

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
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
1 MARCH 2016

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
HOUSE SUBCOMMITTEE ON DEFENSE,
COMMITTEE ON APPROPRIATIONS

Chairman Frelinghuysen and Ranking Member Visclosky, members of the Committee, thank you for the opportunity to discuss the readiness and posture of the Department of the Navy.

With Chief of Naval Operations John Richardson and Commandant of the Marine Corps Bob Neller, I have the great privilege of representing the Sailors and Marines who serve our nation around the world, the civilians who support them and all of their families.

This is the first testimony before this committee for Admiral Richardson and General Neller in these positions. In the time since they took these critical posts, I have had the privilege of their frank, professional and invaluable counsel. They are officers of the highest caliber who expertly lead our Navy and Marine Corps during ever-tightening fiscal constraints and an increasingly dynamic threat environment.

This is my eighth time, and my last, to appear before you. For me, leading the Department of the Navy is the greatest honor of my life. I could not be more proud of our Sailors, Marines, and civilians. I'm also proud of the many steps we've taken and changes we've made to ensure that the Navy and Marine Corps remain as they have been for over 240 years as the greatest expeditionary fighting force the world has ever known

This statement, together with those provided by Admiral Richardson and General Neller, presents to you and to the American people an overview of the Department of the Navy and highlights our priorities as we move forward with the Fiscal Year 2017 (FY17) budget process. As the Secretary of the Navy, I am responsible for recruiting, training, and equipping the Sailors, Marines, and civilians who spend every day working to defend the American people and our national interests.

Every year, as we review our current posture, we must ask ourselves, as a Department, as a military, and as a nation, how to balance our national security demands. We face an increasing array of threats, conflicts and challenges around the globe, even as our fiscal and budgetary situation continues to strain resources. Consistently, when a crisis occurs, the leaders of this country want immediate options, so they ask for the Navy and Marine Corps, for our carrier strike groups and our amphibious ready groups, for our Sailors and Marines, for our presence. With 90 percent of global trade traveling by sea, 95 percent of all voice and data being transferred under the ocean and more than 80 percent of the world's population living within 60 miles of the sea, there is no question that now, more than ever, we are living in a maritime century.

The Value of Presence

What our Navy and Marine Corps uniquely provide is presence - around the globe, around the clock – ensuring stability, deterring adversaries, and providing the nation's leaders with options in times of crisis. We are “America's away team” because Sailors and Marines, equally in times of peace and war, are deployed around the world to be not just in the right place at the right time but in the right place all the time. In every case, from high-end combat to irregular warfare to disaster relief, our naval assets get on station faster, we stay longer, we bring whatever we need with us and, since we operate from our ships, which are sovereign American territory, we can act without having to ask any other nation's permission. While there has been discussion about posture versus presence, the simple fact is that for the Navy and Marine Corps, our posture is presence.

For more than seven decades, Navy and Marine Corps presence has kept international sea lanes open around the world. For the first time in history, one nation - America - is protecting trade and commerce not just for ourselves and our allies but for everyone. Today, \$9 trillion in goods are traded by sea annually, supporting 40 million jobs in the U.S. alone and benefiting nearly every consumer on earth. These statistics make it clear that the health of the world's economy depends in large part on the United States Navy and Marine Corps.

The security and stability of the international system of trade and finance is tied irrevocably to the free movement of goods and data across, above and under the sea, and is more than just a military concern. It impacts every American in the prices we pay for goods and services and the very availability of those goods and services. While the Navy's activities often take place far away and out of sight of most citizens, the impact of our global naval presence isn't a theoretical construct; its effects are palpable throughout American life.

The economic benefit is just one that comes from our Sailors and Marines doing their job across the globe. That ubiquitous presence reassures our allies and deters our adversaries. And, if conflict comes, we will fight and win. Our presence is an unrivaled advantage that we provide our nation. There is no "next best thing" to being there. Maintaining that presence requires gray hulls on the horizon.

With each year's budget decisions, we determine what the future Navy and Marine Corps will look like. Just as the Fleet and Corps we have today are the result of decisions made a decade ago, so will tomorrow's Fleet and Corps be a result of the decisions we make today. For this

reason, we have to balance the needs of our Navy and Marine Corps today with those of our nation tomorrow.

Our combatant commanders understand the critical expeditionary capability the Navy and Marine Corps team brings to the fight. Whether we are conducting security cooperation around the world, deploying Marines in response to a humanitarian crisis or launching strikes from our carriers, it is clear Navy and Marine Corps presence provides great value to our decision makers and our nation. The emergence of a diverse set of challenges, including Russia, North Korea, China, Iran and ISIS demands continued emphasis on our Naval and expeditionary forces. We absolutely cannot afford to forfeit the capabilities of our future maritime power and superiority.

Around the Globe, Around the Clock

You only need to look around the world to see our Navy and Marine Corps are first on-station and demonstrate an instrumental and prominent role in our national security strategy.

For the first 54 days of the air campaign against Islamic State militants in Iraq and Syria, the only strikes came from Navy F/A-18 Hornets off USS GEORGE H.W. BUSH in the Arabian Gulf because land-based fighters could not participate until host nations approved.

During a 10-month deployment ending in June 2015, USS CARL VINSON Strike Group conducted 12,300 sorties, including 2,383 combat missions against Islamic State of Iraq and Syria (ISIS).

The operational tempo of Naval Special Operations Forces (NAVSOFF) remains high, as they continue operations in the Middle East, Horn of Africa, and Central Asia. NAVSOFF is manning the Combined Joint Special Operations Task Force-Iraq and deploying forces to Afghanistan.

In March 2015, USS GARY intercepted a suspected narcotics-trafficking vessel off the coast of Central America and seized 5,200 kilograms of cocaine.

In July 2015, USS PORTER entered the Black Sea to reassure NATO allies of our commitment to regional stability by conducting naval exercises with ships from 30 different nations including Spain, Portugal, France, Turkey, Greece and Bulgaria.

Last fall, as a visible demonstration of our commitment to maintaining freedom of navigation for everyone, USS LASSEN patrolled the Spratly Islands and nearby artificial reefs in the South China Sea. USS CURTIS WILBUR conducted similar freedom of navigation operations by patrolling near the disputed Triton Island earlier this year.

When tensions rose in Yemen last summer, Marines embarked with Sailors onboard Navy craft to shore up security and surveillance in surrounding waters in preparation for a potential crisis.

The 31st Marine Expeditionary Unit (MEU) deployed to Saipan to provide Defense Support to Civil Authorities after Typhoon SOUDELOR killed 30 people and displaced 150,000 others in the Commonwealth of the Northern Marianas.

Within 40 hours of President Obama's order, a Special Purpose Marine Air-Ground Task Force deployed Marines, Sailors, aircraft and equipment to Liberia to respond to the Ebola crisis, providing critical airlift and surgical capability as part of U.S disaster relief efforts.

Maritime presence has been a tenet of our democracy since its inception; the founding fathers wrote in the Constitution that Congress is authorized to "raise" an Army when needed, but mandated it "maintain" a Navy. Maintaining our great Navy and Marine Corps is what assures Americans at home, our friends and allies, as well as our adversaries that we are ready to respond when called upon to any crisis, anywhere.

Early on in my tenure as Secretary, I outlined four principles that enable our Navy and Marine Corps' to sustain their global presence. They are People, Platforms, Power and Partnerships. Those have been, and continue to be, the key factors in assuring the capability, capacity and success of our naval services, which is why they have been, and will remain, my top priorities.

