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SENATE SUBCOMMITTEE ON DEFENSE,
COMMITTEE ON APPROPRIATIONS

STATEMENT OF
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I. Introduction

Mr. Chairman, distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to testify regarding the Department of the Navy's 2018 President's Budget request.

Having the opportunity to serve our Sailors, Marines and civilians - a force of over 800,000 strong - as the Acting Secretary of the Navy is an extraordinary privilege that brings with it extraordinary responsibility. The members of this sub-committee understand with full recognition the quality and dedication of our men and women in uniform who willingly put their nation before themselves; who stand ready to respond to crisis every hour, every day, around the world; and who willfully sacrifice their livelihood and, if need be, their very life so that we here in America may enjoy the freedoms we cherish so deeply. The dedication, professionalism, unwavering commitment to duty, and sacrifice shown by our Sailors and Marines and their families, and the corps of professional civilians who support them, is the foundation upon which our national security is built.

As the nation's forward global force, the men and women of your Navy and Marine Corps are fully deployed, continuously present afloat and ashore, promoting and protecting the national interests of the United States. If called, they are prepared to 'fight tonight' and win. But, by operating forward, by maintaining a high state of readiness, by participating in international exercises and providing assurance to our partners and allies, by securing the maritime and ensuring access to the global commons, by performing the full spectrum of missions assigned – from humanitarian assistance to strategic deterrence - our greater objective is to dissuade our adversaries and ultimately, to deter potential conflict. To this end, the Navy and Marine Corps operate as part of the larger Joint Force, uniquely providing the sovereignty and persistence of a sea-based force able to operate wherever the waters reach and able to rapidly maneuver ashore as an expeditionary force with air and ground support. It is this ability to operate independently for sustained periods that places naval forces in such a high demand that Combatant Commanders' peacetime requests for naval forces exceed the capacity of the currently sized force. Careful management of our training, maintenance and deployment cycles, however, has ensured our presence and our readiness to meet the nation's highest priority demands as directed by the Secretary of Defense.

II. Operational Overview

In the past year, from Norway to the Baltic, from the Black Sea to the Mediterranean, from the Horn of Africa to the Arabian Gulf, from the west coast of Africa to the straits of Malacca, from the Philippine Sea to the Sea of Japan, to the coasts of the Americas, and on the ground in 37 countries around the world, on any given day greater than 100,000 Sailors and Marines have

been continually deployed, operating multiple carrier-strike groups, amphibious ready groups, Marine Expeditionary Units, squadrons, submarines, and battle staffs. Our presence in regions of interest around the world demonstrates U.S. commitment to these regions, strengthens our alliances and partnerships, and ensures our readiness to respond to any provocation.

We are a nation at war and the value of our forward presence and of our ability to conduct prompt, offensive sea-based operations is exercised every day. Throughout the course of the past year, greater than 2,000 strike sorties flown from the decks of the DWIGHT D. EISENHOWER (CVN 69) and GEORGE H.W. BUSH (CVN 77), along with electronic warfare support from Marine Corps squadrons based at Incirlik Air Base, have supported Operation INHERENT RESOLVE in the fight against the Islamic State of Iraq and Syria (ISIS). More recently, upon the Presidential order to respond to Syria's use of chemical weapons, USS ROSS (DDG 71) and USS PORTER (DDG 78) were present and ready to strike with their complement of Tomahawk missiles. While present forward in 5th and 6th Fleets aboard Makin Island and Bataan Amphibious Ready Groups, Marines from the 11th and 24th MEUs, deployed ashore to provide time critical artillery and security support in Northern Syria. Marines from II MEF established Task Force Southwest in Helmand Province to assist our Afghan partners in retaining control of that contested area. Meanwhile, our Navy SEALS, Marine Corps Special Operating Forces, and supporting expeditionary elements continue to execute counter-terrorism operations in support of our theater Special Operations Commands.

Concurrent with the high tempo of combat operations, we continue our heavy engagement in the conduct of international naval exercises and training. In June 2016; SIXTH Fleet units completed Exercise BALTOPS, a high-end joint exercise, demonstrating American and NATO resolve in the Baltic Sea region. The following month, the U.S. Navy joined with our NATO, Baltic and Black Sea partners for the 15th iteration of Exercise SEA BREEZE. In the following months, in the Arctic, our Marines participated in the Norwegian-hosted exercise COLD RESPONSE, testing warfighting skills in a cold weather environment. In the Straits of Hormuz, 5th Fleet conducted its international MCMEX with 30 international partners to hone our skills and demonstrate our resolve to ensure freedom of navigation. Half the world away, in the Pacific region, the U.S. Navy and Marine Corps participated in 69 international exercises to strengthen our partnerships and demonstrate our commitment. The 25th anniversary of the Rim of the Pacific Exercise (RIMPAC) brought together twenty-six maritime nations, including China, along with 40 ships and submarines, over 200 aircraft, and 25,000 personnel for the largest international maritime exercise in the world. SEVENTH Fleet units operating alongside our Japanese and Indian partners conducted the trilateral Exercise MALABAR in the Philippine Sea focused on anti-submarine warfare and search-and-rescue capabilities. In Thailand the Navy and Marine Corps participated in the major multilateral exercise Cobra Gold and in Korea we participated in Exercises FOAL EAGLE and KEEN RESOLVE with our South Korean allies, showing steadfastness in the face of North Korean provocations. We conducted multiple

Cooperation Afloat Readiness and Training (CARAT) engagements with countries ranging from Singapore to Brunei. This small sampling of our international engagements is enabled by a robust forward presence across the globe.

The foundation of our Naval forces' credibility as reliable partners and as an effective deterrent is our forward presence. From the vast expanses of the Pacific, to the restricted waters of the Arabian Gulf, to the Caribbean, the North Atlantic, the Mediterranean, and the Gulf of Aden we are on watch around the clock.

Our permanent forward presence in the Mediterranean has strengthened with the homeporting of four Aegis Ballistic Missile Defense Destroyers in Rota, Spain, and with achieving Initial Operational Capability of the U.S. AEGIS Ashore Missile Defense System in Romania in 2016. The Marine Corps Special Purpose Marine Air Ground Task Force – Crisis Response, based in Moron, Spain, provides regional capabilities to instantly respond to crises ranging from non-combatant evacuation, to humanitarian assistance and disaster relief, to combat operations.

With its permanently stationed Patrol Craft, Mine Countermeasures ships and rotating combat forces, the U.S. FIFTH Fleet, from its headquarters in Bahrain, provides a clear signal of the American commitment to the region. Our leadership and participation in the Combined Maritime Forces (CMF) in the Indian Ocean, together with 31 of our partner nations, promotes maritime security, helps defeat terrorism, and combats piracy in the Arabian Gulf, Gulf of Oman, Gulf of Aden and the Red Sea.

