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SENATE COMMITTEE ON
APPROPRIATIONS

STATEMENT OF
THE HONORABLE RAY MABUS
SECRETARY OF THE NAVY
BEFORE THE
SENATE COMMITTEE ON APPROPRIATIONS
ON
07 MARCH 2012

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Chairman Inouye and Senator Cochran, 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)s 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 two 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 efficiency 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.