People – Sustaining the World's Most Formidable Expeditionary Fighting Force

The Sailors, Marines, and civilians serving today are the best force we've ever had. But for more than a decade we asked a lot of everyone, because unlike other services, we deploy equally in peacetime and wartime. There are no permanent homecomings for Sailors and Marines. Despite all we've asked, they have performed magnificently. We've taken steps to maintain the health and resilience of our force across every facet of the Department. We have addressed issues like operational readiness levels, personal well-being for our people and their families, creating more options for career flexibility, opening new slots for graduate education, improving our advancement process, and promoting equality of opportunity. We have made the Navy and

Marine Corps stronger, focused not only on retaining the incredible expertise and professionalism that resides within these two services, but also that draws from the broadest talent pool America has to offer.

Our Sailors and Marines make Navy and Marine Corps presence possible by operating the platforms, harnessing the power, and building the partnerships necessary to fulfill our national security strategy. Seven years ago when I took office, we had a committed and capable force, but our people, and our platforms, were under stress from high operational tempo and extended deployments.

To return stability to our Sailors, Marines, their families, and to our maintenance cycles, one of our first priorities was to develop and institute the Optimized Fleet Response Plan (OFRP). This is a program that the Navy is using to schedule and plan our deployments and the maintenance of our platforms. Entering its third year since implementation, OFRP is beginning to fully demonstrate its advantages to the Fleet. USS EISENHOWER Carrier Strike Group and USS MAKIN ISLAND Expeditionary Strike Group will be first to deploy later this year entirely under the OFRP. Our men and women know there is no way to completely eliminate the unexpected, because events around the world can and do take on a life of their own. However, increasing the predictability of deployments will help improve resilience in our Sailors and Marines and their families and also has the added benefit of helping us properly support our maintenance requirements and readiness posture.

Under the OFRP, we continue to meet all operational commitments, and Sailors, Marines, and their families are giving us positive feedback on this and other initiatives like increases to

Hardship Duty Pay – Tempo (HDP-T), a pro-rated additional pay that kicks in when a deployment extends beyond more than 220 consecutive days, and Career Sea Pay, paid to those who have spent a total of three years at sea and Career Sea Pay-Premium for those E-6 and above who have spent a total of eight years in sea-going assignments. These incentives reward those who take the hard and challenging billets at sea, which form the backbone of our operations.

Taking care of our people is about more than just operational stability. Through our 21st Century Sailor and Marine Initiative, implemented in 2012, we have provided a holistic approach to assuring we have the healthiest, fittest, and most resilient force in the world. We have focused on helping our 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. Eliminating the stovepipes that existed between many of the programs designed to support our people allows us to better address issues like suicide and sexual assault in a comprehensive way that protects our Sailors and Marines and makes them stronger.

In suicide prevention, we are continuing to accelerate our efforts in 2016 by becoming more assertive on early recognition, education and open dialogue to promote climates supportive of psychological health. We are expanding our Ask, Care, Treat (ACT) initiative that focuses on training, counseling, and intervention. To date, over 40,000 Sailors have received training via Navy Operational Stress Control (OSC) courses. And our partnerships with the Navy and Marine Corps Public Health Center, the Defense Suicide Prevention Office, and the Bureau of Navy Medicine and Surgery have maximized our public health approach to suicide prevention. Furthermore, we are adding to the nearly 800 Suicide Prevention Coordinators (SPC) trained in

2015, enhancing local suicide prevention efforts at the deckplate by having a qualified program advocate at nearly every command.

Sexual assault is a crime with devastating impacts to the Navy and Marine Corps. Every Sailor and Marine deserves a working environment respectful of all, completely intolerant of sexual assault, and supported by programs of prevention, advocacy, and accountability. So we've implemented many actions to attack this insidious threat. While there is still work to be done, we have instituted an increasingly effective Sexual Assault Prevention and Response program and Victim's Legal Counsel, which together encourage increased reporting and provide critical support to those who come forward, and I am the only Service Secretary who has my Sexual Assault Prevention Response Officer report directly to me. We are also taking steps to prevent and respond to perceptions of retaliation or ostracism on the part of the courageous people who report these crimes— whether by the chain of command or peers.

Our Sexual Assault Prevention and Response programs are many and varied. Through our InterACT Bystander intervention training we've educated more than 52,000 Sailors and Marines at 220 training events on how to stop a potentially dangerous scenario from leading to an assault. Our Navy Chaplain Corps has teamed with clinicians to establish CREDO, a 48-hour retreat event with workshops focused on teamwork, community building, personal resiliency and reconciliation. In-person education is augmented by numerous interactive training tools available to all Sailors and Marines ashore and afloat. But no matter how much we've done and continue to do, we will not consider our mission a success until this crime is eliminated.

Protecting our Department from instability and destructive and illegal behavior is important, but equally important is promoting healthy lifestyles that result in a more capable and ready fighting force. Our high operational tempo demands a year-round culture of fitness. So we have completely revamped the Physical Fitness Assessment to focus on producing warfighters, capable of accomplishing any mission any time, a measure that not only improves readiness but reduces overall medical costs. To set Sailors and Marines up for success, we opened a 24-hour a day, seven-day a week gym on every base worldwide and we began issuing the Navy Fitness Suit, a uniform item the Marines already have. Sailors earn Fitness Suit patches for outstanding performance, and those who maintain that level of performance over three cycles receive the “Outstanding Fitness Award.”

To complement physical training with well-balanced diets, we’ve increased efforts to provide nutritious food options to Sailors and Marines at sea and ashore. In 2012, the Marines introduced the “Fueled to Fight” nutrition program, designed to promote a healthy lifestyle by providing more nutritious food choices. At base dining facilities, a labeling system identifies healthier options and enhances the Marine’s ability to make a healthy choice. The Navy also created their version, called, “Fuel to Fight,” launched by the SEALs at Naval Amphibious Base Little Creek, which increases the availability of lean-proteins, vegetables, and complex carbohydrates in our galleys. We are further developing the concept at one sea-based and one shore-based unit this year and will implement it Fleet-wide in 2017.

Part of overall health is emotional health. In order for Sailors and Marines to remain focused on the mission, they should not be distracted by concerns about their home life. The Department of the Navy takes very seriously its commitment to support our Navy and Marine Corps families,

and we have taken actions to make service more family friendly. We established 24/7 Child Care Development Centers at three Fleet concentration areas and increased access to childcare by a total of four hours, two hours on either side of the previously existing timeframe, at all locations.

And, in July of last year, I tripled paid maternity leave from 6 to 18 weeks, a period subsequently reduced to 12 weeks by the Secretary of Defense. Meaningful maternity leave when it matters most is one of the best ways that we can support the women who serve our country. This flexibility is an investment in our people and our Services, and a safeguard against losing skilled service members. In our line communities, for example, we were losing about twice as many female service members as male, most leaving between 7-12 years of service. We believe extending maternity leave will save money and increase readiness in the Department of the Navy by keeping people in.

Under a Congressional authorization, we piloted the Career Intermission Program (CIP) beginning in 2009. CIP allows a Sailor or Marine to take up to three years off, with a two-year payback for each year taken. When they return they compete against people who have been on active duty the same amount of time, as opposed to those from their previously assigned year-group. So career flexibility does not come at the cost of advancement potential. Our early participants have successfully rejoined the Fleet and, again due to Congressional action, we are expanding this program to help retain talented Sailors and Marines.

While we have taken steps to provide additional services and career flexibility so Sailors and Marines can address their needs personal needs, we have also aggressively enhanced

professional development opportunities to strengthen our all-volunteer force. In a world increasingly dependent on inter-service, inter-agency, and international cooperation, that development takes place over the entire span of one's career. To broaden background diversity in our officer corps, we re-opened NROTC units at Harvard, Yale, Columbia and Princeton after a 40-year hiatus.

We also established the Fleet Scholars Education Program, adding 30 new graduate school positions allocated by warfighting commanders to eligible officers. Our first participants are now studying at Harvard, Dartmouth, and Yale.

