satellites, Navy has implemented several mitigation activities to extend the service life of the existing constellation and increase on-orbit capacity. As a result, the current legacy UHF SATCOM provides the warfighter with approximately 459 more accesses (111 more channels) worldwide than required by the CJCS capacity requirement. This additional capacity is equivalent to three UFO satellites and provides a buffer against unplanned losses in the future. Additionally, each MUOS satellite carries a legacy UHF SATCOM payload that provides capacity equivalent to that provided by one UFO satellite.

Navy does not approve or disapprove spectrum licensing requests. To obtain a license for any commercial UHF payload, the commercial vendor must formally submit the application to operate their UHF payload to the Federal Communications Commission (FCC). The FCC would forward the application to the National Telecommunications and Information Administration (NTIA). The NTIA would then request a formal response from the Department of Defense (DOD). The DOD would evaluate the application and provide the NTIA with a formal response. The Navy is not currently aware of any pending UHF SATCOM licensing requests.

Additional details will be available in the Report to the Senate Armed Services Committee on "Ultra High Frequency (UHF) Satellite Communications (SATCOM) Requirements and Options for Additional Capacity" to be submitted by the end of March 2012.

Mr. SCOTT. How many jobs would be created if U.S. shipyards were to build 10 diesel submarines for the Republic of China Navy?

Secretary MABUS. As there is no current plan to build submarines for Taiwan, the Navy has not speculated on the many variables that influence jobs attributed to design, production, testing, training, or any other aspect related to the idea.

Consistent with the provisions in the Taiwan Relations Act, the United States makes available to Taiwan defense articles and services in such quantity as may be necessary and appropriate.

Mr. SCOTT. How would you describe the relationship between the U.S. Navy and the Republic of China Navy? What impact does the ban on U.S. flag officers visiting Taiwan have on enhancing and building upon this relationship?

Admiral GREENERT. Within the guidelines of the 1979 Taiwan Relations Act (TRA), the relationship between the U.S. Navy and Taiwan Navy is close, positive and productive despite the ban on U.S. flag officers visiting Taiwan. The U.S. and Taiwan navies have maximized every available avenue within the guidelines of the TRA to minimize the negative impact of the limitations imposed by the law. Representatives for the U.S. and Taiwan navies meet annually to discuss how best to meet the needs of the Taiwan Navy with courses of instruction, foreign military

sales, and U.S. exercises that Taiwan Navy personnel can observe. In addition, the TRA does permit Taiwan flag officers to visit the U.S. enabling flag officers from the two Navies to regularly meet and maintain productive relationships.

Mr. SCOTT. What opportunities exist for closer cooperation between the U.S. Navy and the U.S. Coast Guard?

Admiral GREENERT. The U.S. Navy and U.S. Coast Guard remain committed maritime partners. The capabilities each service provides are critical to the defense of this Nation and our national interests. As we both face challenging fiscal times, seeking opportunities to capture synergy between these maritime partners enables both Services to leverage the other's capabilities and resources.

While many formal agreements already exist between the Services to promote the sharing of capabilities and resources, new agreements are being forged to base ships and aircraft at each other's airfields and port facilities. Sharing of information on small craft/boat capabilities and procurement plans has begun to reduce costs and help Service leadership identify opportunities to increase our operational or acquisition efficiency. Currently, both Services are working closely on the Coast Guard's proposed acquisition of the Offshore Patrol Cutter to ensure its naval warfighting capabilities meet the needs of the projected threat environment. This coordination is also present for existing platforms and emerging capabilities as evidenced by the joint integrated process team helping to develop and test the ship-based unmanned aerial surveillance systems onboard the National Security Cutter.

Through the annual staff talks process, we plan to discuss opportunities for closer coordination on ship and aircraft resourcing to meet drug interdiction goals in light of planned frigate retirements and smaller Coast Guard and Navy fleet sizes in the future. Our services are also finalizing an agreement that provides fiscal authority to the Navy to embark Coast Guard and Pacific Island Nation law enforcement personnel during transits through the Western and Central Pacific to conduct fisheries law enforcement operations.

Our two services have historically sought efficiency and close cooperation due to the nature of our mission. In the near and distant future, we will continue to do so.

Mr. SCOTT. Will icebreaking be a future mission of the U.S. Navy?

Admiral GREENERT. No. In 1965, the Department of the Navy and Treasury signed a memorandum of agreement on the operation of icebreakers and the mission to address the national need for icebreaking. This agreement provided for the permanent transfer of jurisdiction, control over and responsibility for operating and manning icebreakers to the U.S. Coast Guard.