The value of our presence is not limited to the Indian Ocean. In 2016, a U.S.-led naval training maneuver in the vicinity of the Gulf of Guinea transformed into a counter-piracy mission where navies from the United States, Ghana, Sao Tome and Principe, Togo, and Nigeria tracked a hijacked tanker through the waters of five countries and successfully freed the vessel and rescued the hostages.

Permanently present on the east coast of Africa, U.S. Naval forces command and operate the United States sole forward operating base on that continent, Camp Lemonnier. In support of Combined Joint Task Force Horn of Africa and working closely with our African partners, our presence improves cooperation among regional maritime forces, builds maritime law enforcement capacity and capability, and strengthens maritime domain awareness in order to constrict operating space for maritime crime and piracy.

The Navy and Marine Corps maintain a consistent presence across the vast expansiveness of the Pacific and Indian Oceans, the world's most rapidly growing, dynamic and increasingly important region. With forces permanently stationed in Hawaii, Guam, Korea, Singapore, and Japan and deployed from our east and west coasts, our commitment to this potentially volatile

region continues to strengthen. In early 2017, the Marine Corps relocated the first operational squadron of F-35Bs to Iwakuni, Japan from Yuma, Arizona and increased the capability of its rotational aviation combat element in Darwin, Australia with four MV-22 Ospreys. The Marine Corps continues its realignment of forces across the Western Pacific to enhance our deterrent posture while simultaneously reducing the footprint of U.S. bases in Okinawa. With our permanent stationing of 35 ships, 38,000 Sailors and 24,000 Marines in the Western Pacific combined with a robust rotational deployment of Carrier Strike Groups, Amphibious Ready Groups, surface combatants, submarines, aircraft and supporting forces, our commitment to the stability and security of the Asia-Pacific region is clear to all who would question it.

In our own backyard, U.S. Navy surface, air, and shore-based assets are forward and present throughout the western hemisphere. Under OPERATION MARTILLO, our Cyclone-class patrol coastal ships USS ZEPHYR and USS SHAMAL, with embarked U.S. Coast Guard Law Enforcement Detachments, seized over 5,000 kilograms of contraband in interdiction operations in 2016. USNS SPEARHEAD recently concluded Continuing Promise 2017, visiting Guatemala, Honduras, and Colombia to conduct civil-military operations including humanitarian assistance, training engagements and medical, dental, and veterinary support. Last October, in response to Hurricane Matthew and at the request of the U.S. Agency of International Development, 100 Marines from Special Purpose Marine Air Ground Task Force – Southern Command, USS IWO JIMA, USS MESA VERDE, and elements of the 24th Marine Expeditionary Unit provided humanitarian assistance/disaster relief to the people of Haiti.

These are but a few examples of the daily operations of our Sailors and Marines. Forward deployed and ready, our naval forces project our national values through their frequent international engagements and humanitarian assistance or disaster relief operations, and protect our national interests through their mobility, agility, and combat power.

III. Building Readiness

Maintaining the readiness of our naval forces is key to maintaining the scope and scale of operations demanded of them. We have been increasingly challenged in our ability to do so, however, by the growing imbalance between the size of the force, the operational demand placed on the force, and the funding available to operate and sustain the force. Since 2001, about 100 ships have routinely been deployed each day in response to operational requirements. During this same period, the size of the battle force has drawn down by 14%, resulting in a steady increase to deployment lengths and the operational tempo of the force. Schedules for training and maintenance have been compressed as a result. Years of high flying hour operations have accelerated the aging of our airframes, increased our maintenance requirements, drawn down available supply parts, broken the engineering-material-maintainers 'line of balance', and increasingly impacted availability of aircraft for training and surge operations. Budget

constraints, budget uncertainty, and Continuing Resolutions have exacerbated these issues that stretch from the flight line to the gun line to our depots. Each of these factors has placed added strain on our ships, aircraft, tactical vehicles, and the Sailors and Marines who deploy with them.

The budget environment throughout this period has increased the challenges to our Sailors' and Marines' ability to perform their mission. Since passage of the Budget Control Act, in particular, our increased operational tempo has been met with a decreasing budget, when measured in constant dollars. The net impact of this increased operational tempo under the pressures of a reduced budget has been a decline in the material condition of our ships and aircraft and training of our Sailors and Marines. In order to meet our immediate commitments, we have placed priority on ensuring the readiness of our deployed forces and our 'next to deploy' forces, but we are increasingly challenged to meet future deployment commitments or to surge forces in time of need due to the steady erosion to readiness of the total force that has occurred during this period.

Reversing this trend requires that we first rebuild the warfighting readiness of the current force. Accordingly, our priority in the fiscal year 2017 budget, including the Request for Additional Appropriations, and in the fiscal year 2018 budget request is to fully fund our maintenance and training accounts. We must do this, however, without turning to our modernization and procurement accounts as the 'bill payer', for maintaining our readiness in the long term will require that we grow the force in terms of capacity and lethality to match the demands that are placed upon it.

The FY 2018 budget request funds ship operations and ship depot maintenance to 100% of the forecast requirement to rebuild our readiness at the unit level. Equivalent measures are being taken to fund flying hours and aviation depot maintenance to rebuild aviation readiness.

Funding for spare parts has been increased to reduce logistic delay time and ultimately to increase steaming days and flying hours. The planning, engineering, and maintenance support manpower at the naval shipyards and aviation depots has been increased in order to align the workforce to the projected workload. Major shipyard equipment and IT infrastructure is being modernized at a rate above benchmarks to improve workforce performance, execute maintenance more efficiently, and reduce work stoppages. When and where needed, we are leveraging the skill sets and capacity of private industry to augment our efforts. These investments in people, the industrial plant, and the industrial base are critical to improving shipyard and aviation depot throughput and capacity and, more importantly, to increasing the operational availability of our highest demand assets – our nuclear aircraft carriers and submarines and tactical aircraft. It is important to note, however, the effects of multiple years of insufficient resources cannot be corrected in one budget year; the Department will require stable, predictable funding over multiple years to achieve sustained positive results.

Looking forward, we're working closely with industry on our most critical ship modernization and aviation programs to improve reliability in the near term (therefore reducing maintenance requirements) and to invest in planning, engineering, material, and facilities in support of long term maintenance and modernization requirements.

Alongside our depots, our operational installations are a major component of the Department's readiness requirements. Navy and Marine Corps installations provide physical environments essential for individual, unit and total force training; force deployment; materiel sustainment; unit recovery; and equipment reconstitution. FY 2018 funded the requirement for Department of the Navy facility sustainment nearly 10% above 2017 funding levels. Within this funding level, we are careful to preserve critical facility components and to perform facility maintenance that affects the health and safety of Sailors, Marines and their families. However, we continue to carry risk in facility sustainment and will need to closely monitor and manage the material condition of our many facilities. Over and above facility sustainment, Military Construction also increased by about 10% in FY 2018, with priority placed on these capital investment projects that will preclude mission failure, increase facility optimization, and sustain critical power, cyber-security and utility capacity.