Outside the classroom, we recognize the value that private sector ingenuity adds to American innovation, so we have also sent officers to work at places like FedEx and Amazon as part of SECNAV Industry Tours. Those who participate in these programs are our very best, and, in return for their experience, we expect them to bring their knowledge back to the Fleet and to continue to serve under the requirement that for every month spent away, a Sailor or Marine owes three months back.

We want people to take advantage of these and other opportunities, and we want them to commit to a career beyond any prescribed service obligation. That means creating an advancement system based primarily on merit, not tenure. In the Navy, we removed arbitrary "zone stamps" from officer promotion boards this year which can unnecessarily create bias. Additionally, for enlisted, we increased the number of advancement opportunities available to Commanding Officers to spot promote their best and brightest Sailors via the Meritorious Advancement Program. Next year, we expect those numbers to grow even further.

In the Marine Corps we are revamping our manpower models to develop the force and address gaps in our Non-commissioned Officer ranks. Sixty percent of Marines are on their first tour and 40 percent are E-3 and below. So we've implemented the Squad Leader Development Program to mature and further professionalize the force. This Program screens small unit infantry Marines, selects candidates based on performance and provides them with opportunities for education, qualification and assignment.

After returning predictability to the Navy and Marine Corps and creating an environment that supports families and promotes professional development, I took actions to make a career in the Department attractive and viable to the broadest spectrum of American talent. We now actively cultivate a force representative of the nation it defends. Doing so maximizes our combat effectiveness, because a diverse force is a stronger force.

This year, twenty-seven percent of the freshman class at the Naval Academy Class is comprised of women, more than a one-third increase from the summer of 2009 when I first took office. And for the first time in American history, all billets in the Navy and Marine Corps will be open to every member of this year's graduating class, and to all others, officers and enlisted, throughout the Fleet.

I started integrating women into previously closed jobs shortly after taking office by opening up submarines and the coastal riverines to women. Later, in 2013, Secretary Panetta and Chairman Dempsey decided that the default position would be to open all military positions to women or seek an exemption to the policy. When weighing this decision, I took a methodical and

comprehensive approach. Ultimately, I decided that denying any individual who meets an established standard the opportunity to serve because of their gender not only goes against everything we value as Americans, but it will most certainly diminish our combat effectiveness. We have already proven that is the case with respect to things like the color of someone's skin or who they love.

While we celebrate diversity in all of our people, we are uniform in purpose as part of an organization that prioritizes service over self. Rather than highlighting differences in our ranks, we have incorporated everyone as full-participants by moving, with some few exceptions, to common uniforms in both the Navy and the Marine Corps so that our forces have a common appearance. Now and in the future, we will present ourselves not as male and female Sailors and Marines, but as United States Sailors and Marines.

In the Reserves, during FY15 we mobilized 2,700 individual Reserve Sailors and Marines to support operations worldwide. This allows us to focus our active component on filling critical sea billets to help ensure Fleet wholeness and readiness. This year, we were reminded of the sacrifices our reserves make with the attack at Navy Operational Support Center (NOSC) Chattanooga that took the lives of five of our Sailors and Marines. At home, we have taken steps to provide force protection against these kinds of terrorist acts at off-installation NOSC's, and as of December 2015, 70 of 71 off-installation NOSC's now have armed Selected Reservists. More than 150 NOSC staff personnel have graduated the Navy's Security Reaction Force Basic (SRF-B) course in support of the Navy Reserve Force Protection mission. For Marine Corps reserve centers, 146 of 161 locations have armed duty personnel, and the remaining 15 sites are in the process of training personnel to be armed. Abroad, our Reserve Sailors and Marines are

deployed globally, and we will continue to maintain a Reserve that is ready, relevant, and responsive to the nation's needs.

The Department's civilian workforce supports our uniformed force and is critical to the success of our missions. Our civilian employees have endured multi-year pay freezes, a hiring freeze, furloughs and continued limits on performance awards that impacted morale. Results of a Federal Employee Viewpoint Survey indicated that, while our civilians appreciated the role they play in our mission, they felt recognition and training were lacking. Where possible, through such efforts as Operation Hiring Solutions, the Department has mitigated the impacts to Fleet readiness and operations and to increase civilian employee job satisfaction. Our efforts have produced tangible results, demonstrated by increased civilian retention rates over the last two consecutive years.

This patriotic workforce is the foundation of how the Department of the Navy operates. In order to ensure we have the most capable people, in the right positions, we run a number of leadership development programs. Annually we select participants for senior leader, executive leader, and developing leader programs to provide education and training that will help our people tackle the issues we face now and in the future.

Platforms –Growing Our Fleet Despite Shrinking Budgets

To provide the presence the American people and our nation's leaders expect and have come to rely on, our Sailors and Marines need the right number and composition of ships, aircraft, weapons, vehicles, and equipment to execute the missions mandated by our National Security Strategy. That means we must have a properly sized Fleet. Quantity has a quality all its own.

When I first took office, I committed to growing the Fleet to meet our validated requirement and strengthen the acquisition process by employing stricter management and increased competition. In the seven fiscal years from 9/11/2001 to 2009, our Fleet declined from 316 to 278 ships, and during that period, the Navy contracted for only 41 ships, not enough to keep our Fleet from declining nor keep our shipyards open and healthy. In the seven fiscal years following 2009, we will have contracted for 84 ships. And we will have done so while increasing aircraft purchases by 35 percent, despite decreasing defense budgets.

Shipbuilding

Navy shipbuilding is an essential part of our country's larger shipbuilding and repair industry, which provides more than 400,000 jobs and contributes more than \$37 billion to America's gross domestic product. Shipbuilding enhances and strengthens economic security as well as national security. The work we have done, and must continue to do, will reinforce the importance of maintaining a partnership with the industrial base, as well as keep our shipbuilding industry strong and ready to support the national security needs of our Navy and our country.

Across our shipbuilding portfolio, we have employed direct, impactful actions including increased competition within and across product lines, using block buys and multi-year procurements when products are mature; ensuring designs are stable before entering into production; pursuing cross-program common-equipment buys; and achieving affordability through hard-but-fair bargaining. This would not have been possible without Congressional approval on items like multi-year procurements.

Stability and predictability are critical to the health and sustainment of the industrial base that builds our Fleet. Changes in ship procurement plans are significant because of the long lead time, specialized skills, and extent of integration needed to build military ships. The skills required to build ships are perishable, and, in the past, we have lost talent in this critical industry when plans have changed. Each ship is a significant fraction of not only the Navy's shipbuilding budget but also industry's workload and regional employment. Consequently, the timing of ship procurements is a critical matter to the health of American shipbuilding industries, and has a two-to-three times economic multiplier at the local, regional and national levels.

The Navy will continue to consider and, when appropriate, use innovative acquisition strategies that assure ship construction workload and sustain the vendor base while imposing cost competition. And we will continue to invest in design for affordability, modularity and open systems architectures while incentivizing optimal build plans and shipyard facility improvements and supporting shipbuilding capability preservation agreements. These initiatives support affordability, minimize life-cycle costs, improve and ensure quality products, facilitate effective and efficient processes, and promote competition - which all support Department priorities.

Our efforts to maintain and affordably procure our Fleet's ships and submarines have continued through this past year. The Department has established a steady state Ford Class procurement plan designed to deliver each new ship in close alignment with the Nimitz Class ship it replaces. CVN 78 cost performance has remained stable since 2011 and this lead ship will deliver under the Congressional cost cap. The FY16 National Defense Authorization Act (NDAA) reduced this cost cap for follow-on ships in the CVN 78 class by \$100 million. Stability in requirements, design, schedule, and budget, is essential to controlling and improving CVN 79 cost, and

therefore is of highest priority for the program. In transitioning from first-of-class to follow-on ships, the Navy has imposed strict configuration and cost controls to ensure CVN 79 is delivered below the cost cap. CVN 80 planning and construction will continue to use class lessons learned to achieve cost and risk reduction. The CVN 80 strategy seeks to improve on CVN 79 efforts to schedule as much work as possible in the earliest phases of construction, where work is both predictable and more cost efficient.

