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HOUSE SUBCOMMITTEE ON DEFENSE
COMMITTEE ON APPROPRIATIONS

STATEMENT OF
THE HONORABLE RAY MABUS
SECRETARY OF THE NAVY
BEFORE THE
HOUSE SUBCOMMITTEE ON DEFENSE
COMMITTEE ON APPROPRIATIONS
ON
25 MARCH 2014

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Chairman Frelinghuysen and Ranking Representative Visclosky, and members of the committee, today I have the privilege of appearing to discuss posture and readiness for the fifth time on behalf of the men and women of the Department of the Navy. It is an honor to represent the Sailors and Marines across the globe, as the Marine Hymn says, “in every clime and place;” the civilians who support them at home and around the world; and to report on the readiness, posture, progress, and budgetary requests of the Department. Along with Commandant of the Marine Corps, General James Amos, and Chief of Naval Operations (CNO), Admiral Jonathan Greenert, I take great pride in the opportunity to both lead and serve the dedicated men and women of our Department. This statement, together with the posture statements provided by CNO Greenert and Commandant Amos, are designed to present an overview of the state of the Department of the Navy for your consideration as we move forward with the FY15 budget process.

The architects of our Constitution recognized the inherent value of the United States Navy and Marine Corps. Article 1, Section 8, gave Congress the responsibility to “provide and maintain a Navy,” because our Founding Fathers knew that the nation needed a naval force to operate continuously in war and peace. Over two centuries ago they recognized that having a Navy and Marine Corps to sail the world’s oceans in defense of our national interests and our commerce sent a powerful signal to our allies and our potential adversaries. Even then, the United States had a crucial role in the world. Today that role is exponentially greater.

This year we celebrate the Bicentennial of Thomas Macdonough’s “signal victory” on Lake Champlain during the War of 1812. From that early triumph in the defense of our Republic to the heroic fights in places like Mobile Bay and Manila; to the Chosin Reservoir and the quarantine during the Cuban Missile Crisis and the coastal and riverine patrols of Vietnam; to the mountains of Afghanistan and the littorals of the Pacific presently; our Navy and Marine Corps have been there when the nation called. We have given our Commanders-in-Chief the options needed.

These options are far greater than just waging war, although the Navy and Marine Corps are ready, when necessary, to fight and win our nation’s wars. In today’s complex world, with a dynamic security environment, naval assets are more critical than ever. This year our ground forces are returning home from the battlefields of Afghanistan, just as they have from Iraq. Yet our Sailors and Marines know that they will continue to forward deploy as the guardians of our safety and security. In peace, as in war, we will deploy, day after day, year after year. For seven decades our global presence and maritime strength have ensured the freedom of the seas and the security of peaceful free trade around the world. This has resulted in unprecedented growth in the world’s economy, which has benefitted all. It also ensures America’s interests are respected and our people remain secure.

The Navy and Marine Corps respond whenever the nation calls. Whether facing high-end combat, asymmetrical threats or humanitarian needs, America’s maritime forces are ready and present on Day One of any crisis, for any eventuality.

Strategic Context in 2013

Throughout the past year, the Navy and Marine Corps repeatedly demonstrated the critical role they play in ensuring global stability. In military terms, they provide worldwide presence. Naval forces operated across the Pacific, and in the continuing combat mission in Afghanistan, from the Gulf of Guinea to the Arctic Circle. As President Theodore Roosevelt said, “A good Navy is not a provocation to war. It is the surest guarantee of peace.” We don’t have to surge units from home. Our ships don’t take up an inch of anyone else’s soil. We reassure our partners that we are there, and remind those who may wish our country and allies harm that we’re never far away. We protect the global commons and ensure the freedom of navigation which has underwritten the growth of the world’s economy for decades.

In recent years we have had a range of examples which illustrate what our Navy and Marine Corps mean for our nation. Every time North Korea conducts missile tests or threatens their neighbors, our Ballistic Missile Defense ships are already there, already on patrol. There’s no overt escalation, because we are already present. When special operations units conduct operations all over the globe, from capturing known terrorists in Libya to raids in Somalia, they rely on Navy ships and Marine Corps units as critical enablers. We support friends and allies with humanitarian assistance missions like Pacific Partnership and in exercises that help build our ability to operate together like our Cooperation Afloat Readiness and Training (CARAT) exercises with numerous partners. Around the world the credible combat power of the U.S. Navy and Marine Corps opens the door for diplomacy and helps our leaders address emerging threats.

A few months ago when Typhoon Haiyan moved toward our allies in the Philippines, our naval forces in the region tracked its progress. U.S. Marines were on the ground within hours after the storm. Our C-130s and MV-22 *Ospreys* brought in early aid and began to survey and assess the damage. Within days we had a dozen ships, including the *George Washington* Strike Group, in the waters around the Philippines along with over a hundred aircraft, providing lifesaving aid and supplies to devastated communities.