The Department of the Navy (DON) fully supports the Department of Defense request for authorization to conduct a Base Realignment and Closure round in 2021. Enduring savings from BRAC recommendations will leave more DoD resources available for future force structure or readiness requirements. Although Navy and Marine Corps infrastructure capacity is about right, completing the more detailed analysis once a BRAC is authorized will have value, and may highlight opportunities for some savings.

IV. Building the Force

The Naval Force is confronting new challenges in the 21st Century. The United States is facing a return to great power competition, as Russia and China demonstrate both the advanced capabilities and the desire to act as global powers in their own discrete self-interest. The Russian Navy is operating at a pace and in areas not seen since the mid-1990s, and the Chinese Navy is continuing to extend its reach around the world. Assertive competitors with peer-like military capabilities have emerged that will contest our interests globally and test the resilience of our alliances. Potential adversaries with less military power are gaining capabilities through the proliferation of advanced technologies that challenge our ability to ensure maritime access and freedom of navigation in the littorals. Our adversaries are pursuing advanced weapon systems at a level and pace of development not seen since the mid-1980s and both near-peer nations and non-state actors pose credible threats to our security.

The Department of the Navy is responding by investing in capacity and advanced capabilities that increase the size and lethality of both the current and future force, providing our Sailors and Marines with what they need to fight and win a 21st Century conflict.

The 2018 budget request continues the steady recapitalization of Navy and Marine Corps aviation capability. The balance has shifted from large scale development efforts of prior years to mature production and modernization of in-service aircraft for most of our major aviation programs; while our most advanced aircraft - from the fifth generation Joint Strike Fighter to the CH-53K Heavy Lift helicopter to the high altitude long endurance unmanned MQ-4 Triton - are rapidly transitioning to full rate production.

Our shipbuilding program is informed by the Chief of Naval Operations' 2016 Force Structure Assessment (FSA). The larger force and mix of ships outlined in the FSA reflect extensive analysis regarding our operational cycle and the changing security environment. While there is general agreement that we must increase the size of our fleet, the potential timelines associated with fleet expansion require that we implement improvements in concept development, research and development, and rapid fielding efforts to accelerate the fielding of advanced capabilities that will provide our fleet a force multiplier effect. As well, given the budget challenges inherent to expanding our fleet size, we will need to further our efforts to drive down the cost – in terms of both time and money – associated with our major programs. Ultimately, the affordability challenges associated with building this larger fleet will need to be addressed in the context of the pending Defense Review.

As the nation’s expeditionary force in readiness, the Marine Corps has been continuously engaged in major combat and crisis response missions over the past 16 years, resulting in a force that, in the absence of change, would be improperly structured or equipped to meet the demands of a future operating environment characterized by complex terrain, technology proliferation, information warfare, and an increasingly non-permissive maritime domain. This budget supports a Marine Corps end strength of 185,000 Marines, the proper size for today’s mission. The Marine Corps is proposing force capability changes to meet the demands of the future operating environment of 2025 and beyond. Additional analysis will address modernization and the acquisition of capabilities necessary for the future fight.

From aviation to ships to tactical vehicles to trained Sailors and Marines, the immediate priority on building readiness and improving the wholeness of the current force paces our ability to grow force structure in 2018. Building the Navy and Marine Corps to the size that the nation needs will require increased investment over an extended period of time, beginning in the future years of the Defense Plan, as informed by the pending Defense Strategy.

Shipbuilding

The FY 2018 President's Budget request invests in the modernization of our current platforms and weapons; procures six major warships and two auxiliary ships: the ENTERPRISE (CVN 80) FORD Class aircraft carrier, two VIRGINIA Class (SSN) attack submarines, two ARLEIGH BURKE Class (DDG 51) guided missile destroyers, one Littoral Combat Ship (LCS), one JOHN LEWIS Class fleet oiler, and one (T-ATS) towing, salvage and rescue ship; and continues advanced procurement for the lead ship of the COLUMBIA Class ballistic missile submarine program.

The first new design aircraft carrier in forty years, GERALD R. FORD (CVN 78) will deliver this month. The FORD is delivering on promised capability, as demonstrated by land-based, pierside, and at-sea testing to-date. The cost for this new ship class remains of great concern, however, and the Navy and industry are focused on capturing lead ship lessons learned, refining the ship construction process, capitalizing on technological improvements, and enhancing shipbuilder facilities to drive down cost. Cost performance on CVN 79 is promising thus far, and we are committed to expanding ongoing cost control initiatives to further reduce ship cost.

The COLUMBIA Class ballistic missile submarine (SSBN) program, the planned replacement for the OHIO Class, is the Navy's top shipbuilding priority. The program is executing detailed design efforts in preparation for ordering long lead time material in FY 2019 and starting construction in FY 2021. The program's delivery schedule is tightly aligned to the retirement schedule of our current ballistic missile submarine inventory. Cost, schedule, and technical performance on this program are being thoroughly managed to ensure we deliver on time, on budget, and on target per our requirements.

The VIRGINIA Class SSN program continues to deliver submarines that are operationally ready to deploy within budget. The Block IV contract for 10 ships continues co-production of the Class through FY 2018. The Navy intends to build on past success with a Block V Multiyear Procurement (MYP) contract for 10 boats, planned for FY 2019. This represents an increase of one submarine in FY21, while also introducing two new capabilities to the fleet – the VIRGINIA Payload Module and Acoustic Superiority.

With 64 ships at sea and 12 additional ships under construction or on contract, the ARLEIGH BURKE Class (DDG 51) program is the Navy's most successful shipbuilding program. Like the VIRGINIA program, the Navy intends to build on past success with a MYP for ten DDG 51s beginning in FY 2018. These ships will incorporate upgrades to integrated air and missile defense which is being introduced in the FY 2017 ships.

Complementing the DDG 51, the lead ship of the ZUMWALT class (DDG 1000) delivered in May 2016, and is now in its homeport undergoing combat systems activation with completion scheduled for FY 2018. The remaining two ships of the Class are under construction.

The Navy is planning and executing the modernization of 11 TICONDEROGA Class Cruisers (CG 63-73); critical to providing dedicated Air Defense Commander (ADC) capability through the 2030s. The FY 2018 President's Budget requests funding to execute the "2-4-6" plan on seven of the eleven CGs. The remaining four CGs, which have Ballistic Missile Defense (BMD) capability, will receive modernization to their hull, mechanical and electrical systems in FY 2021 to support their operation through their engineered service life.