In our attack submarine program, we awarded the largest contract in Navy history, \$18 billion, to build 10 Virginia-class submarines. Because Congress authorized a multi-year contract for these 10 boats, giving our shipyards stability and allowing them to order materials in economic quantities, we were able to save the taxpayer more than \$2 billion and effectively procured 10 boats for the price of nine.

We are continuing procurement of two Virginia Class submarines per year under the Block IV 10-ship contract which runs through FY18. We will also continue to develop the Virginia Payload Module (VPM), which is planned for introduction in FY19, as part of the next Virginia Class multiyear procurement (Block V).

The Arleigh Burke Class (DDG 51) program is one of the Navy's most successful shipbuilding programs – 62 of these ships are currently operating in the Fleet. We are in the fourth year of a multi-year procurement, and thanks to the work at shipyards in Mississippi and Maine and our acquisition team, the DDG 51 competitive multiyear contract is saving more than \$2 billion. The two Arleigh Burke Class destroyers requested in FY17, which will complete the current multiyear contracts, will provide significant upgrades to integrated air and missile defense and

additional ballistic missile defense capability (Flight III) by incorporation of the Air and Missile Defense Radar.

With our Littoral Combat Ships (LCS), the average ship construction cost, under the current block buy contracts, has decreased by nearly 50 percent in comparison to LCS hulls contracted prior to 2009. We now have six ships of this class delivered, 18 currently on contract, and two additional ships to award this fiscal year. We are currently upgrading the design, which will significantly increase LCS lethality and survivability, to be introduced no later than FY19, and potentially as early as FY18. Because of these ships' enhanced counter-surface and counter-submarine capabilities, contributing to their role in Battle Group operations, we are re-designating these future ships as Frigates.

Our budget request also includes incremental funding for the next big deck amphibious assault ship, LHA 8. We are in the midst of an innovative solicitation which solicits bids for LHA 8, the replacement Fleet oiler T-AO(X), and early design efforts for the replacement for the LSD 41/49 class LX(R). These bids which uniquely support both stability and competition within the amphibious and auxiliary sectors of the industrial base, will be awarded this fiscal year

Ohio Replacement (OR) remains our top priority program. Prior modernization programs, such as our first strategic deterrence procurement, "41 for Freedom," were accompanied by topline increases. The Navy greatly appreciates Congressional support in overcoming the challenges posed by funding the OR Program.

The fiscal realities facing the Navy make it imperative that we modernize and extend the service lives of our in-service ships to meet the Navy's Force Structure Assessment requirements. An

important element of mitigation is the extension and modernization of our Arleigh Burke class destroyers and Ticonderoga class cruisers (CGs).

The FY 2017 President's Budget includes funding for the modernization of two destroyers to sustain combat effectiveness, ensure mission relevancy and to achieve the full expected service lives of the AEGIS Fleet. The destroyer modernization program includes Hull, Mechanical, and Electrical (HM&E) upgrades as well as combat systems improvements with upgraded AEGIS weapons systems. Advanced Capability Build (ACB) 12 to include open architecture computing environment, BMD capability, installation of the Evolved Sea Sparrow Missile (ESSM), integration of the SM-6 missile, and improved air dominance with processing upgrades and Naval Integrated Fire Control-Counter Air capability. This renovation reduces total ownership costs and expands mission capability for current and future combat capabilities.

Cruiser modernization ensures long-term capability and capacity for purpose-built Air Defense Commander (ADC) platforms. Of our 22 total cruisers, 11 recently modernized CGs will perform the ADC function for deploying Carrier Strike Groups while the Navy modernizes our other 11 ships. As these are completed, they will replace the first 11 on a one-for-one basis as each older ship reaches the end of its service life (35 years) starting in FY20. Our modernization schedule commenced in FY15 on a 2-4-6 schedule in accordance with Congressional direction: two cruisers per year for a long-term phase modernization, for a period no longer than four years, and no greater than six ships in modernization at any given time.

The Budget supports CG Modernization and proposes a plan that will save \$3 billion over the FYDP by inducting the remaining cruisers into modernization following their current planned

operational deployments. This differs from the current plan in that we would put a total of four CGs in phased modernization in FY17. We understand that this request does not align with previous Congressional direction, but feel it is the best way to honor today's operational demands as we prepare for future strategic requirements.

Aviation

With the support of Congress, we continue to strengthen our Naval Aviation force. We are in the process of re-capitalizing every major aviation platform in the Navy and Marine Corps inventory. The MV-22B has replaced the CH-46E/CH-53D, and we are in the process of replacing all other Navy and Marine Corps aircraft. We also continue to focus on unmanned aviation. We are investing in the MQ-4C Triton, MQ-8C Fire Scout, RQ-21 Blackjack, and RQ-7B Shadow plus initiating efforts to provide carrier-based unmanned aviation capability with the RAQ-25 Stingray.

Our investments focus on developing and integrating capabilities by using a family of systems approach, when viable, to maintain superiority against rapidly evolving threats. Using current and future platforms, weapons, networks and technologies, we will ensure Naval Aviation relevance and dominance in the future. For legacy weapons systems, we are addressing aviation readiness by investing in operations and support accounts to mitigate training and platform readiness issues. Our procurement of new aircraft and synchronization of readiness enablers will improve our ability to project power over and from the sea.

The Strike Fighter inventory should be viewed in two separate and distinct phases. The near term challenge is managing a Department of Navy Tactical Aviation (TACAIR) force that has

been reduced in capacity through a combination of flying many more flight hours than planned, pressurized sustainment and enabler accounts, legacy F/A-18A-D Hornet depot throughput falling short of the required output due to sequestration and other factors, and the impact of delays to completing development of the Joint Strike Fighter program. As a result of aggressive efforts instituted in 2014 across the Department to improve depot throughput and return more aircraft back to service, FY15 depot throughput improved by 44 percent as compared to FY14, returning to pre-sequestration levels of throughput. TACAIR aviation depots are expected to continue to improve productivity through 2017, and fully recover the backlog of F/A-18A-D aircraft in 2019 at which time the focus will shift toward F/A-18E/F service life extension. In the far term, the Strike Fighter inventory is predominantly affected by the rate at which we can procure new TACAIR aircraft. The FY2017 budget request increases both the F/A-18E/F and F-35 strike fighter aircraft in order to mitigate near-term and far-term risks to our strike fighter inventory in the most affordable, effective manner possible.

Critical to power projection from the sea, the E-2D Advanced Hawkeye, our new and upgraded airborne early-warning aircraft, completed Fleet integration and deployed with USS ROOSEVELT (CVN 71) Carrier Strike Group. We are continuing Full Rate Production under a multi-year contract and Fleet transition is underway. We expect to integrate the advanced capabilities with Forward Deployed Naval Forces (FDNF) by 2017. We continue to recapitalize the P-3C Orion with P-8As, and are on-schedule to complete the purchase within the FYDP to bring a total of 109 P-8As to the Fleet. And our P-8s will continue to undergo incremental improvements.

Finally, we expect to complete EA-18G Growler Fleet transition in FY16. As the DoD's premier tactical Airborne Electronic Attack / Electronic Warfare aircraft, the Growler is crucial to power projection ashore in a saturated electronic warfare environment. With Congress' addition of seven EA-18Gs in FY16, we will have 160 of these aircraft in 15 squadrons to support the Navy requirement. With the retirement of the Marine Corps' last EA-6B Prowlers in 2019, these highly capable aircraft take over the nation's airborne electronic attack mission.

