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STATEMENT OF

THE HONORABLE RAY MABUS

SECRETARY OF THE NAVY

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

ON

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Secretary of the Navy

5/19/2009 - Present

Ray Mabus

Ray Mabus is the 75th United States Secretary of the Navy and leads America's Navy and Marine Corps.

As Secretary of the Navy, Mabus is responsible for conducting the affairs of the Department of the Navy, including recruiting, organizing, equipping, training and mobilizing. Additionally, he oversees the construction and repair of naval ships, aircraft, and facilities, and formulates and implements policies and programs consistent with the national security policies established by the President and the Secretary of Defense. Secretary Mabus is responsible for an annual budget in excess of $170 billion and leadership of almost 900,000 people.

Upon assumption of office and throughout his tenure, Mabus has prioritized improving the quality of life of Sailors, Marines and their families, decreasing the Department's dependence on fossil fuels, strengthening partnerships and revitalizing the Navy's shipbuilding program.

Leading the world's only global Navy, Mabus has traveled almost 670 thousand miles to over 95 countries to maintain and develop relationships with national and international officials and visit with Sailors and Marines forward deployed or stationed around the world. He has traveled to Afghanistan on ten separate occasions, in recognition of the sacrifice and service of Sailors and Marines deployed in combat zones.

To prepare service members and their families for the high tempo operations of today's Navy and Marine Corps, Mabus announced in 2012 the "21st Century Sailor and Marine" initiative, designed to build and maintain the most resilient and ready force possible.

Mabus also directed the Navy and Marine Corps to change the way they use, produce and acquire energy, and set an aggressive goal that no later than 2020, the Navy and Marine Corps obtain at least 50% of their energy from alternative sources. In pursuit of that goal the Department has achieved several milestones. In 2012, President Obama announced in his State of the Union address that the Department will purchase or facilitate the production of 1GW of renewable energy for use on Navy and Marine Corps installations. The Navy also demonstrated the Great Green Fleet in 2012, a carrier strike group in which every participating U.S. Navy ship and type of aircraft operated on alternative energy sources including nuclear energy and biofuels.

Secretary Mabus has made increasing the size of the naval fleet and protecting the industrial base a top budget priority of the Department. During his tenure, the Navy went from building fewer than five ships a year to having more than 40 ships under contract, most of them in fixed-price, multi-year deals that assure value for taxpayers, certainty for industry partners and strength for our nation.

In June 2010, as an additional duty, President Obama appointed Mabus to prepare the long-term recovery plan for the Gulf of Mexico in the wake of the Deepwater Horizon oil spill. Mabus' report was released in September 2010 and met with broad bi-partisan support with most recommendations passed into law by Congress as the Restore Act. Included in the legislation was a fund to aid in the Gulf Coast's recovery by distributing 80 percent of any civil penalties awarded as a result of the damage caused by the disaster. To date, civil penalties total more than one billion dollars.

Before his appointment, Mabus held a variety of leadership positions. From 1988 to 1992, Mabus served as Governor of Mississippi, the youngest elected to that office in more than 150 years. Mabus was Ambassador to the Kingdom of Saudi Arabia from 1994-1996 and later was Chairman and CEO of a

manufacturing company.

Secretary Mabus is a native of Ackerman, Mississippi, and received a Bachelor's Degree, summa cum laude, from the University of Mississippi, a Master's Degree from Johns Hopkins University, and a Law Degree, magna cum laude, from Harvard Law School. After Johns Hopkins, Mabus served in the Navy as an officer aboard the cruiser USS Little Rock.

Updated: 16 January 2013

Chairman McKeon and Ranking Congressman Smith, and members of the committee, today I have the privilege of appearing on behalf of the Sailors, Marines, and civilians who make up the Department of the Navy. This is the fifth time that I have been honored to report on the readiness, posture, progress, and budgetary requests of the Department. With my shipmates—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 the Department. This statement, together with the posture statements provided by CNO Greenert and Commandant Amos, present a comprehensive overview of the state of the Department of the Navy.

For 237 years the United States Navy and Marine Corps have been deployed around the globe, conducting missions across the full spectrum of military operations. Whether ashore, in the air, on or under the world's oceans, or in the vast cyberspace, The Navy-Marine Corps team operates forward, as America's "Away Team," to protect our national interests, respond to crises, deter conflict, prevent war or, when necessary, fight and win. The past year has been no different. Among myriad missions, our Sailors and Marines have continued to conduct combat operations in Afghanistan; maritime stability and security operations around Africa; ballistic missile defense with our allies in Europe, the Middle East and the Pacific; and humanitarian assistance and disaster relief missions from the archipelagos of Southeast Asia to the streets of Staten Island.

Today we continue to transition from a decade of war and counter-insurgency ashore to a time of increased global uncertainty. Eighty percent of the world's population live a short distance from the sea and 90 percent of global trade moves by sea, so our naval forces play a vital role in delivering the security needed to help address today's global challenges. The Nation's Defense

Strategic Guidance, as announced by President Obama, directs focus toward the maritime-centric regions of Western Pacific and Arabian Gulf and uses innovative, low-cost, light footprint engagements in other regions. These are tasks tailor made for the Navy-Marine Corps Team. The Commandant, CNO, and I are confident that with proper resourcing, the U.S. Navy and Marine Corps will meet today's and tomorrow's missions.

Almost a century ago the United States began a fruitful period of profound military development between the First and Second World Wars. Vice Admiral William Sims, commander of our naval forces in England during World War I, wrote that "we must be on our guard against the dangers of a lack of vision." As then, strategic thinking and innovative development of our operating concepts will be central to our success now and in the future. The ability to think and adapt to changes in the fiscal and operational environment has been and will be the key to the success of American naval forces.

The Department of the Navy has a proven track record of effective and efficient management of our nation's most important maritime resources: people, platforms, power, and partnerships. The most resilient and capable force in our history protects the Nation. In the past four years, we have stabilized the size of the Fleet, and we are building more capable ships with greater accountability and at a better value to the taxpayer and we are on a trajectory to restore the Fleet to 300 ships by 2019. The Navy and Marine Corps are seeking ways to lessen dependence on fossil fuel and volatile oil prices, some of our greatest military vulnerabilities, by using more efficient and varied forms of power. And we are building and maintaining the global partnerships that are so critical to the Navy and Marine Corps' ability to project power throughout the world through forward deployment. As we sail into a new maritime century, the

Navy and Marine Corps team is the most formidable expeditionary fighting force the world has ever known.

Naval Operations in 2012

Operational tempo in 2012 was high. On a daily basis, almost half the fleet was at sea and more than 70,000 Sailors and Marines were deployed; our reserve components mobilized over 3,700 Sailors and 5,000 Marines to support operations. Our forces conducted combat and maritime security operations, bi-lateral and multi-lateral exercises with our international partners, and humanitarian assistance missions.