Humanitarian Assistance and Disaster Relief missions are an important contribution our Navy and Marine Corps make to our nation's diplomacy because our presence allows us to respond quickly and effectively. These operations build our partnerships and they encourage stability and security by helping those in need get back on their feet. However, it should not be lost on anyone that we are talking about warships, warplanes and warfighters. We amassed a dozen combat ready warships and massive amounts of air support, rapidly, to respond to a crisis. We were able to do so because of the inherent flexibility of our people and our platforms.

These examples demonstrate that for the Navy and Marine Corps global presence is our purpose. We are there to deal with the unexpected. We are the nation’s hedge against new crises and new conflicts. The Navy and Marine Corps are our nation’s Away Team, ready for whatever comes over the horizon.

Today’s Priorities

Four key factors make our global presence and global action possible. These four factors – People, Platforms, Power and Partnerships – have been my priorities during my tenure as Secretary and they must continue to receive our focus looking ahead.

Each of these four priorities contributes directly to the Department of the Navy's ability to provide the presence and options which the Commander-in-Chief and the American people have come to expect. They are what makes our Navy and Marine Corps the most immediate and capable option when a crisis develops anywhere in the world. Our People, Platforms, Power, and Partnerships guide our approach to the FY15 budget process.

People – Supporting our Vital Asset

In 1915, my predecessor, Josephus Daniels testified before Congress that “a Navy, no matter how powerful, unless it is well manned by an adequate number of well-equipped and well trained Sailors, would have very little value.” That statement is even more true today. Our Total Force of active duty and reserve military, and civilians are what make the Navy and Marine Corps the best in the world.

Our equipment – the ships, submarines, aircraft, vehicles, weapons and cyber systems; everything that our Sailors and Marines operate – are technological marvels and the most advanced in the world. But they only exist thanks to those who design, build and procure them. And they would be useless without those who sail and fly and operate them. The people are the real marvel. They are what gives the United States the edge and what sets us apart from the world. And that is why our people have been and must continue to be our highest priority. However, the last few years have seen increasing challenges to our people, uniform and civilian.

Those in uniform have seen ever lengthening deployments. The average number of days that ships are underway or deployed increased 15% since 2001. In 2013 the USS DWIGHT D. EISENHOWER Strike Group returned from back-to-back deployments, totaling 12 months, with only a two-month break in between. USS NIMITZ, which returned home just before Christmas, was extended twice because of the crisis in Syria and was deployed for ten months. Instead of six month deployments, which had been standard for decades, eight months at sea is the new normal and ten months is becoming more common. These extended deployments, which immediately follow an intense training cycle requiring recurring operations at sea, stress our Sailors and Marines and their families. This will continue because the requirement for naval presence will not diminish.

Our civilian personnel have been tested as well. We literally could not put our fleet to sea without these committed and courageous individuals. The horrific attack at the Washington Navy Yard in September cost the lives of twelve devoted public servants left two physically injured and intangible scars across our workforce. Just days later, as soon as they were permitted, most of their colleagues on the Navy Yard returned to work, committed to their mission despite three years in which they received no pay raises and were subject to furloughs. Two weeks after the shooting our Navy and Marine Corps civilians, including many who worked

at the Navy Yard but were not part of Naval Sea Systems Command or Naval Facilities Engineering Command, were forced off the job again by the government shutdown.

A concrete demonstration of our support for our Sailors, Marines, and civilians are their pay and benefits. Military pay and benefits continue at a competitive level, and in some skill areas are better than those found in the private sector. The promise of a military retirement is a key element of the covenant we have with the men and women who serve our country for an entire career. We must safeguard that promise for today's Sailors and Marines. However, we also have to realize that the growth rate in military compensation must be controlled. Our Sailors and Marines chose to serve their country out of duty and patriotism, not just for the money. We must ensure that we support our active duty personnel by giving them the resources and tools they need to do their jobs, as well as their well-earned compensation.

We support the sensible and fair reforms to compensation and benefits introduced in the President's budget. We look forward to considering the complete review being conducted by the Military Compensation and Retirement Modernization Commission. We must have a holistic approach which ensures that any changes are reasonable, effective, and fair in sustaining the All-Volunteer Force.

Today's demanding environment will require the most resilient force that our Navy and Marine Corps has ever fielded. Because of that we continue to develop the 21st Century Sailor and Marine Initiative as an overarching method of supporting our people, to eliminate stovepipes and ensure a comprehensive approach. The goal is to help our Sailors and Marines maximize their personal and professional readiness, and to assist them and their families with the mental, physical and emotional challenges of military service.

The initiative is influencing Sailors and Marines around the world. In particular, we are working to counter the challenges of suicide, sexual assault and alcohol-related incidents. These tragic occurrences not only impact the resilience of our Sailors and Marines, they also directly impact the discipline of the force and degrade combat effectiveness.