Our rotary wing and assault support communities are in the midst of large-scale recapitalization. In the vertical lift community, multi-year production contracts for the MV-22 continue. We have taken advantage of joint service commonality in the V-22 to fill a crucial enabler in the Carrier On-board Delivery mission. In the Marine Corps, procurement of the AH-1Z continues to deliver combat proven-capabilities. Finally, with its first flight last fall, the CH-53K King Stallion is poised to bring significant improvements in our heavy lift capabilities.

Unmanned Systems

Currently, our warfare communities - air, sea, undersea and ground - are all doing superb work in unmanned systems which are critical to our ability to be present. They increase the combat effectiveness of our deployed force while reducing the risk to our Sailors and Marines, allowing us to conduct missions that last longer, go farther, and take us beyond the physical limits of pilots and crews. Launching and recovering unmanned aircraft from the rolling decks of aircraft carriers, launching unmanned rotary-wing patrols from our small surface combatants, and deploying unmanned underwater vehicles globally are vital elements both now and in the future for maritime presence and naval warfare. We have enhanced our focus on unmanned systems and prioritized efforts under purposeful leadership at the level of the Deputy Assistant Secretary

of the Navy for Unmanned Systems and the new office of Unmanned Warfare Systems of the staff of the Chief of Naval Operations, also known as N99.

We are moving ahead with a number of unmanned programs in the effort to rapidly integrate new capability into the fleet. The MQ-8B Fire Scout began regular deployments in 2014. When USS FORT WORTH deployed to Singapore recently, the ship took a mixed aviation detachment of a manned MH-60R helicopter and MQ-8B Unmanned Aerial Vehicle's (UAV). This kind of hybrid employment, pairing our manned and unmanned systems to take advantage of the strengths of each, will be a hallmark of our future approach to unmanned systems. The first operational variant of the larger and more capable next generation Fire Scout, the MQ-8C, recently completed developmental testing and a successful operational assessment. This aircraft is scheduled to be deployable by the end of 2017 and will bring double the endurance and double the payload of the older versions.

The MQ-4C Triton is a key component of the Navy Maritime Patrol Reconnaissance Force. Its persistent sensor dwell capability, combined with networked sensors, will enable it to effectively meet ISR requirements in support of the Navy Maritime Strategy. The MQ-4C Triton will establish five globally-distributed, persistent maritime ISR orbits beginning in Fiscal Year 2018 as part of the Navy's Maritime ISR transition plan. Currently, MQ-4C Triton test vehicles have completed 53 total flights and will continue sensor flight testing this spring.

In 2015, the Office of the Secretary of Defense conducted a comprehensive Strategic Portfolio Review (SPR) of DoD ISR programs. The results of the SPR, and a subsequent ISR portfolio review, as reflected in our PB17 budget is the restructure of the Unmanned Carrier-Launched

Airborne Surveillance and Strike (UCLASS) program. The RAQ-25 Stingray will deliver the Navy's first carrier-based unmanned aircraft, a high-endurance platform that will replace today's F/A-18E/F aircraft in its role as the aerial tanker for the Navy's Carrier Air Wing (CVW), thus preserving the strike fighter's flight hours for its primary missions. Stingray will also have the range and payload capacity associated with high-endurance unmanned aircraft to provide critically-needed, around the clock, sea-based ISR support to the Carrier Strike Group and the Joint Forces Commander. The Navy envisions that the open standards to be employed in the Stingray design will enable future capabilities to be introduced to the aircraft after it has been fully integrated into the CVW.

Autonomous Undersea Vehicles (AUV) are a key component of the Navy's effort to expand undersea superiority. AUVs are conducting sea sensing and mine countermeasure tasks today with human-in-the-loop supervision. While nominal force structure requirements for FY25 have not been determined, the Navy is committed to growing both the size and composition of the AUV force. In the near-term, AUVs present an opportunity to increase undersea superiority and offset the efforts of our adversaries.

The Large Displacement Unmanned Underwater Vehicle (LDUUV) is an unmanned undersea vehicle to offload "dull, dirty, dangerous" missions from manned platforms beginning in 2022. LDUUV will be launched from a variety of platforms, including both surface ships and submarines. The craft's missions will include ISR, acoustic surveillance, ASW, mine counter-measures, and offensive operations.

The Surface Mine Countermeasure Unmanned Undersea Vehicle (SMCM UUV) commonly referred to as Knifefish employs low-frequency broadband synthetic aperture sonar. Knifefish is planned for incorporation into increment four of the LCS mine countermeasures mission package.

Weapons

The FY17 budget invests in a balanced portfolio of ship self-defense and strike warfare weapons programs. The Navy has made significant strides in extending the Fleet's layered defense battlespace while also improving the capabilities of the individual ship defense layers in order to pace the increasing anti-ship missile threat.

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. And as the Secretary of Defense announced a few weeks ago, we are modifying the missile to provide vital anti-surface capability. The Evolved Sea Sparrow Missile (ESSM) program awarded the Block 2 Engineering Manufacturing and Development contract in 2015, which will borrow from the SM-6 active guidance section architecture to improve ship self-defense performance against stressing threats and environments. Rolling Airframe Missile (RAM) Block 2 achieved IOC in May 2015, providing improved terminal ship defense through higher maneuverability and improved threat detection.

For strike warfare, the Department's Cruise Missile Strategy has been fully implemented with the PB17 budget submission. This strategy sustains Tomahawk Blocks III and IV through their

service lives; integrates modernization and obsolescence upgrades to the Block IV Tomahawk during a mid-life recertification program which adds 15-years of additional missile service life; fields the Long Range Anti-Ship Missile (LRASM) as the Offensive Anti-Surface Warfare (OASuW) Increment 1 solution to meet near to mid-term threats; and develops follow-on Next Generation Strike Capability (NGSC) weapons to address future threats and to replace or update legacy weapons. This plan brings next generation technologies into the Navy's standoff conventional strike capabilities. NGSC will address both the OASuW Increment 2 capabilities to counter long-term anti-surface warfare threats, and the Next Generation Land Attack Weapon (NGLAW) to initially complement, and then replace, current land attack cruise missile weapon systems.

Ground Forces

The focus of our Marine Corps ground modernization efforts continues to be our ground combat and tactical vehicle (GCTV) portfolio, along with the Command and Control (C2) systems needed to optimize this effectiveness of the entire MAGTF once ashore.

The key priority within the GCTV portfolio is the replacement of the legacy Amphibious Assault Vehicle (AAV) with modern armored personnel carriers through a combination of complementary systems. The Amphibious Combat Vehicle (ACV) program is the Marine Corps' highest ground modernization priority and will use 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, ACV 1.1 and ACV 1.2. Increment 1.1 will field a personnel carrier with technologies that are

currently mature. Increment 1.2 will improve upon the threshold mobility characteristics of ACV 1.1 and deliver C2 and recovery and maintenance mission role variants.

In parallel with these modernization efforts, a science and technology portfolio is being developed to explore a range of high water speed technology approaches to provide for an affordable, phased modernization of legacy capability to enable extended range littoral maneuver. These efforts will develop the knowledge necessary to reach an informed decision point in the mid-2020s on the feasibility, affordability, and options for developing a high water speed capability for maneuver from ship-to-shore.

We are also investing in the replacement of a portion of the high mobility, multi-purpose, wheeled vehicle (HMMWV) fleet which are typically exposed to enemy fires when in combat. In partnership with the Army, the Marine Corps has sequenced the Joint Light Tactical Vehicle (JLTV) program to ensure affordability of the entire GCTV portfolio while replacing about one third (5,500 vehicles) of the legacy HMMWV fleet with modern tactical trucks prior to the fielding of ACV 1.1.