Pacific Command (PACOM)

The Asia-Pacific is fundamentally a maritime region, and over 50 percent of the world's population and the world's five largest armed forces lie within the operating area of the U.S. SEVENTH FLEET. Emphasizing our existing alliances while also expanding our networks of cooperation with emerging partners is central to the defense strategy articulated by the President in January 2012. Our mission is to provide security with combat ready units, demonstrated by the forward basing in Japan of USS GEORGE WASHINGTON and her strike group as well as the USS BONHOMME RICHARD amphibious ready group and 31st Marine Expeditionary Unit. Destroyer Squadron 15 continues to conduct Ballistic Missile Defense (BMD) patrols that contribute significantly to this mission. When North Korea conducted launches using ballistic missile technology in both April 2012 and December 2012, our ships were on scene to monitor the situation and defend our forces and allies if needed.

The first Marine rotational force arrived in Darwin, Australia early last year. The Marines, part of the 3rd Marine Expeditionary Force (MEF) soon after embarked USS GERMANTOWN and began operations in the region. Working with naval assets like the destroyer USS LASSEN and the submarine USS BUFFALO the Marines participated in the long standing Cooperation Afloat Readiness and Training (CARAT) exercises with a number of our allies and partners including Thailand, Singapore and Bangladesh. Marines from 3rd MEF also participated in Mongolia's KHAAN QUEST 2013 exercise as part of a joint force that included the U.S. Army. The multinational exercise started ten years ago as a bi-lateral training opportunity between U.S. Marines and Mongolian forces and has grown to include participants from ten countries.

Exercise MALABAR, an annual bi-lateral exercise between U.S. and Indian Forces, continued to expand in 2012 and comprised training in numerous mission areas including maritime security operations and strike missions. U.S. units, including the USS CARL VINSON strike group, conducted operations both at sea and ashore with our partners from the Indian Navy. In cooperation with the Armed Forces of the Philippines in 2012 we expanded our annual BALIKATAN exercise to include 20 participating partners from the Association of South East Asian Nations (ASEAN). This year's exercise focused on Humanitarian Assistance, Search and Rescue, and helped develop interoperability with the participating forces.

In 2012 our west coast hospital ship, USNS MERCY executed a five-month PACIFIC PARTNERSHIP humanitarian assistance deployment, conducting medical and civic assistance missions in Indonesia, Vietnam, the Republic of the Philippines, and Cambodia. PACIFIC PARTNERSHIP began as a humanitarian response to one of the world's most catastrophic natural disasters, the 2004 tsunami that devastated parts of Southeast Asia. The PELELIU

Amphibious Ready Group and Marines from the 15th Marine Expeditionary Unit (MEU) conducted Exercise CROCODILO with the Defense Forces of Timor-Leste, demonstrating the importance of working with all partner nations, no matter the size of their naval forces, which share our commitment to peace and security.

Our largest operation in the Pacific this year was the biennial Rim of the Pacific Exercise (RIMPAC). The largest maritime exercise in the world, RIMPAC in 2012 had participants from 22 nations, including for the first time the Russian Navy. RIMPAC provides a unique training opportunity that helps foster and sustain the cooperative relationships that are critical to maritime safety and security not only in the Pacific, but across the globe. This year's exercise also displayed the Navy's commitment to energy security with the Great Green Fleet demonstration. USNS HENRY J. KAISER conducted an underway replenishment with USS NIMITZ, USS PRINCETON, USS CHAFEE, and USS CHUNG-HOON, refueling all the ships and types of aircraft in the NIMITZ Strike Group with a 50/50 blend of advanced biofuels and petroleum based fossil fuels. Every type of aircraft that flew from the strike group flew on this blend and all the surface ships sailed on this blend. No engines were changed in any way. This demonstrated the effectiveness and seamlessness of the use of advanced biofuels during operations at sea.

Central Command (CENTCOM)

Marines and Sailors, active and reserve, remain engaged in operations in Afghanistan. They have denied the Taliban safe haven and substantially calmed the violent Helmand Province. Along with Coalition partners from eight nations and the Afghan National Security Forces (ANSF), Marines have succeeded in pushing enemy initiated attacks outside populated areas, diminishing

the enemy's ability to disrupt governance efforts by Afghans and bringing increased security to population centers.

As 9,000 Marines have been drawn down in Helmand over the course of the year, our forces there helped to standup the 215th Corps of the Afghan National Army as well as units of the Afghan National Police and Afghan Local Police. Through these efforts, ANSF has increasingly taken responsibility for securing this area. ANSF units currently conduct 80 percent of operations on their own while leading 85 percent of all operations in Helmand Province.

Aircraft from Carrier Strike Groups in the Indian Ocean conducted thousands of sorties supporting combat operations in Afghanistan with Intelligence, Surveillance and Reconnaissance (ISR) and close air support. With two Carrier Strike Groups in the region for much of the year, regular flight operations were also conducted in the Arabian Gulf. USS PONCE also deployed to the region to demonstrate and employ the capabilities of our future Afloat Forward Staging Bases (AFSB).

Off the Horn of Africa, we continue to work with partners in Combined Task Force 151 and other counter-piracy missions. Primarily as a result of these efforts, there was a dramatic drop in the number of pirate attacks during 2012. While the primary purpose and goal of counter-piracy operations is to enhance maritime security in the region, an additional benefit is the development of operational relationships with a wide range of partners. For example, in September USS WINSTON S. CHURCHILL conducted exercises to expand counter-piracy expertise and promote interoperability with the Chinese frigate YI YANG, the first bi-lateral exercise of its kind between the navies of the United States and the People's Republic of China.

European Command/Africa Command/Southern Command (EUCOM/AFRICOM/SOUTHCOM)

US Navy ships teamed with 11 European and African partners for PHOENIX EXPRESS 2012, a maritime security exercise in the Mediterranean. AEGIS ships in EUCOM continued their BMD patrols for the European Phased Adaptive Approach to missile defense and planning continues to forward base four guided missile destroyers in Rota, Spain. The High Speed Vessel (HSV) SWIFT circumnavigated Africa for AFRICAN PARTNERSHIP STATION, making 20 port calls to conduct security cooperation missions and humanitarian assistance. Marines from Special Purpose Marine Air-Ground Task Force (SPMAGTF) Africa trained counter-terrorism forces and provided support to forces across the Maghreb region of North Africa.

In the Caribbean, western Atlantic, and eastern Pacific work continued with our regional partners to counter transnational organized crime. Aircraft from Helicopter Anti-Submarine (Light) and Carrier Airborne Early Warning squadrons flew detection and monitoring missions while our ships, working with the U.S. Coast Guard, helped confiscate millions of dollars of illegal drugs and illicit cargo.

SOUTHERN PARTNERSHIP STATION provided both military to military training opportunities and humanitarian assistance missions to countries in Central and South America. The Navy also supported the annual UNITAS exercises, multinational naval exercises designed to enhance security cooperation and improve coalition operations. UNITAS exercises are typically conducted annually in Atlantic and Pacific waters around South America, and in 2012 U.S. Southern Command conducted bilateral training opportunities with nations including Guatemala, Honduras, and Belize. PANAMAX, the annual U.S. Southern Command-sponsored multinational exercise series, focused in 2012 on ensuring the defense of the Panama Canal.

Personnel from 17 nations, including the United States, participated in simulated training scenarios from various U.S. locations.