We remain resolute in our efforts to minimize suicides and we are striving to understand the root causes and contributing factors that lead to suicide and suicide-related behavior. We want an environment in which Sailors and Marines are comfortable coming forward when they feel they may harm themselves, or when they know of a shipmate contemplating harm. Over the past few years we have introduced a number of initiatives including the Navy Operational Stress Control (OSC) Program to help build personal resilience, promote peer-to-peer support, enhance family support, and enable intervention up and down the chain of command. We have also added additional Mobile Training Teams who travel to units around the world to teach these skills and foster a sense of community. Our suicide prevention teams examine each incident for insights and data to inform our programs and we apply those lessons to help improve our training and policy.

Sexual assault continues to be an “insider threat” with serious impacts on the Navy and Marine Corps. Because of the seriousness of this issue, soon after taking office I established the first and only Sexual Assault Prevention and Response Office reporting directly to me as Secretary. We have implemented numerous programs to strengthen our approach, including consistent leadership, new training methods, and victim-centered support efforts. Reporting of sexual assaults increased in FY13, which we believe reflects a positive aspect of our efforts. It indicates that our Sailors and Marines believe that their reports will be taken seriously and that perpetrators will be held accountable.

Another key element is our effort to strengthen the expertise and increase the resources of the Naval Criminal Investigative Service and our Judge Advocates to investigate and prosecute sexual criminals. We have also focused some of their training on advocating for victims. We continue to conduct regular voluntary anonymous surveys in order to learn as much as possible about perceptions and the factors influencing decisions to report or not report sexual assaults

We continue to work to curb alcohol abuse and reduce the number of alcohol-related incidents which can end lives and careers. There has been a downward trend in alcohol related incidents which continued in 2013 as we saw yet another reduction in cases of DUI and alcohol related behavior. We attribute this in part to dynamic media and education campaigns and directed-actions for irresponsible use of alcohol. We have also instituted limits to the shelf space available for the sale of alcohol at Navy and Marine Corps Exchanges. Implementation of the alcohol detection device program is still relatively new but fleet feedback suggests these devices, paired with an effective command prevention program which includes things like curfews and base patrols, provide an effective deterrent to alcohol abuse.

Another positive development in 2013 was the significant strides the Navy made toward our goal of complete equality of opportunity for women in every officer designator and enlisted rating. Female officers and enlisted currently serve on virtually every class of surface ship and in every type of aviation squadron. Female officers now serve as well in our Submarine Force and the Task Force on Enlisted Women in Submarines continues to develop details for full Submarine Force integration. The Navy is opening 252 enlisted and 15 officer billets to women in the Coastal Riverine Force. The sole remaining area in the Navy not yet open to women is Navy Special Warfare. However, once assessments are complete and Congress has been notified, assigning women in that area will be in accordance with the U.S. Special Operations Command implementation plan.

The Marine Corps continues to implement its plan to open closed positions to women. All positions currently closed will either be opened to women or an exception to policy requested from the Secretary of Defense by January of 2016. Since the 2011 NDAA the Marine Corps has opened 463 positions in 22 units in the Ground Combat Element to female officers and staff non-commissioned officers with open occupational specialties. Female officers and female enlisted Marines have been given the opportunity to volunteer for the training in Infantry Officer School or the Infantry Training Battalion as part of the research effort to inform decisions to open currently closed positions to women.

Platforms – Building the Future Fleet

The Marines, Sailors and civilians are the heart of our force, but what enables them to do their job are the ships, submarines, and aircraft in our fleet. As I noted earlier, we have the most advanced platforms in the world and we must constantly work to maintain that technological advantage. However, at a certain point quantity has a quality all its own.

The very nature of the Navy and Marine Corps mission, maintaining a global presence and positioning forces to respond immediately to emergent threats from man or nature, means that there is not much difference in our operations in times of war or peace. And the updated Defense Strategic Guidance and Quadrennial Defense Review clearly rely even more on maritime assets in our national security strategy.

It is important to understand how we got to our current fleet size. On 9/11, the fleet stood at 316 ships. By 2008, after one of the largest military buildups in American history, that number had dropped to 278 ships. In the four years before I took office as Secretary, the Navy put 19 ships under contract. Since I took office in May of 2009, we have put 60 ships under contract and by 2019 our current plan will enable us to return the fleet to 300 ships.

Some of the Navy's decline in the number of ships may be attributed to our understandable focus on ground forces involved in two major wars for more than a decade. But when I took office, I found it necessary to significantly revamp our basic management and oversight practices as well.

When I took office, many of the Navy's shipbuilding programs were seriously troubled, with costs spiraling out of control and schedules slipping. There were some fundamental flaws in the acquisition process we were using. Ships were still being designed while under construction, immature technology was added before being proven, and requirements grew without restraint or realistic price forecasts. One of the central problems the Navy faced was a lack of competition in the system. With a smaller number of shipbuilders, Navy contracts had begun to be treated like allocations, rather than competitions to earn our business.