Critical to the success ashore of the MAGTF is our ability to coordinate and synchronize our distributed C2 sensors and systems. Our modernization priorities in this area are the Ground/Air task Oriented radar (G/ATOR) and the Common Aviation Command and Control System (CAC2S) Increment I. These systems will provide modern, interoperable technologies to support real-time surveillance, detection and targeting and the common C2 suite to enable the effective employment of that and other sensors and C2 suites across the MAGTF.

Innovation

As we continue to use better procurement strategies for ships, aircraft, and other weapons systems, we are also using better ideas to enhance the utility of current assets and to accelerate future capabilities to the Fleet. The Navy and Marine Corps have always been at the cutting edge of technology. To tap into the ingenuity inherent in our force, I created Task Force Innovation: a group from across the department comprised of thinkers, experts, and warfighters with diverse backgrounds and from every level. The Task Force is anchored in the Department as the Naval Innovation Advisory Council, with a location on each coast. These councils rely on feedback from databases such as “the Hatch,” a crowdsourcing platform that cultivates solutions from those who know best, our deckplate Sailors and Marines in the field.

To facilitate ways for new technologies to reach the Fleet unhindered by the overly-bureaucratic acquisitions process, we are implementing Rapid Prototyping strategies. This initiative provides a single, streamlined approach to prototyping emerging technologies and engineering innovations to rapidly response to Fleet needs and priorities.

We are also continuing the research and development of promising technologies such as 3D printing, directed energy weapons, robotics, adaptive force packaging at sea and unmanned vehicles to counter projected threats and using the entire force to prove these concepts. We are continuing the development and testing of the Electromagnetic Railgun and Hyper Velocity Projectile (HVP) as part of a broader Gun/Projectile Based Defense strategy. We plan to demonstrate this capability this fiscal year in preparation for follow-on at sea testing. In 2014, we deployed the first operational Laser Weapons System (LaWS) onboard PONCE in the Arabian Gulf. Lessons-learned from the 30 kilowatt LaWS installation are directly feeding the

Navy's investment in Solid State Laser weapons. The Navy is developing a 100-to-150 kilowatt laser prototype for at-sea testing by 2018.

To secure our superiority in cyberspace, we are building a new cyber warfare center of excellence at the Naval Academy, and we have more than doubled our cyber workforce since 2009. In addition to growing the cyber domain, we are also re-designating appropriate positions to count as part of the cyber workforce. The Department is diligently working on ensuring cyber workforce billets are properly coded in our manpower databases for tracking and community management efforts.

There has been a concerted effort to protect cyber positions from drawdowns and maximize direct and expedited civilian hiring authorities to improve cyber readiness and response. Additionally, the DON is supporting the DoD Cyber Strategy in the stand-up of the Cyber Mission Force teams; 40 teams by Navy, 3 teams by Marine Corps and 1,044 cyber security positions within Fleet Cyber and Marine Forces Cyber commands. These positions require unique cyber security skills and qualifications to perform a multitude of cyber security functions that will enhance the Department of the Navy cyber security and defense capability.

Power – Alternative Energy Fueling the Fight

Energy is a necessary commodity for modern life, and it plays a critical geopolitical role around the world. Access to fuel is often used as a weapon, as we have seen with Russian action against Ukraine, and threats against the rest of Europe. Although the price of oil has recently declined, the overall trend strongly suggests that over time, the prices could return to the higher levels.

Aside from the obvious economic instability that comes with the volatile price of oil, being overly reliant on outside energy sources poses a severe security risk, and we cannot afford to limit our Sailors and Marines with that vulnerability and lack of stability. When I became Secretary, our use of power was a vulnerability; we were losing too many Marines guarding fuel convoys in Afghanistan and volatile oil prices were stressing many areas, particularly training.

In 2009, the Department of the Navy set out to change the way we procure, as well as use, energy, with the goal of having at least half of naval energy- both afloat and ashore- come from non-fossil fueled sources by 2020. By using alternative energy sources, we improve our warfighting capabilities; reduce our reliance on foreign sources of fossil fuels; and reduce the ability of potential adversaries the opportunity to use energy as a weapon against us and our partners.

Pioneering new advancements in how we power our platforms and systems is nothing new for the Navy and Marine Corps. For two centuries we have been a driver of innovation, switching from sail to steam, steam to coal, coal to oil, and harnessed the power of nuclear propulsion. Operationally, energy matters now more than ever; our weapons platforms today use far more energy than their predecessors. The new technology we develop and acquire will ensure we maintain a strategic advantage for decades to come. Fueling the ships, aircraft, and vehicles of our Navy and Marine Corps is a vital operational concern and enables the global presence necessary to keep the nation secure.

After successfully testing the Great Green Fleet at the Rim of the Pacific Exercise in 2012, just last month USS JOHN C. STENNIS Strike Group departed on a routine operational deployment,

steaming on an blend of conventional and alternative fuels, as well as conducting underway replenishments at sea with these fuels. The three stipulations we have for our alternative fuels are they must be drop-in, they cannot take away from food production, and they must be cost competitive.

The alternative fuels powering the Great Green Fleet 2016 were procured from a company that makes its fuel from waste beef fats. These alternative fuels cost the Department of Defense \$2.05 per gallon. It is critical we continue to use cost-competitive blended alternative fuels in our ships and aircraft to ensure operational flexibility. For example, of the three crude oil refineries in Singapore one is 50 percent owned by China, while an alternative fuel plant is owned by a Finnish company.

This past year, we surpassed the goal the President set in his 2012 State of the Union Address, when he directed the Department of the Navy to have a gigawatt (one-half of our total ashore energy needs in the U.S.) of renewable energy by 2020. The Renewable Energy Program Office (REPO) coordinates and manages the goal of producing or procuring cost-effective renewable energy for our bases, and the power we are buying through our REPO projects will be cheaper than our current rates over the life of the contract. Today, we have in procurement more than 1.1 gigawatts of renewable energy for our shore installations--five years ahead of schedule.

In August, the Department of the Navy awarded the largest renewable contract in federal government history with the Western Area Power Administration. This solar project will meet a third of the energy needs for 14 Navy and Marine Corps installations, bringing them 210 MW of renewable power for 25 years, and saving the Navy \$90 million.

In the Marine Corps, the Expeditionary Energy Office (E2O) continues to focus on increasing their operational reach and empowering Marines in the field. E2O is doing amazing work. The Marine Corps hosts two expos- one on each coast- every year where they ask industry leaders to bring their latest technology, and, if the Marines see an operational use for it, they can buy it. They have invested in items such as small, flexible and portable solar panels that can save a company of Marines in the field 700 pounds in batteries. The Marines are also working on kinetic systems for backpacks and knee braces that harvest energy from a Marine's own movement. These technologies are making our Marines lighter, faster and more self-sustainable on the battlefield.

Across the Fleet and Marine Corps, we have taken numerous energy conservation measures that are aimed at energy efficiency, and have had dramatic impact on our energy use.

For example, two of our newest amphibious ships, USS MAKIN ISLAND and USS AMERICA use a hybrid propulsion system that has an electric power plant for slower speeds and traditional engines for speeds over 12 knots. When MAKIN ISLAND returned from her maiden deployment, she came back with almost half her fuel budget, despite the fact she stayed at sea an additional 44 days.

We had a Chief suggest we change all the lightbulbs on our ships to LEDs. Now every time a ship comes in for overhaul, we are changing out the bulbs. This simple change is saving us more than 20 thousand gallons of fuel per year per destroyer. They also last far longer, give off better light, and reduce our maintenance costs.

Our Sailors are using a Shipboard Energy Dashboard that provides them with real-time situational awareness of the energy demand on the various systems that are running, allowing Sailors to see the impact the way they operate a ship can have on fuel consumption. Sailors across the Fleet are taking it upon themselves to make their own platforms as efficient as possible, and the results are tangible.