Northern Command (NORTHCOM)

When Hurricane Sandy came ashore in October, the Navy and Marine Corps immediately gathered resources to support the Federal Emergency Management Agency (FEMA) and other Federal agencies in the response to this disaster. USS WASP, USS SAN ANTIONIO, USS CARTER HALL, and USNS KANAWHA steamed to the coast of New York and New Jersey and became logistics bases for relief efforts following the storm, working in concert with units deployed to Lakehurst Naval Air Station in central New Jersey. Marines from 26th MEU went ashore from WASP at Staten Island to clear debris and reopen streets, while Seabees ran supply convoys into hard hit areas and set up generators, removed beach sand from city streets, pumped over a million gallons of water from homes and removed tons of debris. Sailors from Mobile Diving and Salvage Units worked with FEMA and State officials in dewatering the World Trade Center site and the New York subway system, while members of the Coastal Riverine force cooperated with FEMA at the Hoboken Ferry Terminal to restore service.

Our sea-based strategic deterrent force of ballistic missile submarines continues to provide the most survivable leg of the nation's strategic deterrent triad. For 50 years, and for more than 4,000 strategic patrols, our Navy's submarine force has patrolled, undetected, below the sea. Our OHIO-class ballistic missile submarines promote global stability and provide credible and reliable deterrence.

There are countless other examples of Navy and Marine Corps units on, above and under the seas, on land both in the United States and in every corner of the globe, standing watch protecting this Nation.

Developing Capabilities for Future Operations

The 21st century presents us with new challenges or threats to both our national security and to global stability. The Navy and Marine Corps are working to develop new concepts and capabilities that will help address sophisticated anti access/area denial (A2/AD) networks, irregular and cyber threats, and the proliferation of precision guided munitions. The Navy, Marine Corps, Air Force and Army are working together to implement the Air-Sea Battle concept, which seeks to improve integration of air, land, maritime, space, and cyberspace forces. The Navy and Marine Corps are also developing the concept of an integrated battle force, taking many of the lessons we have learned about joint and combined operations, combining them with the results of exercises like BOLD ALLIGATOR 2012, the largest amphibious exercise in over a decade which was conducted on the coast of North Carolina in early 2012, and developing new frameworks for naval warfare and expeditionary operations.

Air Sea Battle

In order to ensure that U.S. forces remain able to project power on behalf of American interests, the Departments of the Navy, Air Force, and Army continue to develop the Air-Sea Battle concept and its capabilities. The Air-Sea Battle Office, jointly manned by all four services, is working on a series of initiatives to achieve the capabilities and integration required in future Joint forces so that Combatant Commanders have the tools they need, delivered with the most

efficient use of resources. Air-Sea Battle is building on the lessons learned by the joint force over the past three decades to enhance efficiency while confronting the challenge of A2/AD systems in all theaters of operations.

DON continues to work on the integration of advanced air and cruise missile defense capabilities, the development of BMD enhancements, and "soft-kill" capability. A new generation of Anti-Ship Cruise Missile (ASCM) remains a priority, which will increase the range and speed at which we can engage enemy surface combatants, the most capable of which are armed with advanced ASCMs. We are also developing the Virginia Payload Module for the VIRGINIA-Class submarines, to mitigate the loss of the undersea strike capacity of our guided missile submarines when they retire in the mid-2020s.

Defending Freedom of the Seas: Law of the Sea Convention

By custom, experience and treaty the traditional concept of freedom of the seas for all nations has developed over centuries. This vital part of the global order has been codified within the Law of the Sea Convention (LOS Convention). The DoD and DON continue to strongly support this important treaty. The LOS Convention guarantees rights such as innocent passage through territorial seas; transit passage through, under and over international straits; and the laying and maintaining of submarine cables. Nearly every maritime power and all the permanent members of the UN Security Council except the United States have ratified the convention. Our absence as a Party weakens our position and impacts our military, diplomatic, and economic efforts worldwide. Remaining outside the LOS Convention also undercuts our ability to challenge expansive jurisdictional claims that, if unchallenged, could undermine our ability to exercise our navigational rights and freedoms, conduct routine naval operations in international waters, and

provide support to our allies. Additionally, only as a Party to the Convention can the United States fully secure its sovereign rights to the vast resources of our continental shelf beyond 200 miles from shore. The uniformed and civilian leaders of the Department strongly support accession to the LOS Convention.

Departmental Priorities

Maintaining the world's most capable expeditionary fighting force means developing our Navy and Marine Corps as a strategic asset that provides our Commander-in-Chief with the broadest range of options in a dynamic and complex global security environment. As Secretary, I continue to charge the Department to focus on four key priorities: people, platforms, power, and partnerships, by ensuring we do the following:

> *Support our Sailors, Marines, civilians, and their families;*
> *Strengthen shipbuilding and the industrial base; Promote acquisition excellence and integrity; Continue development and deployment of unmanned systems;*
> *Recognize energy as a strategic national security issue; and*
> *Build partner capacity to help distribute the burden of securing the global maritime domain based on alliances, shared values and mutual trust.*

From training our newest Midshipmen and recruits, to supporting ongoing operations in Central Asia and the Pacific, to preparing for the future force, these principles will guide the Department in all of its many tasks.

Supporting Our Sailors, Marines, and their Families

Operational tempo is high and getting higher. The BATAAN Amphibious Ready Group and 22d Marine Expeditionary Unit's spent almost eleven months at sea, the longest amphibious deployment since World War II. Personnel with JOHN STENNIS Carrier Strike Group spent only five months at home between her two most recent seven-month deployments. Sailors, Marines, civilians and their families are being asked to do more with less, and it is the job of the Department's civilian and military leaders to provide them with the resources to maintain readiness, both physically and mentally, and to support families while loved ones are forward deployed.

The naval strategist and historian Alfred Thayer Mahan once wrote that being ready for naval operations "consists not so much in the building of ships and guns as it does in the possession of trained men." The Department is committed to our most important asset and the most critical combat payload for our ships, aircraft, and units ashore—our people. Over the last four years, I have visited with Sailors and Marines deployed in 96 countries across the globe. When our U.S. Navy and Marine Corps team is on the job, they are far from home and from the people they serve. One of my core missions is to remind them we are grateful for their service, and humbled by their sacrifice.

Pay and benefits are the most tangible example of our commitment to our Sailors and Marines, and an important focus for the Department. The President's budget includes a one percent pay raise for Sailors and Marines. The amount of this raise reflects the commitment to our Sailors

and Marines, while adhering to the current budget constraints faced by DOD. We support the modest TRICARE fee increase in the FY14 budget, which Congress has allowed the Department of Defense to link to CPI to help ensure an efficient and fair benefit cost, as well as efforts to introduce efficiency and cost savings into military pharmacies. These are important steps that help us introduce reform to the Department's personnel costs. The promise of a military retirement is one of the solemn pledges we make to compensate our service members when they volunteer for a full career. However, it is time for a review of this system. We fully support Congress's establishment of the Military Compensation and Retirement Modernization Commission to conduct a comprehensive review of military compensation and retirement systems. The commission must maintain a focus on ensuring any suggested changes support the required force profiles of the services. Keeping faith with those currently serving is a high priority, and the Commission and Congress should ensure that any resulting reforms protect our current service members through grandfathering those who prefer the current retirement structure.