The 2016 FSA revalidated the warfighting requirement for a total of 52 small surface combatants, including the Littoral Combat Ship (LCS) and a future Frigate. To date, nine LCS ships have delivered and 17 are in construction or under contract, and all are on track to deliver well within the congressional cost cap. Three additional ships were authorized and appropriated in FY2017 which, with the additional ship requested in this year's budget, ensure continued production at both shipyards while the Navy refines the requirements and acquisition strategy for the future Frigate. The LCS program continues to incrementally field its mission systems. LCS 4 is currently deployed with the first instantiation of an over-the-horizon missile capability. The LCS Surface-to-Surface Missile Module with Longbow Hellfire is currently in testing and on track for introduction in 2018, and the Mine Countermeasure and Anti-Submarine Warfare mission modules are in testing, targeting introduction in FY 2019 and 2021, respectively.

The Navy is revising its requirements for the future Frigate to increase its multi-mission capability, lethality and survivability. The Navy currently assesses that adding these capabilities to the Frigate's design will delay its procurement to FY 2020. We will work closely with industry as we release the draft Request for Proposal for this new ship class; continually update our assessment of the Frigate schedule, assess the effects of this and other shipbuilding contract awards on the industrial base, and make any appropriate modifications to our plan for FY 2019 LCS procurement as necessary to ensure healthy competition for the future Frigate program.

This Navy continues to build toward a 34-amphibious ship force by FY 2022. The appropriation by Congress for LPD 29 in FY 2017 supports both amphibious lift requirements and the industrial base. In conjunction with the Navy's FY 2016 award for the LHA 8, the Fleet oiler (T-AO 206), and LX(R) design, LPD-29 provides for an effective transition to LX(R) in FY 2020.

To help offset challenges associated with increasing our fleet size, the Navy is expanding its global reach through the development of unmanned capabilities that will augment our manned platforms. Most recently, the Navy designated the Large Displacement Unmanned Underwater Vehicle (LDUUV) as a Maritime Accelerated Capability Office program to accelerate unmanned

underwater vehicle capability, and released a Request for Proposal to industry to develop an Extra Large Unmanned Underwater Vehicle (XLUUV) that will have extended range and a modular payload capability. These UUVs will aid in the intelligence assessment of the operational environment as well as respond to the Combatant Commander's mission needs.

Similarly, surface operations will be augmented through an integrated team of manned and unmanned autonomous capabilities and capacity. Ongoing investments in autonomy and mine countermeasure technology will continue to reduce the threat of mines in contested waters while also reducing the risk to our Sailors while conducting this dangerous mission.

Aviation

The Department is continuing the recapitalization of our aviation assets ranging from our strike fighter aircraft to Marine Corps heavy lift helicopters, and Navy maritime patrol aircraft, while continuing our efforts with unmanned systems. In FY 2018 we plan to procure 91 manned and unmanned aircraft for the Navy and Marine Corps. Our investment prioritizes capability, capacity, and wholeness as we restore aviation readiness.

Navy Carrier Air Wing composition will be a mix of 4th generation and 5th generation fighter aircraft squadrons (F/A-18 E/F and F-35C), leveraging each aircraft's strengths and capabilities to provide over-match against expected threats while providing a cost efficient force structure. The FY 2018 President's Budget request keeps the Department of the Navy on a path to have 5th generation aircraft comprise 50% of its tactical aviation assets in the Pacific Command Area of Responsibility by 2024.

The F/A-18 A-D was designed for, and has achieved, a service life of 6,000 flight hours, performing as expected through its design life. In addition to the maintenance and modernization work the Navy is currently executing to extend the life of the F-18A-D inventory to 9,000 flight hours, we are working to transition to the newer and more capable Super Hornets and F-35 as quickly as possible to eliminate the increasing cost, at both the flight line and depot level, of keeping legacy aircraft in service.

The FY 2018 Budget request includes funding for 14 Super Hornets in FY 2018 with additional aircraft required in the outyears to arrest the decline in our strike fighter inventory and enable older aircraft to be pulled from service for mid-life upgrades and service life extension. The F/A-18 E/F Super Hornet will be the numerically predominant aircraft in the Carrier Air Wing through the mid-2030s.

The future of the Department's tactical aircraft relies on 5th generation F-35B and F-35C aircraft. The F-35 brings unprecedented low observable technology, modern weaponry, and electronic warfare capability to naval aviation. These aircraft will recapitalize some of our oldest

aircraft – our legacy F/A-18s and AV-8Bs – which are rapidly approaching the end of their service lives. In 2015, Marine Fighter Attack Squadron 121 became the world's first F-35 squadron to achieve operational capability and is now forward deployed in Japan. In 2018, the Navy and Marine Corps team will deploy two Amphibious Ready Groups with embarked Marine Expeditionary Units; each with a detachment of F-35Bs aboard ship marking the first extended at sea deployments for the F-35. The Navy's first F-35C squadron begins transition in 2018; Initial Operational Capability (IOC) is expected by early 2019, and the first deployment on an aircraft carrier is planned for 2021. This budget procures 20 F-35B and 4 F-35C aircraft in FY18.

The EA-18G Growler is a critical enabler for the joint force, bringing fully netted warfare capabilities to the fight and providing unmatched agility in the Electromagnetic Maneuver Warfare environment. Growlers have flown more than 2,300 combat missions to-date and are meeting all operational commitments. Carrier-based and expeditionary Electronic Attack capabilities will increase significantly with introduction of the Next Generation Jammer, which is currently scheduled to complete testing in 2022.

MV-22 Osprey vertical lift capabilities, coupled with the speed, range, and endurance of fixed-wing transports, enables execution of missions that were previously unachievable. The Marine Corps' Osprey fleet continues to experience a high operational tempo with multiple MEU deployments and two Special Purpose Marine Air-Ground Task Force-Crisis Response deployments in support of Africa Command and Central Command. During 2016, the 15th active component squadron achieved full operational capability, with the 16th scheduled for June 2017. FY 2018 begins procurement of the Navy CMV-22B variant in support of the Carrier On-Board Delivery mission and represents the first year of the next V-22 MYP contract.

The Marine Corps CH-53E Super Stallion is the only heavy lift helicopter in the Department of Defense inventory. The CH-53E will remain in service until 2030 to accommodate transition to its replacement, the CH-53K, which, with 27,000lbs lift capacity at a mission radius of 110 nautical miles, nearly triples the lift capability of the legacy CH-53E. In FY 2016, the Marine Corps initiated a CH-53E reset to ensure the remaining aircraft possess the longevity to complete the transition. Procurement of the CH-53K is ongoing, with 51 procured in the FYDP in support of the total buy of 200. Transition will begin in 2019 and is forecast to complete in 2030.

Combining the reliability of the Boeing 737 airframe with avionics that enable integration of modern sensors and robust military communications, the P-8A Poseidon recapitalizes the anti-submarine, anti-surface, and Intelligence, Surveillance and Reconnaissance capabilities of the aging P-3C Orion. Seven (of 12) squadrons have completed transition, with all squadrons scheduled to complete transition by FY 2020. The P-8A program is meeting all cost, schedule and performance parameters; has achieved and surpassed reliability standards for operational

availability and is providing game changing capability to the fleet. Program savings have enabled procurement of one added aircraft (7 total) in FY 2018 with no increase to the budget.