The Department of the Navy's efforts in energy efficiency have strongly contributed to a decline in the Navy's demand for oil nearly 15 percent from fiscal 2008 to fiscal 2014, and the Marines slashed their oil consumption 60 percent over that same period, according to a recent report by the Office of the Undersecretary of Defense for Acquisitions, Technology and Logistics. While drawdowns in Iraq and Afghanistan have certainly contributed to these numbers, improvements in our use of energy have had an impact on our overall consumption.

Diversifying our energy supply for our ships, our aircraft, and our bases helps guarantee our presence and ability to respond to any crisis because we can remain on station longer or extend our range, reducing the delays and vulnerabilities associated with refueling.

We are a better Navy and Marine Corps for innovation, and this is our legacy. Employment of new energy sources has always been met with resistance, but in every case, adoption of new technologies enhanced the strategic position of our nation through improvements in the tactical and operational capabilities of our force. Our focus on power and energy is helping to ensure the United States Navy and Marine Corps remain the most powerful expeditionary fighting force in the world and enhance their ability to protect and advance American interests around the globe.

Partnerships – Building Partnerships to Advance our Shared Values

In this maritime century, cooperation with our international allies and partners is critical to defending the global system, as it broadens responsibility for security and stability, while diffusing tensions, reducing misunderstandings, and limiting conflict. It is through a cooperative effort that we will assure our navies can provide the necessary presence to maintain freedom of navigation and maritime security around the world.

I have traveled almost 1.2 million miles and visited 144 countries and territories and all 50 states to meet with Sailors and Marines and to build partnerships both at home and abroad.

International meetings establish the trust that helps us deter conflict and respond in a coordinated and effective manner to manmade or natural crises. We strengthen these partnerships in times of calm because, in times of crisis, you can surge people, you can surge equipment, but you cannot surge trust.

We continue to focus our efforts on the rebalance of assets to the Pacific as an important part of our partnership efforts. Having the right platforms in the right places is a vital piece of ensuring our friends and allies understand our commitment to this complex and geopolitically critical region. We're moving more ships to the central and western Pacific to ensure our most advanced platforms and capabilities are in the region, including forward basing an additional attack submarine in Guam and forward stationing four Littoral Combat Ships in Singapore. Also, we're providing two additional multi-mission Ballistic Missile Defense destroyers to Forward Deployed Naval Forces (FDNF) in Japan and the P-8A maritime patrol aircraft are making their

first rotational deployments in the region. Additionally, USS RONALD REAGAN replaced USS GEORGE WASHINGTON as our carrier homeported in Japan.

We are hubbing Expeditionary Transfer Docks (T-ESD) 1 and 2 in the vicinity of Korea/Northeast Asia, and hubbing Expeditionary Fast Transports (T-EPF) to Japan and Singapore. In the longer term, by 2018 we will deploy an additional Amphibious Ready Group to the Pacific region and we will deploy a growing number of Expeditionary Fast Transports and an additional Expeditionary Sea Base there.

The U.S. Seventh Fleet along with allies and partner nations combined for over 110 exercises throughout 2015 to train, build partner capability and relationships, and exchange information. The largest exercise, Talisman Sabre in the Asia-Pacific region, in July 2015, featured 21 ships, including U.S. Navy aircraft carrier USS GEORGE WASHINGTON and more than 200 aircraft and three submarines. USS FORT WORTH participated in Cooperation Afloat Readiness and Training (CARAT) exercises with partner navies from Cambodia, Philippines, Malaysia, Indonesia, Brunei, and Bangladesh to conduct maritime security cooperation exercises.

In addition to participating in many of the exercises as part of the Navy-Marine Corps team, the Marine Corps is also building its capacity to work with our Asia-Pacific partners. Marines participated in 46 exercises in the region in 2015. Examples include Cobra Gold, a crisis-response exercise with partners from Thailand, Singapore, Japan, Republic of Korea, Indonesia, and Malaysia, and exercise Talisman Saber, a U.S.-Australia exercise focusing on high-end combat operations and peacekeeping transitions. Additionally, Marine Rotational Force Darwin sustains more than 1,000 Marines on a revolving basis to conduct exercises, security cooperation

and training with the Australian Defense Force and other countries in the region. This will increase over the next few years to a full Marine Air Ground Task Force.

As we rebalance our expeditionary forces to the Pacific, we will remain focused on maintaining maritime superiority across all domains and geographies, ensuring we don't neglect obligations in places like Europe.

As a continuation of the North Atlantic Treaty Organization's 65-year mission to keep all nations free without claiming territory or tribute, we moved the fourth ballistic missile defense capable DDG, USS CARNEY, to Rota, Spain, to join USS DONALD COOK, USS ROSS and USS PORTER to enhance our regional ballistic missile defense capability, provide maritime security, conduct bi-lateral and multilateral training exercises, and participate in NATO operations. We've also established an AEGIS ashore site in Romania to provide additional shore-based ballistic missile defense capability in Europe, with a second installation in Poland scheduled to come online in the 2018 timeframe.

The Navy and Marine Corps continue to demonstrate support for our allies and friends and American interests in the European region. Alongside the Marine Corps' Black Sea Rotational Force's operations in Eastern Europe, a series of Navy ships have deployed into the Black Sea to ensure freedom of navigation and work with our partners there.

This past fall USNS SPEARHEAD completed the Southern Partnership Station 2015 in South America. As SPEARHEAD sailed through the Americas, the Sailors and Marines aboard participated in subject matter expert exchanges and building partner capacity throughout the

region. In October, USS GEORGE WASHINGTON and USS CHAFEE participated in the annual multinational exercise UNITAS, which was hosted by the Chilean Navy and included personnel from Brazil, Ecuador, El Salvador, Guatemala, Honduras, New Zealand and Panama to conduct intense training focused on coalition building, multinational security cooperation and promoting tactical interoperability with the participating partner nations. USS GEORGE WASHINGTON also deployed as part of Southern Seas 2015, which seeks to enhance interoperability, increase regional stability, and build and maintain relationships with countries throughout the region while circumnavigating South America. A unique symbol of our desire to build a strong relationship is evident in deployments by our world class hospital ship USNS COMFORT. As part of CONTINUING PROMISE 2015, medical and support staff from across the U.S. military and the region worked alongside nearly 400 volunteers to treat 122,268 patients and conduct 1,255 surgeries. In an historic event during the USNS COMFORT port call in Haiti, U.S. and Cuban medics worked side-by-side to treat Haiti's poor and exchange best medical practices. CONTINUING PROMISE is without doubt one of the U.S. military's most impactful missions, but future USNS COMFORT deployments will be affected by today's budget realities. Our security is inextricably linked with that of our neighbors, and we continue to work with innovative and small-footprint approaches to enhance our interoperability with partners in the Americas.

For some people around the world, Sailors and Marines who sail aboard our ships are the only Americans they will ever meet, and it is they who represent our country around the world.

In December, I hosted the leaders of our partner navies from West Africa and from Europe and the Americas for the Gulf of Guinea Maritime Security Dialogue. Naval leaders from 16 nations

bordering the Gulf of Guinea as well as 37 heads of navy, delegates and representatives from Europe and the Americas came to discuss collaborative solutions to piracy, extremism, trafficking and insecurity in the region. We discussed a unified code of conduct for maritime law enforcement and more direct cooperation in the region. As the economies in the Gulf of Guinea continue to grow, so does the increasing relevance of guarding against maritime terrorism, illicit trafficking of drugs, people and weapons, extremism moving from east to west, and other transnational crime. The U.S. Navy and Marine Corps will continue to work with our partners in West Africa and help them improve their capabilities and promote collaboration.