We must manage resources to ensure support for the most combat effective and the most resilient force in history. The standards are high, and we owe Sailors, Marines, and civilians the services they need to meet those standards. I am very proud of the dedicated service provided by our civilian workforce, who despite economic sacrifices, continue to deliver outstanding products and services in support of the DON mission. The continued development of the 21st Century Sailor and Marine Initiative will help ensure that Sailors and Marines maximize their professional and personal readiness with initiatives that cut across previously stove-piped programs. In March 2012, aboard USS BATAAN, I outlined the five "pillars" of the 21st

Century Sailor and Marine which are: readiness and protection, safety, physical fitness, inclusion, and the continuum of service.

Readiness and protection will ensure Sailors, Marines, and their families are prepared to handle the mental and emotional rigors of military service. Ensuring the readiness of the force includes continuing campaigns by both services to deglamorize, treat, and track alcohol abuse.

It also means maintaining the standard of zero tolerance for sexual assault. The DON Sexual Assault Prevention and Response Office (SAPRO) is responsible for keeping the health and safety of our Sailors and Marines at the forefront. SAPRO has developed training initiatives, opened new lines of communication, and worked to ensure that offenders are held accountable while reducing the number of attacks. In the last year, SAPRO conducted dozens of site visits to Navy and Marine Corps installations world-wide. Their sexual assault prevention programs for leadership reached over 5,000 Navy and Marine officers and senior enlisted personnel at eight operational concentration sites. Simultaneously, live-acted and vignette-based programs, emphasizing the importance of bystander intervention in preventing sexual assault, were presented to packed theaters totaling roughly 15,000 Sailors and Marines. The Commandant of the Marine Corps has personally championed a Sexual Assault Prevention and Response (SAPR) Campaign Plan that engages his senior leadership in top-down, Corps-wide training initiatives anchored on the core values of Honor, Courage, and Commitment. He and the Sergeant Major of the Marine Corps have been tireless in conveying their expectations in special forums and personal visits to virtually every Marine Corps installation. Across both Services, literally every Sailor and Marine is receiving special SAPR training that emphasizes the concept of Bystander Intervention to prevent sexual assaults, and additional training tools are in development.

To enhance capabilities in the area of sexual assault prevention and prosecution, Naval Criminal Investigative Service (NCIS) created an advanced adult sexual assault training course. They have also launched a multidisciplinary Adult Sexual Assault Program, which synchronizes the efforts of investigators, prosecutors, and victim advocates. NCIS has continued its campaign to train the Department's leaders, conducting 389 briefings world-wide to over 48,000 service members. Last year they also introduced a 24-hour text-tip capability to enhance responsiveness to criminal allegations including sexual assault, receiving 1,300 web based referrals.

A ready force is also a force that understands how to respond to our shipmates in need in order to help stem the tide of military suicides. The Department will continue to work to improve suicide prevention programs to eliminate suicide from the ranks. This will not be easy. The complexities surrounding suicide requires an "all-hands" effort and comprehensive approach. New training programs, like the Marine Corps' R.A.C.E. (Recognize suicide warning signs, Ask one another about suicide, Care for one another through listening and support, and Escort fellow Marines to help), are just the start. Navy and Marine Corps commanders are fully engaged in promoting the psychological health of our Marines, Sailors, and family members and are receiving training on how best to provide solutions in their units. The message to all Navy and Marine Corps leaders is to look out for each other and to ask for help.

The fiscal uncertainty we live with today not only affects operational readiness; the impact may also manifest itself in safety performance. More than ever, we must emphasize safety and risk management, both on- and off-duty as operational tempo increases and our Sailors and Marines are asked to do more with resources that are being stretched. Efforts to ensure the safest and most secure force in the Department's history include more targeted oversight of our high risk

evolutions and training. To improve risk assessment, the Department is analyzing safety and safety-related data from a variety of sources and in 2012 committed to establishing a secure funding stream for the Risk Management Information System. The Department is also employing System Safety Engineers in the hazard and mishap investigation process.

Physical fitness is central to the ability of our Sailors and Marines to complete their missions. More than just another program, it is a way of life and supporting it resonates throughout the 21st Century Sailor and Marine Initiative. Throughout the force personal fitness standards will be emphasized and reinforced. That commitment extends to improving nutrition standards at Navy dining facilities with the "Fueled to Fight" program, developed and used by the Marines. Fueled to Fight emphasizes the importance of nutrition and healthy food items, and ensures their availability.

A cornerstone of the Department's commitments to individual Sailors and Marines is to ensure DON is inclusive and, consistent with military effectiveness, recruits, retains, and promotes a force that reflects the nation it defends. The aim to increase the diversity of ideas, experiences, expertise, and backgrounds to ensure the right mix of people to perform the variety of missions required of the services. With military requirements as a guiding tenet, the Department will reduce restrictions to military assignments for personnel to the greatest extent possible.

An officer corps must be representative of the enlisted force it leads. The United States Naval Academy, our Reserve Officer Training Corps programs, and Officer Candidate School have all continued to achieve high ethnic diversity rates as minority applications remain at historic levels. In recent years NROTC units have reopened at some Ivy League schools, and new units have opened at State Universities with large minority populations, including Arizona State University

and Rutgers University. The first group of women assigned to the submarine force have deployed aboard their boats. Three of these trailblazing officers already earned their qualifications in Submarine Warfare and were presented their "Dolphins" in a ceremony last fall. With success aboard Ohio Class ballistic missile submarines (SSBNs) and guided missile submarines (SSGNs) women will now be assigned to the attack submarine fleet and enlisted women will soon be included in the submarine force.

The final pillar, continuum of service, will provide the strongest transition support in the Department's history. The Navy and Marine Corps develop future leaders of our nation, in and out of uniform. For that reason, and for their service, individuals separating or retiring from the Naval Service should be provided the best assistance programs and benefits available to get a positive start in civilian life. The Department's education benefits, transition assistance, career management training, life-work balance programs, and morale, welfare, and recreation programs are keys to their future and have been recognized by human resource experts as some of the best personnel support mechanisms in the nation. Our transition efforts also bolster our ability to maintain a highly skilled Reserve force, ensuring those highly trained service members who want to continue to serve in a Reserve capacity are smoothly and appropriately aligned within the Reserve component.

Both the Navy and Marine Corps reached our recruiting goals again in the past year. The Navy is on track to meet its active duty-manning ceiling of 322,700 Sailors by the end of this fiscal year. The Marine Corps continues to draw down from 202,001 to the goal of 182,100 by FY2016 and stood at about 198,000 at the end of 2012. The quality of our recruits continues to rise, with high levels of physical fitness and increasing numbers of recruits with a high school diploma rather

than a GED. With high quality recruits the attrition numbers in Boot Camp have dropped, and more Sailors and Marines are successfully completing their follow-on schools, where they learn the basics of their military specialty.