In the past five years we have turned shipbuilding around by promoting acquisition excellence and integrity as well as aggressive oversight. We have been rebuilding the Department's core of acquisition professionals. Our focus is on everything from requirements, to design, to construction efficiency, to projected total life cycle costs. We emphasized firm, fixed-price contracts over the cost-plus contracts that can inflate costs. We introduced initiatives to spend smarter and more efficiently through competition, multi-year buys, and driving harder bargains for taxpayer dollars. I have made it clear to industry that Navy expects three things. A learning curve should be evident so each ship of the same type, whose design had not dramatically changed, would take fewer man-hours to build and should cost less than previous ships. Second, costs have to be scrubbed relentlessly with total visibility for Navy in estimates and bids. Third, appropriate investments in both infrastructure and workforce training must be made and are a shipbuilder's responsibility.

But along with those harder bargains and expectations I made a commitment to our industry partners that the Department will do three things to keep up our end of the relationship. First, we must build stable designs without major changes during construction. Second, if a new advanced technology comes along after construction has started; it must wait until the next block of ships. Finally, we will offer a realistic shipbuilding plan so that the number, type, and timing of building would be transparent and offer some stability to the industry.

In today's fiscal environment maintaining and increasing the fleet size will require sound management, innovative solutions, and continuing to seek out efficiency in our acquisition system. Navy shipbuilding is a unique public-private partnership; a key economic engine touching all but one of the 50 states that provides over 100,000 high-skilled, high-paying jobs and the basis for the global prosperity and security that naval presence has assured since World War II.

The FY15 Shipbuilding Plan projects that we will reach 300 ships by the end of the decade. This plan maintains a force that is balanced and flexible and focuses on critical technologies. It is designed to be able to prevail in 21st century combat situations, including anti-access, area-denial environments, and to be operationally effective and resilient against cyber attacks. In 2013 we awarded two ARLEIGH BURKE class destroyers (DDG's) and contracted for seven more, which will be built over the next several years through a multi-year procurement contract. In total in '13 we delivered seven new vessels to the fleet. We deeply appreciate the support of this committee and will work with you in order to build and maintain the fleet needed to address our global requirements and responsibilities.

2013 saw a number of significant milestones for our new platforms and our research and development programs. Our interim Afloat Forward Staging Base (AFSB) USS PONCE continued to develop operating concepts for future AFSB's and Mobile Landing Platforms (MLPs). The next generation destroyer USS ZUMWALT (DDG-1000) and the MLP USNS MONTFORD POINT were launched. The first P-8 *Poseidon* maritime patrol aircraft deployed to the Pacific and the Navy and Marine Corps established their first F-35 *Lightning II* squadrons. The Air and Missile Defense Radar (AMDR) began development. The Standard Missile 6 (SM-6) was introduced to the fleet. None of these programs would be possible without your continued support.

The deployment of Littoral Combat Ship (LCS) USS FREEDOM to the Pacific is an important milestone in the LCS Program. The deployment tested the ship and its key operating concepts, overcame first-in-class challenges, and provided the Navy with lessons learned and ways to improve the program. The rotational forward deployment of the ship with our friends in Singapore was an unqualified success. In addition to contributing to relief efforts for Typhoon HAIYAN, the ship also conducted a very successful crew-swap, teaching us a great deal about the LCS' new and innovative manning and deployment concepts.

Our aviation and weapons programs are just as important to our ability to project power and provide presence as our shipbuilding. In May Admiral Greenert and I stood on the deck of USS

GEORGE H. W. BUSH and watched the landing of the X-47B unmanned carrier demonstrator. It was an historic moment in naval aviation, and a critical step forward in the development of our naval unmanned systems. We are pushing ahead with the Unmanned Carrier Launched Airborne Surveillance and Strike system (UCLASS) to develop an aircraft capable of multiple missions and functions, including precision strike in a contested environment. Support for this aircraft is vital for shaping the carrier air-wing for the challenges of the 21st century. To enhance our combat effectiveness and efficiency, these unmanned systems need to be integrated into everything we do across the full range of military operations.

The at-sea testing of a directed energy weapon system was also an important development. These new systems can give the Navy an affordable, multi-mission weapon with a deep magazine and unmatched precision. Their modular nature will allow them to be installed on numerous different classes of ships in the future. We intend to deploy the system on the USS PONCE to continue testing and inform follow on Navy and DoD research into developing and integrating affordable directed energy weapons into the Joint Force.

During difficult fiscal times it may be tempting to target research and development programs for savings. However, that kind of thinking is short sighted. These programs, and our entire research and development establishment from the Office of Naval Research to Navy labs to our industry partners, are vital to our future.

Power – A National Security Issue

Power and energy are central to our naval forces and our ability to be in the right place, around the world. It is what we need to get them there and keep them there. The Navy has a long, proud history of energy innovation. From sail to coal to oil to nuclear, and now to alternative fuels, the Navy has led the way.