Working alongside other navies enhances interoperability, provides key training opportunities, and develops the operational capabilities of the countries and navies with which we have shared values. As we look toward future operations, multinational cooperation will continue to be vital to suppressing global threats, and building these strong partnerships now seeks to enhance and ensure our operational superiority into the future.

Outside of our international partnerships, the Department of the Navy's collaboration with industry, both in technology development and ship and aircraft building and repair, bolsters economic security as well as national security interests at home and abroad.

Finally, our Navy and Marine Corps require the support of the American people to maintain presence. I continue to honor our most important partnership- the one with the American people- by naming ships after people, cities, and states, as a reflection of America's values and naval heritage, and to foster that powerful bond between the people of this country and the men and women of our Navy and Marine Corps.

FY17 Budget Summary

The Department of the Navy's proposed budget for FY17 is designed to achieve the President's Defense Strategic Guidance (DSG): protect the homeland, build security globally, and project power and win decisively when called upon. In doing so we have looked across the FYDP to maintain our ability to conduct the primary missions listed in the DSG to 2021 and beyond. Overall the FY17 President's Budget balances current readiness needed to execute assigned missions while sustaining a highly capable Fleet, all within a continually constrained and unpredictable fiscal climate.

Our approach to this budget has focused on six objectives. First, maintain a credible and modern sea-based strategic deterrent. Second, sustain our forward global presence to ensure our ability to impact world events. Third, preserve the capability to defeat a regional adversary in a larger-scale, multi-phased campaign, while denying the objectives of- or imposing unacceptable costs on- a second aggressor in another region. Fourth, ensure that the force is ready for these operations through critical afloat and shore readiness and personnel issues. Fifth, continue and affordably enhance our asymmetric capabilities. Finally, sustain our industrial base to ensure our future capabilities, particularly in shipbuilding.

Even as we deal with today's fiscal uncertainty, we cannot let slip away the progress we've made in shipbuilding. It takes a long time, measured in years, to produce a deployable ship. It is the least reversible thing we might do to deal with budget constraints. If we miss a year, if we cancel a ship, it is almost impossible to recover those ships because of the time involved and the inability of the industrial base to sustain a skilled set of people without the work to support them.

To do the job America and our leaders expect and demand of us, we have to have those gray hulls on the horizon.

Because of the long lead time needed for shipbuilding, it is not the responsibility of just one administration. This Administration and Congress, in previous budgets, have guaranteed we will reach a Fleet of 300 ships by FY19 and 308 by FY21. This FYDP establishes a proposed shipbuilding trajectory for our Battle Force and its underpinning industrial base in the years following FY21, while maintaining decision space for the next Administration and Congress. As such, the FY17 President's Budget requests funding for seven ships: two Virginia class attack submarines, two DDG 51 Arleigh Burke class destroyers, two Littoral Combat Ships (LCS), and the LHA 8 Amphibious Assault Ship. The budget request also includes funding for refueling and complex overhauls (RCOH) for aircraft carriers USS GEORGE WASHINGTON and USS JOHN C. STENNIS.

The plan for LCS/FF requests funding for two ships in FY17, preserving the viability of the industrial base in the near term and creating future decision space for Frigate procurement should operational requirements or national security risk dictate the need.

The FY17 President's Budget includes funding for the modernization of destroyers (\$3.2 billion total invested in FY17 – FY21) to sustain combat effectiveness, to ensure mission relevancy, and to achieve the full expected service lives of the AEGIS Fleet. The budget also requests \$521 million across the FYDP, in addition to current Ships Modernization, Operations and Sustainment Fund (SMOSF) funding, to support cruiser modernization. The Navy will continue

to work with Congress to develop and evaluate funding options to continue this vital modernization.

Above the sea, our naval aviation enterprise grows. Specifically, we continue our recapitalization efforts of all major platforms and increase procurement of F/A-18E/F and F-35 aircraft, and make key investments in current and future unmanned aviation systems and strike warfare weapons capabilities.

While accelerating new platforms and capabilities to the Fleet is a priority, it is equally important to reduce the maintenance backlog created by sequestration. The FY17 budget provides additional investments in shipyard and aviation depots in both civilian personnel and infrastructure to achieve that end. As we execute our readiness strategy, our focus remains on properly maintaining ships and aircraft to reach their expected service lives and supporting a sustainable operational tempo.

The cyber domain and electromagnetic spectrum dominance remain Department priorities. The budget includes an increase of \$370 million over the FYDP (\$107 million in FY17) across a spectrum of cyber programs, leading to significant improvements in the Department's cyber posture. Specific elements include funding for engineering of boundary defense for ship and aviation platforms and for afloat cyber situational awareness.

While hardware upgrades and additions are crucial, our investment in people must be equally prioritized. The FY17 budget includes a 1.6 percent pay raise for Sailors and Marines and adds

billets for base security. Our personnel initiatives receive funding aimed to recruit, train, and retain America's best.

Our priorities combine to achieve one objective – naval presence. And that presence is weighted to meet the national security strategy. The FY17 budget sustains a forward deployed presence and continues the rebalance to the Pacific. The number of ships operating in the Asia-Pacific will increase from 52 today to 65 by 2020.

Crafting the Department of the Navy's budget did not come without hard choices. To achieve a balance between current and future capabilities, we were compelled to make several risk-informed decisions. We have proposed deactivating the 10th Carrier Air Wing. This primarily administrative move improves the alignment of carrier air wing and aircraft carrier deployment schedules and alleviates excessive time between deployments for CVWs attached to CVNs in lengthy maintenance phases, without losing any aircraft.

Finally, throughout my tenure, as part of my Department of the Navy Transformation Plan, I have stressed the importance of accountability. We are moving very quickly to an audit ready environment. Congressional support has been critical in providing the resources we need to bring our systems into compliance.

Conclusion

As the longest-serving Secretary since World War I, I have truly been able to get to know the men and women of this Department, and I have led institutional change – from inception to reality.

In order to provide our nation with presence, to deter our adversaries and assure our allies, and provide our nation's leaders with options in times of crisis, we have enhanced our capabilities across every area of this department. By focusing on our people, platforms, power and partnerships, we assure we remain the greatest expeditionary fighting force the world has ever known.

Today there is no operational billet in the Navy or Marine Corps that is closed to anyone based on their gender. Men and women wear uniforms common in appearance so they are uniformly United States Sailors and United States Marines. Career paths are flexible and provide unprecedented opportunities for professional growth. We promote based more on merit and not just tenure. We are encouraging retention in the Department by creating an environment that doesn't force our Sailors and Marines to choose between serving their country and serving their families.

We are seeking innovation from within the talent inherent in our Sailors and Marines. We have established an innovation network, with crowdsourcing platforms established to allow new ideas to get from the deckplates to our leaders.

We are growing the fleet. By the end of this fiscal year, we will have contracted for 84 ships, which will give America a 300-ship Navy by 2019 and a 308-ship Navy by 2021. We stood up a new Deputy Assistant Secretary of the Navy and OPNAV staff for Unmanned Systems development, making us leaders in this emerging capability.

The Navy has fundamentally changed the way we procure, use and think about energy. In the past seven years, the Navy and Marine Corps have significantly lowered fuel consumption. We have sailed the Great Green Fleet on alternative fuel blends and met our goal of having 1 gigawatt of renewable energy powering our shore-based installations five years early.

We are rebalancing our Fleet to meet the goal of having 60 percent of our assets in the Pacific region by the end of the decade, and we continue to contribute to security cooperation and international exercises with our friends and allies around the world.

Since the inception of our nation, America's Navy and Marine Corps have paved the way forward for this country.

As President George Washington once said, "It follows then as certain as that night succeeds the day, that without a decisive naval force we can do nothing definitive, and with it, everything honorable and glorious."