In order to address many of the asymmetric military scenarios we face, the Department has initiated programs in our Special Operations and Cyber Forces to ensure we have the right personnel for the mission. For instance, the Department conducted a Cyber Zero-Based Review and developed a Cyberspace Manpower Strategy. Operating in and strategically leveraging cyberspace requires a sophisticated and technically savvy force and we must invest in their training and development. We also need an equally sophisticated officer corps to lead this force and therefore, I will make the construction of a cybersecurity studies facility at the U.S. Naval Academy a top priority in developing the FY 2015 military construction program. With respect to Special Forces, the Department continues to work closely with U.S. Special Operations Command (USSOCOM) on their manpower priorities, including emphasis on targeted recruiting of personnel with language capability and ethnic diversity, compensation issues, and ensuring the proper balance of SOF manning during times of fiscal austerity.

The Department constantly evaluates its success at reintegrating the combat-wounded Sailor or Marine into civilian life. The Navy and Marine Corps have pressed forward in their efforts to support our wounded, ill, and injured (WII) Sailors and Marines. The Marine Corps' Wounded Warrior Regiment, based at Quantico, provides and facilitates non-medical assistance throughout all phases of recovery. With Battalions located on both coasts and detachments around the world, it has the global reach needed to support our men and women. The Navy has established the Safe Harbor Program to coordinate the non-medical care of WII Sailors, Coast Guardsmen,

and their families. The program provides a lifetime of individually tailored assistance designed to optimize the success of our shipmates' recovery, rehabilitation, and reintegration activities and has representatives at military treatment facilities all over the world, including partnering with some Veteran's Affairs facilities.

A key to successful integration is meaningful employment and the Department continues to lead by example in providing employment opportunities for Wounded Warriors and veterans. Civilian careers within the DON offer a wealth of opportunities that allow Wounded Warriors to apply the wide array of skills and experience gained from their military service. Last year, veterans represented more than 50 percent of new hires, with nearly one in ten having a 30 percent or more compensable service-connected disability. Additionally, nearly 60 percent of the Department's civilian workforce has prior military experience. The Department also continues to share best practices across the federal and private sector, and annually hosts the Wounded Warrior Hiring and Support Conference.

In addition to the successful efforts to help employ transitioning Sailors and Marines, the Department has also made tremendous strides to improve overall career readiness through the implementation of the newly designed Transition Assistance Program. . Both the Navy and Marine Corps have reported compliance with the mandatory components of the transition program required by the Veterans Opportunity to Work to Hire Heroes Act (VOW Act) and implemented new and revised curriculum to facilitate pursuit of post-military goals. By the end of this year, program enhancements will also include the program's three individualized tracks for education, technical training, and entrepreneurship. The Department also continues to share

best practices across the federal and private sector, and annually hosts the Wounded Warrior Hiring and Support Conference.

Strengthening Shipbuilding and the Industrial Base

Much has been said and written about the size of our Fleet. A few facts are in order. On September 11, 2001, the Navy's battle force stood at 316 ships. By 2008, after one of the great military buildups in American history, our battle force had shrunk to 278 ships. In 2008, the Navy built only three ships, and many of our shipbuilding programs were over budget or over schedule or both. Over the past four years, the Fleet has stabilized in the mid-280s and many problems in our shipbuilding programs have been corrected or arrested. There are now 47 ships under contract, many under fixed-price contracts that ensure the Department receives the best value for our shipbuilding programs.

Maintaining and increasing current Fleet numbers is a challenge in the current fiscal environment. However, it is important that we succeed in this effort as our defense strategy calls upon us to focus on the maritime-centric theaters of Pacific and Central Command, while still remaining engaged globally. This is why building up the number of ships in our Fleet has been my priority from day one. With your support it will continue to be a priority as we allocate our resources moving forward.

The FY13 shipbuilding plan projected that, by the end of the five years of the Future Years Defense Plan (FYDP), the Fleet, because of a large number of retirements, would have 285 ships, about the same number as exist today. Beyond the FYDP, the Fleet would again experience growth reaching 300 ships before the end of the decade. The plan maintains a

flexible, balanced battle force that will prevail in combat situations, including in the most stressing A2/AD environments, while living within the reduced means allocated.

Furthermore, our shipbuilding plan aims to build a Fleet designed to support the new defense strategy and the joint force for 2020 and beyond. A force structure assessment was recently completed and it found, due to the new defense strategy, forward basing and other variables that about 300 ships will be needed to meet the Navy's future responsibilities.

Regardless of the final battle force number, the Fleet's ship count will begin to rise as major surface combatant and submarine building profiles are sustained and as the Littoral Combat Ships (LCS) and Joint High Speed Vessels (JHSVs) built during the next five years begin to enter fleet service.

A healthy industrial base is necessary to support the Department's priorities going forward. Our nation faces tough economic times, so our plan, as we noted earlier, to grow the Fleet to 300 ships by 2019 means we have to work closely with the shipbuilding industry to ensure we maintain their skill and capability while growing a fleet affordable to the American people. The industrial base also includes our aircraft manufacturers, and the industry teams that develop the payloads aboard our ships. We will work to ensure diversity in supply as we move ahead, and we will look for opportunities to compete.

Promoting Acquisition Excellence and Integrity

One of the most important obligations of public service is a responsibility to be good stewards of the American people's money; it is particularly important given today's fiscal realities. Rebuilding the fleet with the right platforms continues to be a top priority, and requires efficient

and smart spending based on a realistic vision of the future force. At the heart of the Department's improved stewardship and leadership is the acquisition excellence initiative in force since 2009.

The central role Navy and Marine Corps play in the Nation's defense strategy drives the acquisition programs currently underway and those planned in the future. Contract requirements, aggressive oversight, and competition drive affordability. At every appropriate opportunity the Department pursues fixed price contracts like those in use for the LCS program, or multi-year procurements like those used to purchase the Virginia Class Submarines, MV-22 Ospreys and MH-60 helicopters. The Department continues to look for other innovative funding strategies that help ensure a consistent workload for the industrial base, as well as focus on increasing productivity and fostering innovation both in industry and government. Total ownership costs, eliminating unnecessary bureaucracy, and unproductive processes are always considered as programs are developed. Using these methods to inject affordability and refine requirements in the LCS and DDG 51 programs, the Department cut over $4.4 billion from the projected cost of the ships, and over $4.9 billion in projected life-cycle-costs.

To be responsible with the taxpayer's money also means we must take action against fraudulent contractors and shoddy work. The DON has greatly strengthened our suspension and debarment system, and enhanced its ability to protect the Department from unscrupulous and irresponsible contractors. NCIS has made significant investments in our major procurement fraud program and has realized a 300 percent return on investment through fines and recoveries associated with criminal prosecutions this year. During FY 12, the DON Suspending and Debarring Official (SDO) suspended or debarred 344 contractors, a 75 percent increase from the previous year.

Most of this increase was the result of aggressive pursuit of "fact-based" debarments of contractors who had been terminated for default or poor performance under a DON contract or who had mischarged costs against DON contracts, but also includes conviction-based debarments taken against contractors for fraud associated with Government contracts. The Government Accountability Office (GAO) has recognized the DON for its very active procurement fraud program, which actively pursues leads of contractor misconduct from numerous sources, and effectively carries out its suspension and debarment responsibilities under the Federal Acquisition Regulations.