Energy is a national security issue and can be, and is, used as a geostrategic weapon. Even with domestic oil production up, imports declining, and new oil and gas reserves being discovered, energy is still a security concern and military vulnerability. One reason for this is that oil is the ultimate global commodity, often traded on speculation and rumor. In the aftermath of the chemical weapons attack in Syria, oil prices surged to over \$107 per barrel and remained there for weeks, in what oil traders call a “security premium.” This same scenario plays out, such as during the crises in Egypt and Libya, and every time instability arises. Each \$1 increase in the price of a barrel of oil results in a \$30 million bill for the Navy and Marine Corps. This has huge implications across the Department of Defense and for our security. DOD is the largest single institutional consumer of fossil fuels on earth and budgets about \$15 billion each year on fuel. But in fiscal years 2011 and 2012 price spikes added another \$3 billion to the DOD fuel bill. The potential bills from that “security premium” can mean that we will have fewer resources for maintenance and training. But more importantly, the cost of meeting our high fuel demand can also be measured in the lives of Marines killed or wounded guarding fuel convoys. During the height of operations in Afghanistan, we were losing one Marine, killed or wounded, for every 50 convoys transporting fuel into theater. That is far too high a price to pay.

In 2009, I announced five energy goals for the Department of the Navy in order to improve our energy security, increase our strategic independence, and improve our warfighting capabilities. The topline goal commits the Department of the Navy to generate one-half of its energy needs from non-fossil fueled sources by 2020. We are making real progress toward that goal through greater energy efficiency and alternative fuel initiatives. Burning cleaner fuel, or burning less fuel, is better for the environment but that is not our primary incentive. We're pursuing these alternatives because they can make us better warfighters.

Under a Presidential Directive, the Department of the Navy is working with the Departments of Energy and Agriculture to help promote a national biofuel industry. This past year, under the authority in Title III of the Defense Production Act (DPA), we took an important step forward, with a DoD DPA award to four companies which committed to produce 160 million gallons of drop-in, military-compatible biofuels each year at an average price of well below \$4.00 per gallon, a price that is competitive with what we are paying today for conventional fuels. DOD policy and my prior commitment has been that we will only buy operational quantities of biofuels when they are cost competitive. This initiative moves us far down that road. At full production, biofuels combined with conventional fuel at a 50/50 blend hold the promise of being able to cost-effectively provide our fleet with much of its annual fuel demand, providing real competition in the liquid fuels market.

We also continue to develop our energy efficiency through research and development of more efficient propulsion systems, shore-based power management and smart-grid technology, and conservation measures. For example, in the past year the Naval Facilities Engineering Command's Engineering and Expeditionary Warfare Center provided technology demonstrators at Camp Lemonnier, Djibouti which reduced fuel consumption nine percent base wide, even with a three percent increase in energy demand because of an increased population. At Joint Base Pearl Harbor Hickam a \$2.2 million contract for the Daylight Project was awarded, which will use sunlight to light warehouse spaces and utilize photo sensors to automatically turn off lights when daylight levels are sufficient. In aggregate, FY13 energy programs in Hawaii are projected to save the government \$4.7 million a year. The Marine Corps' development of expeditionary power solutions, through the Experimental Forward Operating Bases or ExFOB, has made them better warriors who are lighter and more agile in the face of today's global threats.

The Navy has a long and successful history of partnering with industry to promote business sectors and products important to our nation's military and economic security. From the development of the American steel industry to nuclear power, the Navy has helped the country develop economically while helping Sailors benefit from the cutting edge of technology to defend our nation. These programs are about diversifying fuel supplies, stabilizing fuel costs and reducing overall energy needs. In achieving these energy goals, we will maximize our reach and maintain our global presence and make our Navy and Marine Corps more combat capable.

Partnerships – The Global Maritime World

For the last seven decades American naval forces have deployed around the world to be, as President Obama said this past year, the anchor of global security. We operate and exercise

alongside our friends and partners around the world, to maintain the stability of the global maritime commons. We work to uphold the key principles of free trade in free markets based on freedom of navigation, which underwrites the unprecedented growth of the global economy.

In times of economic uncertainty it is more critical than ever to protect the stability of the global system. As 90 percent of worldwide trade moves at sea, this system, and the sophisticated set of international rules and treaties on which it is based, has become central to our global marketplace. However the efficiency and intricate interdependencies of a “just in time” economy place the system at risk from the destabilizing influences of rogue nations, non-state actors, and regional conflicts.

The Navy and Marine Corps, by nature of their forward presence and the boundless quality of the world’s oceans, are naturally suited to develop relationships, particularly in the innovative, small footprint ways the updated Defense Strategic Guidance and QDR require. Helping international partners increase their abilities and become more interoperable with us helps us all. Allies and partners around the world recognize that our combined naval forces offer a unique and critical capability. As an Asian Ambassador to the United States recently remarked to me, the competing claims in the Pacific today have reminded some of our friends of the vital role U.S. naval forces play in global stability.

Providing security for free trade and freedom of navigation across the maritime domain requires more capacity than any single nation can muster. The United States Navy plays a principal role in maintaining the freedom of the seas, but it cannot play an exclusive role. Partnerships between like-minded nations, collaborating to ensure security and safety at sea, distribute the burden based on alliances, shared values and mutual trust.