Mr. SCOTT. How would you describe the relationship between the U.S. Marine Corps and the Republic of China Marine Corps? What impact does the ban on U.S. general officers visiting Taiwan have on enhancing and building upon this relationship?

General AMOS. Governed by U.S. Government guidance on the "One China Policy," the U.S. Marine Corps relationship with the Taiwan Marine Corps is close and cooperative, with the objective of ensuring that the Taiwan Marine Corps is an effective component of the Taiwan armed forces. The USMC-Taiwan Marine Corps interaction includes regular contact at the staff officer (O6-O4) level, along with liaison visits both ways. Taiwan Marine Corps students attend USMC schools on a regular basis, and Taiwan Marine personnel often observe USMC exercises. We have sold (via the U.S. Department of State's Foreign Military Sales program) fifty four AAV-7 assault amphibious vehicles to the Taiwan Marine Corps to provide tactical amphibious transport for an infantry battalion. The two services have discussed the possibility of an additional sale of AAV-7s, but this is an ongoing issue. Concerning general officer travel visits to Taiwan, we are able to effectively work within policy restrictions to build and maintain an active, cooperative relationship.

QUESTIONS SUBMITTED BY MR. PALAZZO

Mr. PALAZZO. In December, my colleagues and I included a requirement for DOD to produce a report on the cost of LEED and other green building rating systems. It also included a ban on LEED Gold and Platinum (unless justified). Following passage of this requirement, a Navy statement, cited by the Federal Times claims "the Navy is moving ahead with its plan to certify all of its buildings by the end of Fiscal Year 2013." Can you give me an update on your plans to address the language we included in the Authorization bill last year? Are you or any of the Services moving forward with a LEED policy? Are you considering other green building rating systems or alternative approaches to your green building policy? If so, please provide me with an update.

Secretary MABUS. The Department of the Navy (DON) has taken steps to ensure full and immediate compliance with fiscal year (FY) 12 National Defense Authorization Act (NDAA) language pertaining to expenditure of funds for achieving LEED Gold or Platinum certification.

Mr. PALAZZO. The movement of the LHA outside the Future Years Defense Plan and cancellation of LSD (X) inside the FYDP indicate large changes in the requirements for amphibious ships and Marine Corps doctrine at a time when global strategy would suggest otherwise. Do you believe this is a permanent shift? If it is not a permanent shift, what is your assessment of the impact to the industrial base? Will these ships be available for the same price after the interruption? Will there be an experienced builder able and/or willing to restart the production? Is the industrial base a consideration you make in these programmatic decisions?

Admiral GREENERT. The Navy is committed to maintain amphibious lift capacity for 2.0 Marine Expeditionary Brigades (MEB). Our decision to delay the next LHA by one year from FY16 to FY17 for the FY2013 Presidential Budget does not change the overall inventory of amphibious ships, but does address our fiscal constraints and maintains a balanced fleet of ships across all warfare areas.

Although LSD(X) RDT&E profile was adjusted, the program was not cancelled. An Analysis of Alternatives (AoA) for the LSD(X) program is required to identify the most effective configuration for the next amphibious ship and will commence in spring 2012.

Industrial base impacts were considered by Navy leadership when readjusting our shipbuilding plan. The impacts of these moves are considered minimal. Since this is only a one year delay to the third ship of the LHA(R) program, there will be no production restart impacts or increases in the real (i.e., taking out inflation) cost of the ship.

Mr. PALAZZO. The movement of the LHA outside the Future Years Defense Plan and cancellation of LSD (X) inside the FYDP indicate large changes in the requirements for amphibious ships and Marine Corps doctrine at a time when global strategy would suggest otherwise. Do you believe this is a permanent shift? If it is not a permanent shift, what is your assessment of the impact to the industrial base? Will these ships be available for the same price after the interruption? Will there be an experienced builder able and/or willing to restart the production? Is the industrial base a consideration you make in these programmatic decisions?

General AMOS. The movement of LSD(X) does not indicate any large changes in the requirement for amphibious ships. At the request of the Commandant of the Marine Corps, the Chief of Naval Operations and the Secretary of the Navy moved the early funding of the third LHA, LHA-8, back into the FYDP by placing it in FY17. The Marine Corps is very sensitive to the impact of ship building decisions on the industrial base. While the Marine Corps does provide lift requirements, analysis and input to the Navy for use in developing the Long Range Shipbuilding Strategy (LRSS), the Navy ultimately develops and submits the LRSS to Congress.