To protect the Department's research, development and acquisition (RDA) process from a counterintelligence (CI) perspective, NCIS has partnered with intelligence community members at locations of special interest. For example, integration of NCIS resources at University Applied Research Centers (UARC) and the Applied Research Laboratories has allowed NCIS CI agents and analysts to intensify their operational efforts and investigations that protect these prioritized programs and technologies. Operation "Bigger Game", an integrated RDA CI effort, resulted in the arrest of seven individuals affiliated with a UARC for illegally exporting high-tech microelectronics from the United States to Russian military and intelligence agencies.

Over the past decade and a half the acquisition workforce was downsized. As a result, our expertise and experience was stretched too thin. With your support the Department has been slowly increasing the number of acquisition professionals, restoring the core competencies inherent in their profession and to our responsibilities in the Department to organize, train and equip the Navy and Marine Corps. Since starting the effort three years ago, the Department has grown the acquisition work force by 4,700 personnel, which has been key to increasing the

necessary technical authority and business skill sets, and improving the probability of program success.

Additionally the Department is keeping program managers in place longer to build up their expertise in and oversight of individual programs, which also contributes to program stability and success. The Department also invests in education for our program managers, who are sent to an intensive short course at the graduate business school at the University of North Carolina specifically targeting a better understanding of defense contractors. A pilot for mid-level managers began last year for a similar graduate level course at the University of Virginia Darden Business School. The Department is also changing the way program leaders are evaluated and now incentivizes them to work with their industry counterparts to manage costs. Finally, acquisition workforce professionalization is receiving the attention it deserves, and more resources are targeted to individual training, education and experience for individuals in key leadership positions.

Developing and Deploying Unmanned Systems

Unmanned systems will continue to be key military platforms, both in the maritime domain and ashore. Successful integration of the unmanned systems begins with the Sailors and Marines who support the effort. In October 2012, we established Unmanned Helicopter Reconnaissance Squadron 1 (HUQ-1), the first dedicated rotary-wing UAV squadron in the Navy, to train Sailors on the aircraft as well as provide deployable detachments. Across the entire spectrum of military operations, an integrated and hybrid force of manned and unmanned platforms is the way of the future. In the past year the Department has made significant movement forward in the development of unmanned systems.

In 2012 USS KLAKRING deployed with four MQ-8B Fire Scouts operated by Helicopter Anti-Submarine Squadron (Light) 42 to conduct operations in the FIFTH and SIXTH Fleets. The ship and squadron, which deployed with a Fire Scout detachment in 2011 in support of counter-piracy operations and operations off of Libya, continued to develop the tactics, techniques and procedures to integrate the Fire Scout helicopters into fleet operations. Another detachment of three Fire Scouts flew over 3,000 hours of ISR missions for Marines engaged in combat operations in Afghanistan. The next generation Fire Scout, the MQ-8C, made its first flight in 2010 and began production in 2012. It has greater range and payload capacity and it will fly its first missions to serve with Naval Special Warfare.

In unmanned rotary-wing aviation, the Marines have continued experimenting with the Cargo Resupply Unmanned Aerial System (CRUAS), using unmanned K-MAX helicopters for resupply in Afghanistan. These UAVs carry cargo to patrol bases and forward operating bases, eliminating the need for dangerous convoys. The contract was extended for another six-month deployment in Afghanistan, in order to build on the system's success.

A good example of integrating manned and unmanned systems is the Mine Countermeasures (MCM) Mission Module in LCS. This module includes the Remote Multi-Mission Vehicle (RMMV), which will tow the AN/AQS-20A mine hunting sonar to find mines, paired with a manned MH-60S helicopter with the Airborne Mine Neutralization System (AMNS) system to neutralize them. The development team is working with unmanned surface craft for autonomous mine sweeping and shallow water mine interdiction, as well as vertical take-off UAVs for detection and neutralization. USS INDEPENDENCE (LCS 2) has already conducted

developmental testing of the RMMV and continues to develop operating concepts and procedures.

This spring will bring the first flight of the MQ-4C Triton, the unmanned element of Navy's maritime patrol system of systems. Based on the proven Global Hawk, the Triton will play a central role in building maritime domain awareness and prosecuting surface targets. Further testing and evaluation will occur in 2013. Its experimental predecessor, the BAMS-D demonstrator aircraft, continues to provide maritime surveillance in FIFTH Fleet and to develop operating concepts for the aircraft.

The Unmanned Carrier Launched Airborne Surveillance and Strike system, or UCLASS, is changing the way reconnaissance and strike capabilities are delivered from our aircraft carriers. Designed to operate alone in permissive environments or as part of the air wing in contested environments, UCLASS will conduct ISR&T and/or strike missions over extended periods of time and at extreme ranges. Unlike manned carrier aircraft, UCLASS will not require flights solely to maintain pilot proficiency. The UCLASS airframe will be employed only for operational missions and operators will maintain proficiency in the simulator, extending its useful life expectancy considerably. Its airborne mission time will not be limited by human physiology but rather will be determined by tanker availability, ordnance expenditure, or the need to conduct maintenance. At NAS Lakehurst, the X-47 Unmanned Combat Air System, Aircraft Carrier Demonstrator (UCAS-D) conducted its first launch via catapult. In December, the X-47 went to sea for the first time aboard USS HARRY S. TRUMAN and conducted integration testing and evaluation with the flight deck crews for taxi checks and flight deck operability. Increased autonomy will continue to evolve and will continue to expand the

possibilities of what can be done with unmanned systems flying from a carrier. Integrated manned and unmanned systems will provide a more effective fighting force while helping to reduce risk to our Sailors and Marines.

Recognizing Energy as a Strategic National Security Issue

How the Navy and Marine Corps use, produce, and procure energy is a critical operational element. From the adoption of steam power over sail, the development of oil burning power plants, or the move to nuclear power more than half a century ago, the Navy has a history of leading in energy innovation. In this fiscally constrained environment we must use energy more efficiently and effectively. This fiscal environment also means that the Department must continue to lead on and invest in alternative energy. Failure to do so will leave a critical military vulnerability unaddressed and will expose the Department to price shocks inherent in a global commodity like oil.

The Department's energy initiatives are about combat and operational effectiveness. In wartime, energy is a tactical and operational vulnerability. Because of the massive amount of fuel that the Department uses, price shocks in the global market have a significant impact on budget resources. Every time the cost of a barrel of oil goes up a dollar, it effectively costs the Department an additional $30 million in fuel costs. These price spikes are mostly paid out of operational funds, which mean less steaming time, less flight time, less training time for our Sailors and Marines and lack of facilities sustainment. To help address these operational vulnerabilities and threats to our combat effectiveness, in 2009 I established energy goals for the Department. These goals drive the Navy and Marine Corps to strengthen our combat capability by using energy more efficiently and by diversifying our sources of power.

Efficiency and innovation are key starting points to changing the way we use energy. USS MAKIN ISLAND, the fleet's newest amphibious assault ship, is a great example. Designed with energy efficiency in mind, it has a unique hybrid electric power plant instead of the steam plant powering the rest of the WASP class. The ship returned from its maiden deployment last year and, between the highly efficient systems and the energy awareness of the crew, saved the Navy $15 million in fuel costs out of a budgeted $33 million over the seven-month deployment. Plans for the two following ships, USS AMERICA and USS TRIPOLI, include hybrid electric systems like MAKIN ISLAND and we are working on a similar system to back-fit it onto Flight IIA BURKE Class DDGs.