A recent Naval History and Heritage Command study titled “You Cannot Surge Trust” has reinforced the fact that partnership and trust do not appear overnight. Naval operations, in peace and war, are fundamentally human endeavors. Operational success is based as much, or more, on professional norms, personal relationships and human decision making as on technology or hardware. Partnerships are a critical naval endeavor.

In the past year, we continued to develop the strength of our partnerships across the globe. Engagement between the leaders of the world’s naval forces is a critical component of building those human connections. Because of this, our senior uniformed leaders and I have traveled extensively to meet and consult with our peers.

Many nations have a longstanding territorial view inward, which caused them to focus overwhelmingly on land forces in the past. But in today’s globalized world they recognize that they now have to face outward. They are looking to the U.S. Navy and Marine Corps for advice and assistance as they make that shift. Other nations are already maritime focused, and look to develop the ability to train, exercise, and operate together effectively to forward our shared goals. Through our meetings between senior leaders and exercises with our allies, partners, and

friends we are building the international relationships, trust, and inter-operability which are vital to protecting our common interests in a globalized world.

In 2013 we conducted the largest exercise of the year in the Arabian Gulf, the International Mine Countermeasures Exercise (IMCMEX). With representatives from 41 countries, including 6,600 sailors on 35 ships, the world's navies cooperated to help promote regional stability and address the global challenge of mine warfare. Also this past year, Expeditionary Strike Group 3 and the 1st Marine Expeditionary Brigade conducted the multilateral amphibious exercise Dawn Blitz. Alongside amphibious units from Canada, New Zealand, and Japan, and observers from Australia, Chile, Colombia, Israel, Mexico, Peru and Singapore, the exercise helped increase our core amphibious capabilities, while also strengthening our partnership and interoperability. As I mentioned earlier our partners in Singapore hosted the first forward stationing of the Littoral Combat Ship USS FREEDOM. The ship conducted numerous exercises with our friends in Southeast Asia, expanding the number of ports we can visit and work from in the littorals.

Some of our exercises are smaller and more focused, like Obangame Express 2013 which occurred this past spring in the Gulf of Guinea. It concentrated on developing the maritime security and patrol capabilities of local forces in West and Central Africa that have seen increasing armed robbery at sea, piracy, smuggling and other maritime crimes. In part of this exercise a team of U.S. Sailors who specialize in maritime security missions worked on board the Belgian Naval Ship GODETIA with our European allies, to train African sailors in the tactics for boarding and inspecting ships.

These are just a few examples of literally hundreds of operations, engagements, and exercises that the Navy and Marine Corps participated in during the past year. However, we also had a challenge in 2013 when it came to funding our operational, partnership and theater security cooperation missions. The Navy was forced to cancel or defer ship deployments supporting counter-narcotics missions in the Southern Command area of operations. Some exercises, including some in support of the Southern Partnership Station in Central and South America, had to be scaled back significantly because the sequester level funds did not provide us with the operating budget we needed to complete the missions. Future funding at sequester levels is likely to force us to continue to limit and prioritize our critical partnership building operations.

But our partnerships mean a great deal more than our alliances and friendships around the world. The Navy and Marine Corps also have critical relationships with industry and with the American people. Our nation's defense industrial workers are skilled, experienced, and innovative and can't be easily replaced. We must provide stability and predictability to the industrial base to maintain our ability to build the future fleet and keep our technological advantage. One of the strengths of our system is the teamwork of our uniformed warfighters, our Navy and Marine Corps civilians, the leadership team in Washington, and our industry partners.

Recently, the Chief of a Navy in the Asia-Pacific region reminded me of a fundamental difference between land forces and naval forces. Land forces, he said, look down at a map. They look at borders and lines and limitations. Naval forces look out toward the vast horizon

and they look to the future. Sailors and Marines are a unique breed. When they join the sea services they accept the challenge of the unknown with an adventurous spirit and an open mind. That is part of why the Navy and Marine Corps are naturally inclined toward partnership, and have been throughout our history, from operating with the Royal Navy to fight the slave trade in the 19th century to modern coalition operations in the Pacific and the Arabian Gulf. That same spirit which causes us to look for what comes next also causes us to look for new and innovative solutions, and new friends to help us across the globe.

FY15 Budget Submission

The Department of the Navy's FY15 budget request is designed to meet the updated Defense Strategic Guidance, and is informed by the 2014 Quadrennial Defense Review. It meets the objectives the strategy laid out, but our fiscal limits force us to accept a certain amount of risk in some mission areas. The Navy and Marine Corps continue to focus on planning for the 21st century including preparing for the anti-access, area-denial challenge, sustaining our global capability by increasing forward stationing and implementing new deployment models, and sustaining the All-Volunteer Force. Based on our strategic outlook we have had to make tough choices, and look to fund the most critical afloat and ashore readiness requirements, continue to provide sovereign sea-based options for the Commander-in-Chief, and to sustain our vital industrial base.