The Department continues steady progress developing and fielding unmanned aviation assets, building towards future air dominance through an integrated team of manned, unmanned, and autonomous capabilities. These teams of systems will conduct ISR, real-time sensor fusion, and electronic warfare, increasing battlespace awareness and precision strike capability.

The MQ-4C Triton will be a core capability of Navy's Maritime Patrol and Reconnaissance Force and deliver persistent maritime ISR as a force multiplier for the Coalition and Joint Force, as well as the Fleet Commander. Triton will deploy with Early Operational Capability in 2018. Fielding of the Multi-Intelligence configuration will enable retirement of EP-3 aircraft in 2020.

The Navy is developing the MQ-25 unmanned mission tanker, the first carrier-based unmanned program, to extend the range and reach of the Carrier Air Wing and greatly reduce the need for F/A-18E/F aircraft to serve as mission tankers. The MQ-25 was designated a Maritime Accelerated Capability Office program by the Chief of Naval Operations and Assistant Secretary of the Navy for Research, Development, and Acquisition, and was also designated by the Secretary of Defense as a Key Performance Parameter 'Reduction Pilot Program' per National Defense Authorization Act (NDAA) FY 2017. The Navy plans to release a request for proposal for air system development in FY 2017 and down-select to a single contractor in FY 2018.

Looking to the far future, the Department has initiated a Next Generation Air Dominance Analysis of Alternatives (AoA) study. The AoA is investigating technology and program investment requirements to recapitalize Navy F/A-18E/F and EA-18G tactical aviation platforms in preparation for their anticipated retirement beginning in the late 2020s.

Ground Forces

Marine Corps invested in select ground capabilities to conduct distributed operations and address changes in the operational environment. Key investments include the Ground/Air task Oriented radar (G/ATOR) and the Common Aviation Command and Control Systems (CAC2S) to enhance the ability of the Marine Air Ground Task Force to coordinate and synchronize distributed C2 sensors and systems. Amphibious and ground maneuver capability will be preserved and upgraded by accelerating legacy Assault Amphibious Vehicle survivability upgrades, procurement of 204 Amphibious Combat vehicles (ACV) and the replacement of about one third (6,895 vehicles) of the legacy high mobility, multi-purpose, wheeled vehicle (HMMWV) Fleet with the Joint Light Tactical Vehicle (JLTV).

The ACV program is the Marine Corps' highest ground modernization priority and is using an evolutionary, incremental approach to replace the aging AAVs with a vehicle that is capable of

moving Marines ashore, initially with surface connectors and ultimately as a self-deploying vehicle. ACV consists of two increments. The first increment will field a personnel carrier with technologies that are currently mature. The second increment provides mobility improvements and delivers specialized mission variants.

Munitions and Weapons Systems

Standard Missile-6 (SM-6) provides theater and high value target area defense for the Fleet, and with Integrated Fire Control, has more than doubled its range in the counter-air mission. SM-6 Block I testing in April 2017 successfully completed live fire requirements per the program of record and is on schedule to declare Full Operational Capability later this year.

The Evolved Sea Sparrow Missile (ESSM) provides another layer to the Navy's defended battle-space. Two ESSM Block 2 Controlled Test Vehicle flight tests were successfully conducted this May with IOC for AEGIS platforms scheduled for 2020 and Ship Self Defense System platforms in the 2022-2023 timeframe.

The inner layer of the Fleet's layered defense is the Rolling Airframe Missile (RAM) Block 2 designed to pace the evolving anti-ship cruise missile threat and improve performance against complex stream raid engagement scenarios. In FY 2017, the RAM Block 2 Program continued to demonstrate outstanding performance through successful Fleet and ship qualification firing events. The RAM Block 2 will proceed to a Full Rate Production (FRP) Decision Review in FY 2018.

The Navy's Cruise Missile Strategy provides for the development of stand-off attack capabilities from air, surface, and undersea platforms against targets afloat and ashore. Key tenets are to 1) maintain and upgrade legacy cruise missiles; 2) pursue advanced near-term capabilities; and 3) plan and develop next generation integrated solutions.

First, the Department's plan is to sustain the Tomahawk Block III and Block IV cruise missile inventory through its anticipated service-life via a mid-life recertification program, enabling the Department to support Tomahawk in our active inventory through the mid-late 2040s. In concert with our recertification program we will integrate modernization and technological upgrades and address existing obsolescence issues. In addition, the Department is developing a Maritime Strike Tomahawk (MST) capability to deliver a long-range anti-surface warfare capability.

Second, the Department will field the Long Range Anti-Ship Missile (LRASM) to meet near to mid-term anti-surface warfare threats. LRASM is pioneering accelerated acquisition processes. Currently, the Department anticipates LRASM to meet all warfighting requirements, deliver on-time, and cost within approximately one-percent of its original program cost estimate.

The Department also plans to develop follow-on next generation strike capabilities. We intend to develop an air-launched weapon to address long-term surface threats and a surface and submarine launched Next Generation Land Attack Weapon (NGLAW). NGLAW will have both a long-range land strike and maritime capability that initially complements, and then replaces, the Tomahawk.

The Department is also continuing to invest in modernization of air-to-air weapons. The FY 2018 President's Budget requests funds for upgrade and procurement of AIM-9X Sidewinder and AIM-120D Advanced Medium-Range Air-to-Air Missiles (AMRAAM). The AIM-9X Block II/ II+ Sidewinder is the fifth generation variant of the Sidewinder family and is the only short-range infrared air-to-air missile integrated on Navy, Marine Corps, and Air Force strike-fighter aircraft, incorporating advanced technology to achieve superior maneuverability and increase the probability of intercept of adversary aircraft. AMRAAM provides an air-to-air first look, first shot, first kill capability, while working within a networked environment in support of the Navy's Theater Air and Missile Defense Mission.

The Department continues investments in other weapons lines, including the Small Diameter Bomb II (SDB II), the Advanced Anti-Radiation Guided Missile (AARGM) and AARGM Extended Range (ER), Joint Air-to-Ground Missile, Advanced Precision Kill Weapons System (APKWS) II, and direct attack weapons and general purpose bombs.

SDB II provides an adverse weather, day or night standoff capability against mobile, moving, and fixed targets, and enables target prosecution while minimizing collateral damage. SDB II will be integrated into the internal carriage of both DoN variants of the Joint Strike Fighter (F-35B/F-35C) and externally on the Navy's F/A-18E/F.