The Marine Corps has proven and is proving that energy efficient and renewable energy equipment increases combat effectiveness. Recognizing a combat multiplier, the Marines Corps came up with an innovative process to shorten the timeline from concept to combat. In just a year, using the Experimental Forward Operating Base (ExFOB) process, the Marine Corps equipped Marines with new capabilities that reduce the burden of fuel and batteries. Since Third Battalion, Fifth Marines deployed to Helmand Province in fall of 2010 with solutions identified through ExFOB, this equipment has become a standard part of the Marine Corps kit. Marine Battalions in Afghanistan are equipped with these energy technologies so we now have sniper teams, Special Operations teams, Communication units, Infantry and Artillery Units, and teams training our Afghan partners employing ExFOB-proven gear, from solar blankets to power radios, LED lights to illuminate tents, and solar generators to provide power at forward operating bases and combat outposts. These capabilities have made a real impact: enabling a foot patrol to operate for three weeks without battery resupply, reducing the backpack load on Marines, and increasing self-sufficiency at operations centers. Continuing to aggressively pursue solutions,

ExFOB deployed hybrid power solutions to Patrol Base Boldak in Afghanistan. With the lessons learned at Boldak, the Marine Corps is now writing requirements to redefine how they power the Force-with hybrid power systems and fewer generators that are right-sized for the mission. Capabilities that increase combat power through greater energy performance have become fundamental to Marine Corps modernization.

The Department continues to develop the drop-in, advanced biofuel initiative for our ships, aircraft, and shore facilities. Under the Defense Production Act, the Department of the Navy has teamed with the Departments of Agriculture and Energy to fund the Advanced Drop-in Biofuel Initiative to help the development of multiple, geographically dispersed biorefineries. Last fall, DoD issued a multi-stage solicitation under Title III of the Defense Production Act (DPA) that sought to construct or retrofit through public-private partnerships multiple, commercial-scale next generation bio-refineries geographically located and capable of producing cost-competitive, ready drop-in biofuels that meet or exceed military specifications. Soon, DoD will finalize negotiations with several companies that have met the criteria, including demonstrating the ability to domestically produce alternative fuels by 2016-2017 that are very cost-competitive with petroleum.

This past year the Navy purchased a B20 blend (80 percent conventional/20 percent biodiesel) for the steam plant at the St. Julien's Creek Annex, near Norfolk, VA. The cost of the B20 is 13 cents per gallon less expensive than conventional fuel, and is projected to save the facility approximately $30,000 over the 2012-2013 heating season.

Drop-in fuels are necessary so that no changes to our engines, aircraft, ships, or facilities are needed to burn the fuel and so we retain operational flexibility to use whatever fuel is available.

After testing individual platforms in 2011, in 2012 the Department took an important leap forward toward the goal of globally deploying ships and aircraft in maritime operations on competitively priced biofuels by 2016. At RIMPAC, the entire NIMITZ Carrier Strike Group, from the surface escorts to the helicopters flying patrol and logistics missions, conducted operations on a 50/50 conventional and biofuel blend. The ships of the strike group also demonstrated energy efficient technologies to reduce the overall energy use, including solid-state lighting, on-line gas turbine waterwash, and shipboard energy dashboards.

This year I issued the Department's "Strategy for Renewable Energy" to outline our path to procuring one gigawatt (GW) of renewable energy for our shore facilities by 2020. For reference, one GW can power a city the size of Orlando. This strategy will help us achieve the goal of obtaining 50 percent of our power ashore from alternative energy sources, at no additional cost to the taxpayer. The Department chartered a 1GW Task Force to create an implementation plan, calling on each region of our shore establishment to develop their own energy plans to help achieve these goals. In FY12 we initiated four power purchase agreements for large scale renewable energy including three photovoltaic projects, each of which will provide electricity cheaper than conventional sources and will save a total of $20 million over the lives of the agreements, and a waste-to-energy facility at MCAS Miramar that is cost neutral when compared to conventional power. All four of these projects have been developed with third party financing.

Continued leadership in this field is vital to the Nation's future. Our allies and friends around the world are actively exploring the potential of efficiency and alternative energy to increase combat effectiveness and strategic flexibility. The Australian Navy is drafting an alternative fuels

policy, and the Department is working closely with them to ensure interoperability so that our forces can use alternative fuels together. The British Army, partnered with Marines in Afghanistan, has begun to use alternative energy equipment developed by the Marines in their ExFOB program at the bases they operate in theater. These partnerships are emblematic of the types of engagements with our allies around the world on important topics such alternative fuels, energy efficiency and renewable energy that we must continue to lead to provide secure alternatives, improve reliability of fuel supplies, and enhance combat and operational effectiveness.

Energy, fuel, and how we power our ships have always been a vital issue for the United States Navy. Those who question why the Navy should be leading in the field forget the Navy's leadership in energy throughout history. From John Paul Jones rebuilding the sailing rig of USS RANGER in France in order to make the ship faster and more efficient before raiding the British seacoast, to the deployment of our first nuclear powered aircraft carrier USS ENTERPRISE, which was just decommissioned, the energy and fuel to propel the Fleet has been a key element of the U.S. Navy's success.

Maritime Partnerships and Forward Presence

For almost seven decades, U.S. Naval forces have maintained the stability and security of the global maritime domain, upholding the two key economic principles of free trade and freedom of navigation, which have underwritten unprecedented economic growth for the global economy. As ninety percent of worldwide trade and over half of global oil production are moved at sea, this system, and the sophisticated set of international rules and treaties upon which it is based, has become central to the economic success of the global marketplace. However its efficiencies,

and the demanding timelines of a “just in time” economy, place it at risk from the destabilizing influences of rogue nations and non-state actors. While our engagement with and assurance of this global system are not without cost, the risk of instability, stagnant global economic growth and a decline in national prosperity could be dramatic.

Providing security across the global maritime domain requires more capacity and capability than any single nation is able to muster especially within the current fiscal constraints. Building partner capacity helps distribute the burden of securing the global maritime domain based on alliances, shared values and mutual trust. The Navy and Marine Corps are naturally suited to develop these relationships. Trust and partnerships across the globe cannot be surged when conflict looms if they have not been established in times of peace.

Forward presence is the key element of seapower, which can help deter or dissuade adversaries from destabilizing the system or starting a military conflict. U.S. Naval forces operating around the world underwrite the credibility of our global leadership, and give meaning to our security guarantees. They demonstrate shared commitments and concerns, and reinforce regional security without a large and expensive footprint ashore. Forward deployed naval forces allow us to provide a full range of options to the President and the Combatant Commanders; from a single Patrol Craft to a Carrier Strike Group; from a platoon of SEALs to a Marine Air-Ground Task Force; that ensure our leaders have the adaptable and flexible forces needed to respond to any challenge and retain an element of control in the escalation of conflict. The ability to concentrate forces for military operations in times of crisis, or distribute them to engage allies, partners, and friends in times of relative peace, depends on maintaining naval forces forward. As does our ability to be present during a crisis and avoid the appearance of escalation.