PB15 continues to build the fleet of more than 300 ships we will have by the end of this decade. This fleet will include established and proven platforms which we are currently deploying, next generation platforms, and new advanced weapons, sensors, and payloads. Guided by operational concepts like Air Sea Battle, the experiences of more than ten years of war, and the lessons from our war-gaming and studies, the Navy and Marine Corps of 2020 will be able to continue to project power and to maintain stability in the global commons.

Supporting our Sailors and Marines is a vital part of our budget request. We have increased spending on high priority Quality of Service programs, including increased career sea pay to help incentivize sea duty. We have also modestly increased spending on Quality of Life programs including on-base housing. But these initiatives must be balanced to ensure our Sailors and Marines have the resources and equipment they need to complete the mission. Across the FYDP we will add funds to improve Quality of Work issues like training support and improving the availability of spare parts so our Sailors and Marines remain the most knowledgeable in the world and have the tools they need to do their jobs. We protect programs that support our Sailors or Marines when they need help. This includes sexual assault incident response and training, suicide prevention, and family support programs. We remain committed to our military-to-civilian transition assistance and work to ensure that our veteran employment programs offer the best opportunities to capitalized on the knowledge and skills of transitioning Sailors and Marines.

Maintaining undersea dominance is vital to the U.S. Navy. The development of the Virginia Payload Module (VPM) will be critical when our guided missile submarines (SSGNs) begin to retire in 2026. We must develop the VPM by funding R&D through FY18, so that we can

introduce the modules into the very successful VIRGINIA class submarines, thus assuring that we will not lose capability as the SSGNs retire. This budget also funds the development of improved sonar processors, improved sonobuoys, and improved torpedoes to help ensure that we maintain our core undersea advantage.

Continued production of proven platforms for the fleet is a key element in this budget and across the Future Years Defense Plan (FYDP). We will continue to build two VIRGINIA Class submarines and two ARLEIGH BURKE Class destroyers per year in order to help increase the size of the fleet and replace older ships as they retire. In FY15 we will purchase 29 MH-60R and 8 MH-60S helicopters, completing the upgrade of our tactical helicopter force which has been underway for the past decade. We will also continue the procurement of the next generation E-2D airborne early warning aircraft and of the MV-22B for the Marine Corps. These established and world leading platforms provide the foundation of the future fleet.

This budget also procures new and advanced platforms that will take our fleet into the future. We will build LCSs and AFSB, and continue to introduce Joint High Speed Vessels (JHSV) and MLPs to the fleet. This will provide modular and mission focused capabilities around the world, while helping to meet the presence requirements of the fleet. In aviation we will continue production of the new P-8 *Poseidon* maritime patrol aircraft across the FYDP, deploying new squadrons, as well as the F-35 *Lightning II* for both the Navy and Marine Corps. We will continue the introduction of the next generation SM-6 Standard Missile to our AEGIS capable ships, and fund the R&D for the Long Range Anti-Ship Missile (LRASM) which is vital for our future surface combatants. However, it is important to point out that given the reality of the \$38 billion reduction from PB14 to PB15, many of these purchases will be made at reduced rates. PB15 buys 111 fewer aircraft and over 5000 fewer weapons across the FYDP than the PB14 program. This is part of the increased risk that we have had to accept.

Unmanned platforms and systems will be an important part of the future Navy and Marine Corps and our budget carries on with R&D and production of these critical platforms. The MQ-4 *Triton* will complete its testing phase during this budget, and we will begin production for the fleet across the rest of the FYDP. The R&D for UCLASS also continues in FY15, and throughout the FYDP. Developing these aircraft is vital to the future of the carrier air-wing. Unmanned Undersea Vehicles (UUVs) will be central to our mine-warfare capabilities and maintaining undersea dominance. This budget includes R&D for multiple systems, as well as deployment of the Mk 18 *Kingfisher* UUV for counter-mine missions. Across the entire spectrum of military operations, an integrated force of manned and unmanned platforms is the future.

We will continue to fund our energy programs with this budget by moving forward with the biofuels program under the DPA, as well as continuing our sea and shore based efficiency programs. This budget includes \$776 million in tactical and ashore energy programs in FY15, and \$3.8 billion across the FYDP. Our ashore initiatives, including appropriated funds and third party investments, of \$570 million in FY15 are projected to generate annual savings of over \$100 million dollars, starting in FY17, due to efficiencies. Investments in tactical programs help

increase our on station time for ships, reduce need for resupply, and increase the amount of time our Marine Corps units can stay in the field, making us more capable militarily. Continuing to work toward the Department's energy goals will allow us to lessen the impact of price volatility in the energy market and make us better warfighters.