The AGM-88E AARGM is a medium-range air-to-ground missile employed for Suppression and/or Destruction of Enemy Air Defenses (SEAD/DEAD). The AARGM cooperative program with the Italian Air Force transforms the HARM into an affordable, lethal, and flexible time-sensitive strike weapon system. AARGM is in full-rate production and is operationally employed on F/A-18 and EA-18G aircraft. The AARGM-ER modification program was a new start in FY 2016 and will increase the weapon system's survivability against complex and emerging threat systems and affords greater stand-off range for the launch platform.

This budget continues a five-year integration effort of JAGM Increment 1 onto the Marine Corps AH-1Z helicopter and continues to fund JAGM procurement leading to IOC in Fiscal Year 2020. JAGM will replace the HELLFIRE and TOW II missile systems for the Department. APKWS II provides precision guidance capability to the Department's unguided rocket inventories, improving accuracy and minimizing collateral damage. Program production continues on schedule, meeting the needs of our warfighters in today's theaters of operations.

Marine Corps AH-1W and UH-1Y helicopters achieved IOC in March 2012 and the Marine Corps AH-1Z platform was certified to fire APKWS II in June 2015. To date, these platforms have expended more than 190 APKWS II weapons during combat missions.

The FY 2018 President's Budget procures additional Joint Direct Attack Munition (JDAM) kits to enhance the Department's readiness. In thirty months of Operation INHERENT RESOLVE, the Department's aircraft have expended more than three times the number of 500lb JDAM kits than were procured during the same period. This significant demand has required the Navy to reduce the number of 500lb JDAM available for training in order to preserve warfighting inventory. Additionally, fully funding the General Purpose Bomb line item is critical to sustaining the Department's inventory for ongoing combat operations and replenishing it for future contingencies.

Space

The Department's Joint and Fleet space operations are vital to the employment of naval capabilities and provide assured Command and Control, persistent Maritime Battlespace Awareness; maneuver to include physical, cyber and the electromagnetic spectrum; and integrated fires. However, access to space is no longer guaranteed. The National Security Space Strategy defined the current and future space environment as driven by three trends: congested, contested, and competitive. The Department will maximize the utility of space-based assets and assure continued access in the face of growing adversary space capabilities by increasing space-related proficiency throughout the force and with targeted science and technology and research and development investments.

Cyber

Building our force is not limited to new platforms that operate in the traditional domains of sea, undersea, air and space, but also in the newest warfighting domain: cyber. With the exponential growth and ubiquitous availability of advanced computing methods and information technology today's highly networked environment, our Navy and Marine Corps must operate effectively in cyberspace. The Services require unconstrained access and assured capabilities in cyberspace to execute the full range of military missions. We must lead in both offensive and defensive use of this new domain and building cyber resiliency into our networks to allow us to "fight through" a cyber-attack.

Cyber resiliency ensures that when an attacker gets through our defenses, we rapidly detect and react to the anomalous cyber activity in a way that allows us to continue critical operations, or "fight through," while we restore the integrity of that portion of the network. Cyber defense-in-depth is achieved by surveillance and reconnaissance within our networks to detect malicious activity. Navy and Marine Corps Cyber Commands leverage layers of sensors, analysts, and cyber specialists to assure maritime missions and protect data. In addition to defense and

assured access, the Navy and Marine Corps are prepared to deliver cyber effects at a time and place of their choosing across the full range of military operations in support of Naval and joint commanders' objectives.

Industrial Base

The Department of the Navy cannot accomplish its mission, maintain readiness, or modernize the force without its partners in industry. Building readiness and building the force requires a strong and integrated relationship with our industrial base private-sector partners. We will continue to work closely with our prime contractors as procurement plans unfold to ensure our equipment, system, and component suppliers are equally able to support the increased demand associated with building a larger fleet. We have utilized contracting tools such as MYPs, block buy contracts, Economic Order Quantity (EOQ) buys, Capital Expenditure (CAPEX) incentives, and Shipbuilding Capability Preservation Agreements to provide a stable commitment to our industry partners, supporting long range planning focused on affordability and cost control which increases our buying power. We will continue these initiatives to provide stability and mitigate volatility at the supplier level and improve productivity, efficiency, and competitiveness across the supplier base. We appreciate past Congressional support for these efforts and your continued support in the future. While the different industrial sectors face different challenges, common among all is the need for predictable and stable programs which are dependent on a stable budget. We also welcome Congress's support in providing that budget stability.

V. Taking Care of Our People

The men and women of the Department provide our Naval Forces and Nation with an asymmetric advantage. No quantity of next generation ships or aircraft will bring victory without the skilled, dedicated and talented Sailors, Marines, and civilians who build, maintain and operate our Navy and Marine Corps. Despite sixteen years of combat operations, extended deployments and reserve mobilizations, today's force is the most talented and high performing in history. But just as the American technological advantage in warfare is not something we can take for granted, we also cannot simply assume that we will always attract America's best and brightest to serve in our all-volunteer military and civilian workforce. With a turnover of approximately 95,000 Sailors, Marines, and 60,000 civilians a year, providing the incentives to attract and the environment to thrive remains a top priority for the Department. The desire to serve remains strong in America and the Navy and the Marine Corps are achieving overall recruiting objectives. We are, however, experiencing increasing challenges due to an improving civilian labor market, a limited pool of eligible candidates, and increases in accession goals. The Department's civilian workforce is an irreplaceable partner in our naval service and one of the most technologically advanced and innovative workforces in the world. More than half of our civilians are scientists, engineers, mathematicians, and logisticians and to sustain that workforce into the future the Department continues to leverage strategic partnerships with

science, technology, engineering and math (STEM)-related groups and educational institutions to highlight naval service as a rewarding career option.

Maintaining our warfighting advantage requires diversity of experience, background and ideas. The Department draws upon the widest pool of talent and backgrounds to maximize combat effectiveness. Through policy and practice, we have set the conditions to ensure all who are qualified to serve in the Marine Corps and Navy can do so-while creating an environment that promotes dignity and respect for all. In 2016, the Department of the Navy opened the training pipelines in every occupational specialty to women. In May 2016, two female Marines graduated from joint Army/Marine Field Artillery Basic Officers Leaders Course; one graduated first in her class and the other in the top 5%. In April 2017, a Marine 2nd Lieutenant graduated from the Army Armor Basic Officer Leaders Course to become the first female Marine Tank Officer. Additionally, the first four enlisted women Infantry Marines completed training and reported to Marine infantry battalions in December 2016. In the Navy, female officers serve on all combatant platforms, and female enlisted Sailors serve on all platforms where berthing facilities are available. The first female enlisted Sailor earned her submarine qualification and received her Submarine Warfare pin in August 2016. In the recruiting arena, we are actively emphasizing these integration efforts on Service websites and include images of female representatives whenever possible, aimed at encouraging women to enter recently opened occupational fields.