This budget includes funds to maintain our presence in the Middle East, and advance our capabilities there. Funding for the continued deployment of the Interim-AFSB USS PONCE, improved manning for our mine-countermeasures ships, and the introduction of new capabilities, are important parts of this effort. The new weapons and systems, like the Laser Weapon System (LaWS) aboard PONCE, the Advanced Precision Kill Weapon System (APKWS) guided rockets for our MH-60 helicopters, and the *Sea Fox* UUV mine neutralization system, will help our Sailors and Marines maintain their edge in the Arabian Gulf and beyond. We are also funding the forward stationing of ten Coastal Patrol ships (PCs) to Bahrain which will increase their availability to the combatant commander and increased presence in the shallow waters of the region.

PB 15 also represents the platforms and payloads necessary for increasing operations in the Asia-Pacific region as we continue to support the rebalance toward Asia. This budget sustains the operations of our LCS's in Singapore, which includes early investment for the rotational deployment of up to four LCS's by 2017. Exercises in the Pacific, like our CARAT and Pacific Partnership missions, will be funded to ensure that we maintain our partnerships in the region. We also continue to support the growth in the number of Marines who are rotating through Darwin, Australia. This year we are expanding from a Company sized unit to a Battalion, and in the coming years we will continue to expand to a Marine Air Ground Task Force (MAGTF).

In our FY15 budget we include funding to support the movement of more of our ships and units forward as the most effective and cost-efficient means of maintaining our global presence. Forward based, stationed, or operating ships all provide presence at a significantly lower cost since one ship that operates continuously overseas provides the same presence as about four ships deploying rotationally from homeports in the United States. Besides the PC's to Bahrain and the LCS's to Singapore, we continue to fund the forward basing of four BMD capable DDG's to Rota, Spain. As the DDG's from Rota patrol European and African waters, we free other ships to deploy elsewhere. This year we will also begin moving JHSV's forward and prepare for the fleet introduction of the MLPs and AFSBs. We will continue the operations of, and expand the size of, the Marine Corps' new Special Purpose MAGTF-Crisis Response operating out of Moron, Spain.

It is our duty to spend the tax-payers' dollars wisely, and it is a duty that we take very seriously in the Department of the Navy. We continue to look at contractual services spending for efficiencies, with conscious decisions made to challenge requirements through mechanisms such as "contract courts," requiring annual justification of contracts. We are willing to accept higher levels of risk in some areas of services spending before sacrifices are made in force structure, modernization, or readiness. I have also ordered the Deputy Under Secretary of the

Navy/Deputy Chief Management Officer to begin a comprehensive assessment of the business challenges facing the Navy and Marine Corps.

The FY15 budget request for the Navy and Marine Corps gives us what we need to accomplish the missions assigned in the new Quadrennial Defense Review and updated Defense Strategic Guidance. However, the funding levels allowed under the Bipartisan Budget Act mean that we have to accept higher levels of risk for some of those missions. If the nation is confronted with a technologically advanced challenger, or more than one major contingency operation at a time, those risks would increase further. We face readiness challenges that are a result of sequester induced shortfalls, continuing fiscal constraints, and the high demand for naval forces globally.

Conclusion

This year we commemorate the 150th anniversary of the Battle of Mobile Bay. A century and a half ago our nation was engulfed in the Civil War. A Task Force under the command of Admiral David Farragut, one of our Navy's greatest heroes, attacked the ships and forts that defended the port at Mobile, Alabama. Facing down Confederate Ironclads and a treacherous minefield in the shallow, enclosed waters, he issued his famous order, "Damn the Torpedoes, full speed ahead." Lashed high in the rigging of his flagship he led the attack from the front of the formation to capture the last major Confederate port on the Gulf Coast.

From the halls of Montezuma to Point Luck and the waters around Midway, our Sailors and Marines have demonstrate that kind of dedication and daring time and again. They, and our Navy and Marine Corps civilians, continue in that spirit today whether facing combat in Afghanistan, dangerous operations at sea, or the challenges created by the past year of budget instability. The budget request that we are making for FY15, the specific details of which are included in the President's FY15 budget submission, will provide them with the equipment, training, and resources they need to continue their efforts in support of our nation's security. As our founding fathers outlined over two centuries ago, it is our responsibility to ensure that we maintain our Navy and Marine Corps.

Today we face a dangerous and challenging world. Rising powers and maritime territorial conflicts threaten freedom of navigation and the free trade of today's global economic system. Terrorist organizations continue to proliferate around the world. Political instability threatens to break into violence in numerous regions. The Navy and Marine Corps are our nation's insurance policy. Our People, Platforms, Power and Partnerships must be efficiently developed and appropriately funded to ensure our ability to provide the President with the options required and the American people with the security they deserve.

For 238 years our Sailors and Marines have been there when the nation called and we must endeavor to ensure that we are there for the future. Difficult times pose difficult questions, and the Commandant, CNO and I look forward to answering yours. The continued support of this committee is essential in ensuring the Navy and Marine Corps team has the resources it needs to defend our nation now and in the future. As President Woodrow Wilson once said, "A powerful Navy, we have always regarded as our proper and natural means of defense."