Having invested in recruiting the best talent available, we must retain it. We remain watchful of an increasingly competitive marketplace for talent in an improving economy. While we met the aggregate enlisted retention goals for FY 2016, we continue to experience challenges and shortfalls in some communities, such as Information Warfare, Nuclear technical fields, Special Warfare, and Advanced Electronics. Officer retention remains at historically high levels due, in large part, to judiciously offered incentive pays and bonuses, improved mentoring, recent efforts to add flexible career options, and an increased emphasis on life-work integration initiatives. However, specific active duty officer inventory shortfalls remain in Aviation for certain type/model/series and nuclear-trained Surface Warfare Officers. We are actively addressing these shortfalls through targeted incentives and other retention tools.

The Navy and Marine Corps Reserve continue to be a vital part of the Navy and Marine Corps Team and the Total Force. Mobilizing and employing reserve Sailors and Marines facilitates employing the Active Component to meet other operational and warfighting requirements, maintain unit integrity, and ensure Fleet readiness. 20% of the Navy Reserve conducts operational support across the globe every day, to include squadrons from the Maritime Support Wing flying fixed and rotary wing missions in the South China Sea and reserve Coastal Riverine Units conducting high value escort missions off the Horn of Africa.

The Department is also working to ensure our personnel policies and programs are keeping pace with the innovative human resources environment of the private sector. The Fleet Scholar Education Program (FSEP) allows our best and brightest officers to learn at America's most prestigious universities. The FSEP provides a total of thirty fully funded full-time graduate education opportunities with participant selection from the highest performing officers from each community. Career broadening programs improve the intellectual capital of our officer corps, providing sought after opportunities for our best and brightest.

We have focused on helping Sailors and Marines maximize their personal and professional readiness by assisting them and their families with the mental, physical and emotional challenges of military service. Providing a holistic approach to maintaining the health and resilience of our force, we have made improvements to physical fitness and nutrition programs, enriched family support programs, developed financial literacy training, and prioritized mental wellness. Both Services extended fitness center hours of operation and are piloting 24/7 centers in a number of locations. Morale, Welfare and Recreation programs like Adventure Quest and Single Service members provide a variety of programs promoting physical activity and a healthy lifestyle. MilitaryChildCare.com, an innovative online child care information, request, and reservation system, which will be fully operational this June, will allow our families to secure critical child care services anywhere in the world before they execute a Permanent Change of Station (PCS) move. The Marine Corps and Navy expanded financial literacy training throughout the military lifecycle with topics relevant to life and career touch points, particularly important as we transition to the Blended Retirement System. Earlier this year the Navy released a financial literacy mobile app to enhance access to training, references and guides as well as resources for the transition to the blended retirement system.

Despite our commitment to providing the highest quality of life to our Sailors and Marines the tragedy of suicide continues to plague our institution as it does to society as a whole. The Department has made strides in arresting the incidence of suicide and continues to seek promising paths to prevention.

During the past year, the Navy launched the Sailor Assistance and Intercept for Life (SAIL) program, a research-based non-clinical intervention strategy, modeled after the successful Marine Corps Intercept Program, that provides rapid assistance, on-going risk assessment and support for Sailors who have exhibited suicide-related behaviors. The Marine Corps has initiated Death by Suicide Review Boards to gain in depth understanding of all Marine deaths by suicide. Although the Marine Corps and Navy have reduced military suicides from the peak numbers seen a few years ago, we must continue our efforts to increase resiliency, promote help seeking and provide treatment and support for those in need.

Among our foremost responsibilities is to provide a safe and supportive work place to our employees. Whether in the cockpit of an aircraft, the engine room of a ship, or the office of an ashore facility, the leadership of the Navy and Marine Corps recognize that we cannot be successful in our mission if our people are not secure in their environment.

The occurrence of physiological episodes (PE) in our legacy tactical aircraft and trainers has emerged as the number one aviation safety priority. From Senior Navy leadership to our engineers and maintainers, to our aircraft manufacturers and NASA and the Mayo Clinic, a comprehensive review of the design, the facts, circumstances and processes surrounding PEs has been launched to arrest the increase in PEs in our F/A-18 and T-45 aircraft. The entire Naval Aviation Enterprise is focused on resolving this issue and we will keep the Defense Committees and staff apprised of our findings and progress. In the interim, we are taking every measure to ensure our aviators are afforded the highest standards of safety as they perform their inherently hazardous mission.

An environment that allows our Sailors, Marines and civilians to thrive is also one that is respectful to all, free of harassment, bullying and assault. Sexual assault is a crime that is not tolerated within the naval service. Those who report a sexual assault are supported by over 240 sexual assault response coordinators, 8,000 full and part-time victim advocates, 252 legal personnel, 164 criminal investigators and 215 medical forensic examiners. We have a robust and effective Sexual Assault Prevention and Response program and Victims' Legal Counsel that together encourage increased reporting and provide critical support to those who come forward. We are also taking steps to prevent and respond to perceptions of retaliation or ostracism on the part of the courageous individuals who report these crimes – whether by the chain of command or peers. While there is still much work to be done, reporting across the Department has increased twofold since 2012, and, based on surveys, our estimated number of assaults on Service members has almost halved during that same time. Our leaders, at all levels, are held accountable to ensure every member of our Navy-Marine Corps team can excel in an environment that maximizes their talents and rejects those who would degrade or diminish another service member.

A respectful environment is not limited to physical spaces but includes the virtual and on-line environments where so many social interactions occur. Discovery and investigation into the toxic and predatory behavior harbored by the Marines United Facebook group has uncovered instances of a breakdown of good order and discipline within our Services. The discovery of this toxicity led to a comprehensive investigation of the non-consensual sharing of intimate images by Sailors and Marines, the extension of counseling and legal support to potential victims, the review and update of policy and regulations to cover this internet enabled scourge, and the commitment to hold offenders accountable.

Finally, as a Department, we remain dedicated to strengthening our investment in the ethical development of our Sailors, Marines, and civilian employees to further their competence, confidence, character, and integrity such that their day-to-day actions and decisions are motivated by and aligned with the Department's Core Values of Honor, Courage, Commitment. We have given priority to analyzing and updating training curricula and educational programs across the Department to emphasize the importance of ethical behavior and to diminish instances of destructive behavior. Our people are our competitive advantage and we have no higher priority than to provide the tangible and intangible incentives that will allow us to continue to recruit and retain the nation's best and brightest.

VI. Good Stewardship

In the quarter century since the end of the Cold War, the global threat environment has only become more challenging as multiple competitors seek to disrupt America's leadership role in the world. Ubiquitously available innovations in technology and information combined with increasing pressures on the federal budget mean that we cannot simply outspend our competitors and expect to retain our advantage. We cannot just spend more, we must spend more smartly. We must know where every dollar is spent and incorporate innovative business practices to optimize the marginal value of our investment.

Auditability

A critical step in improving stewardship of the funds the Department of the Navy is entrusted with is to undergo a full financial audit in FY 2018. Over the past years the Department has been working to put the tools and business processes in place that will allow an independent auditor to assess our financial statements, transactions and assets. The Marine Corps reached this milestone a year early in FY 2017 and the Navy is leveraging lessons from the Marine Corps to improve its audit readiness.

The Department of the Navy is not approaching audit as a discrete test of our financial reporting but rather as a continual year round process to improve management of the significant resources with which we are entrusted. Standardizing our business processes and strengthening our internal controls will not only ensure financial data accurately reflects our business activities and minimize opportunities for the misuse of funds, but as importantly, it will improve the visibility of our management of the billions of dollars that it takes to build, operate and maintain our naval forces. This visibility, in turn, will allow us to better direct those funds consistent with the nation's priorities.

The process of preparing for audit has also improved the culture of accountability throughout the Department, as every senior leader across the Navy-Marine Corps team embraces their role in developing and enforcing appropriate internal controls. Senior leaders are assigned

responsibility for the correction of identified audit deficiencies and their leadership and actions provide the "tone from the top" which highlights the importance of effective controls and audits to all business managers. Performing business processes in a standardized way and retaining key documentation is the new normal for all who spend taxpayer dollars.

The Department of the Navy understands the value audits will provide in maximizing the value of every tax dollar spent. Given the complexity and size of our operations, we anticipate that an unqualified audit opinion will be several years away, but as annual full audits of the Department of the Navy begin in 2018, we will constantly assess the results for opportunities to develop and implement the cultural, process and system changes needed to hold ourselves accountable and to maintain the trust and confidence of the American people.

Business Reform

The processes, tools and systems that we use to manage the business of your Navy and Marine Corps have evolved over the past two centuries of successful naval operations. By implementing discrete business improvements over time, the Department, to date, has maintained its edge. Just as our competitors have leveraged the accelerating pace of technology development and absorption, however, so must the naval services leverage and embrace improvements in technology to better manage the processes that ultimately deliver our Nation's warfighting capability and ensure that we retain that edge.

The Department of the Navy embraces the President's and Secretary of Defense's initiative to reform government. Improvements in data collection, storage and analysis provide abundant opportunities to not only reduce cost but also to improve our decision making in every Department activity from warfighting to personnel management to audit and real property management. The tremendous gains in commercial enterprise valuation over the past decade have not been through the implementation of efficiencies, but rather through rapid boosts in productivity enabled by information and technology. To the extent possible, the Department is committed to leveraging the innovations increasingly employed by commercial industry to improve the productivity of our business management processes and systems. Such innovations include appropriate migration of data storage and applications to the commercial cloud, continued consolidation and standardization of our data centers, and improved business intelligence and analysis capability.

Opportunities for improved productivity are not limited to the modernization of our business IT systems. Exponential advancements in manufacturing processes and materials, artificial intelligence, energy capture, storage and transmission, and virtual and augmented reality offer abundant opportunities to reform and improve not only our business processes but also the productivity of our personnel, training, acquisition and maintenance activities.

Nor are the opportunities for improved stewardship limited to technology; process, policy, and leadership can also drive the agility and innovation that leads to a more productive enterprise. The Department of the Navy has welcomed the additional acquisition flexibilities provided through the FY 2016 and FY 2017 NDAA. Consistent with Congressional intent we are capitalizing on the flexibility inherent to Mid-Tier Acquisition and Acquisition Agility provisions provided from FY 2016 NDAA (Section 804) and FY 2017 NDAA (Section 806), respectively. Additionally, we have implemented an Accelerated Acquisition approach with the Department of the Navy that encourages and enables the rapid development and transition of emerging technologies and engineering innovations to address critical Navy and Marine Corps warfighting needs. The Large Displacement Unmanned Underwater Vehicle and the Carrier based launched Unmanned Aerial Vehicle System are being managed as accelerated capability programs with the direct senior leadership involvement necessary to enable streamlined risk acceptance and decision making.

The Department of the Navy is actively expanding and strengthening our network of partnerships, seeking further collaboration with traditional and non-traditional industry, laboratories, and academic institutions as well as international partners. In a combined effort between the Secretariat, the Marine Corps the Navy and industry, we recently conducted a Ship to Shore Maneuver Exploration and Experimentation exercise in which we demonstrated over 100 innovative technologies and concepts from varied industry partners, universities and naval labs. Such Rapid Prototyping, Experimentation and Demonstration (RPED) projects will inform our concepts and requirements and shorten the cycle between the identification of a capability gap and the delivery of a suitable solution.

Our reform efforts, focused on improving productivity, will evolve as new opportunities are revealed. To maintain our reform momentum we have invigorated a Department of the Navy Business Council to provide four star level oversight and support for our continual reform efforts.

VII. Conclusion

The Navy and Marine Corps team is organized, manned, trained and equipped to assure our allies, deter aggressors, and, when necessary, defeat our adversaries and serve as an outward symbol of our nation's resolve. Developing and maintaining globally present and operationally relevant naval forces that provide timely, agile and effective options to national leaders as they seek to advance our national security interests requires that we take the longer view.

As a maritime nation, our security and prosperity is dependent upon our freedom of the seas in time of peace and our command of the seas in time of war. America's Naval forces' ability to shape and influence events while advancing and protecting American interests around the world

traditionally relies upon a force whose strength is measured in terms of numbers of ships, aircraft, and munitions; increasingly relies upon advanced capabilities involving unmanned systems, advanced sensors, stealth, electromagnetic maneuver, directed energy, and hypersonics; and always relies upon the quality and dedication of America's Sailors and Marines. Our future success in providing for our Nation's security will ultimately rely upon Congress to provide the resources we need to build, operate and maintain the force; to deliver the necessary advanced capabilities; and to attract, train and retain the best of America's young men and women to serve in our Navy and Marine Corps. In exchange, we are committed to being excellent stewards of those resources to ensure we deliver the maximum warfighting capability for every dollar provided by the taxpayer.

Our priority in this year's President's Budget request is to rebuild the readiness and lay the foundation for future growth – capacity and lethality – of the force. The Department fundamentally requires a predictable, timely budget - - something that has been elusive throughout the years operating under the Budget Control Act - - to meet this priority. We will also need an increase to the Budget Control Act caps, as outlined in detail by our President's Budget request. Timely passage of a full year appropriation at the requested level will provide for the most efficient execution of the resources provided by Congress, while bringing stability to our workforce and our industrial base, and enabling the Department to most effectively train, maintain, and deploy the force.

I want to thank this Subcommittee for your enduring support to our Sailors, Marines, civilians and their families, and for your past support for our key programs that support the Naval force our Nation's needs. The FY 2018 President's Budget request is properly balanced to support the needs of the United States Navy and the United States Marine Corps and ensures we are better prepared to fight and win our Nation's battles today and in the future. I look forward to working with you in the furtherance of our maritime capabilities.