In addition to the exercises and operations previously described, senior leader engagement and training opportunities for our allies, partners, and friends are important components of building international relationships and trust. As Secretary, I have had the opportunity to meet with 35 heads of state and government, over 60 ministers of defense, over 80 Chiefs of Navy, as well as additional military leaders and many foreign military personnel. The U.S. Naval Academy, the U.S. Naval War College, Marine Corps University, and the Naval Post Graduate School host international students who return home with not only a first-rate education, but with friendships and new perspectives on the United States and its people that can have a significant impact on future military-to-military relationships.

FY14 Budget Submission

Every strategy is a balance of responsibilities and resources. The Department's ability to meet the demands of today's operations, in support of our Defense Strategic Guidance, depends on anticipating and preparing for the changing geopolitical landscape and having the proper resources ready to deploy. The Department will continue to maintain the capabilities required to ensure that the Navy and Marine Corps is the finest expeditionary force in the world, however proper resourcing is needed to maintain our capacity for global operations.

With the resources as laid out in the FY14 budget request, the battle force of 2019 will include the following platforms.

Nuclear-powered Aircraft Carriers and Air Wings.

With the 2016 delivery of USS GERALD R. FORD, the first of a new class of nuclear-powered aircraft carriers, the number of carriers in commission returns to eleven. The Department will

sustain that number at a minimum through the middle of this century. The Ford class of carrier is a completely new ship within a rearranged NIMITZ hull. The Ford class contains new shipboard systems like an electromagnetic launch system and advanced arresting gear, and with advanced combat capabilities resident in the F-35C Lightning II Joint Strike Fighter, F/A-18E/F Super Hornet, EA-18G Growler electronic attack aircraft, E-2D Advanced Hawkeye airborne early warning aircraft, the MH-60 Sierra and Romeo tactical helicopters, and new unmanned aerial systems.

Nuclear-powered Attack Submarines.

There are nine VIRGINIA-class submarines already in commission and seven more at various stages of construction. The planned FY14-18 Multi-Year Procurement (MYP) of nine submarines remains intact, and, with the 2013 congressional action, advanced procurement has been authorized and appropriated for a tenth boat to be ordered in 2014. I would like to thank the Congress for their support of our submarine programs. Your continued support is needed for the advance appropriation required to complete the procurement of the tenth VIRGINIA-class boat. This means that these flexible, versatile platforms will be built at the rate of two per year during the FYDP with the cost-saving benefits afforded by the multi-year procurement contract.

With four guided missile submarines (SSGNs) decommissioning in 2026-2028, the Department will continue to invest in research and development for the VIRGINIA Payload Module (VPM). VPM could provide future VIRGINIA-class SSNs with four additional large diameter payload tubes, increasing her Tomahawk cruise missile capability from 12 to 40 and adding other payload options.

Guided Missile Cruisers and Destroyers.

Modular construction of the DDG 1000 Class Destroyers is proceeding apace, with commissioning of all three ships of this class planned between 2015 and 2019. The Arleigh Burke-class DDGs (DDG 51s) remain in serial production, with plans in place for a multi-year purchase of up to ten ships through FY17. As part of that multi-year purchase, the Navy intends to seek congressional approval for introducing the DDG 51 Flight III aboard the second FY16 ship based on the achievement of a sufficient level of technical maturity of the Air and Missile Defense Radar (AMDR) development effort. The Flight III Destroyer will include the more powerful AMDR providing enhanced Ballistic Missile Defense (BMD) and Air Defense capability. The modernization program for in-service Ticonderoga-class CGs and Arleigh Burke-class DDGs is progressing satisfactorily, with hull, machinery, and electrical system maintenance and repairs; installation of advanced open architecture combat systems, and upgrades to weapons/sensors suites that will extend the service life and maintain the combat effectiveness of these fleet assets.

Littoral Combat Ships.

With their flexible payload bays, open combat systems, advanced unmanned systems, and superb aviation and boat handling capabilities, LCSs will be an important part of our future Fleet. This spring we forward deployed the first LCS, USS FREEDOM, to Singapore and will forward deploy four by CY16. Crew rotation plans will allow for substantially more LCS forward presence than the frigates, Mine Counter-Measures ships, and coastal patrol craft they will replace, and will free our multi-mission capable destroyers for more complex missions. The Department remains fully committed to our plan of purchasing 52 Littoral Combat Ships.

Amphibious Ships.

Thirty amphibious landing ships can support a two-Marine Expeditionary Brigade (MEB) forcible entry operation, with some risk. To generate 30 operationally available ships, the strategic review envisions an amphibious force consisting of 33 ships total. The objective fleet will consist of 11 big deck Amphibious ships (LHA/LHD), 11 Amphibious Transport Docks (LPD), and 10 Landing Ship Dock (LSD). To support routine forward deployments of Marine Expeditionary Units (MEUs), the amphibious force will be organized into nine, three-ship Amphibious Ready Groups (ARGs) and one four-ship ARG forward based in Japan, plus an additional big-deck Amphibious ship available to support contingency operations worldwide.

Afloat Forward Staging Bases (AFSBs).

The Navy is proposing to procure a fourth Mobile Landing Platform (MLP) in fiscal year 2014, configured to serve as an Afloat Forward Staging Base (AFSB). This AFSB will fulfill an urgent Combatant Commander requirement for sea-based support for mine warfare, Special Operations Forces (SOF), Intelligence, Surveillance and Reconnaissance (ISR), and other operations. The work demonstrated by the interim AFSB, USS PONCE, has been very encouraging. To speed this capability into the fleet, and to ultimately provide for continuous AFSB support anywhere in the world, we are designing and building the FY12 MLP 3 to the AFSB configuration, resulting in a final force of two MLPs and two AFSBs. This mix will alleviate the demands on an already stressed surface combatant and amphibious fleet while reducing our reliance on shore-based infrastructure and preserving an important part of our shipbuilding industrial base.

Naval Aviation

The Department continues to evaluate the needs of naval aviation to ensure the most efficient and capable force in line with the Defense Strategic Guidance. The Navy procured the final F/A-18 Super Hornet in FY-13 for delivery in FY-15 for a total of 552 aircraft. EA-18 Growler will complete program of record procurement with 21 EA-18G in FY-14 for delivery in FY-16 for a total of 135 aircraft. The Department's review of aviation requirements has validated the decision to purchase 680 Navy and Marine Corps F-35s. The F-35 procurement remains steady, with 4 F-35C and 6 F-35B. The Marine Corps stood up the first F-35 operational squadron, VMFA-121, in November, 2012. The Fleet Replacement Squadron, VFA-101, is expected to receive its first F-35C in April 2013.

The Department of the Navy continues to monitor strike fighter capacity. Changes in the USMC force structure, accelerated transition from the legacy Hornet aircraft to the Super Hornets, high flight hour extensions for legacy hornets and lowered utilization rates resulted in an appropriately sized strike fighter aircraft inventory. Based on current assumptions and plans, strike fighter aircraft shortfall is predicted to remain below a manageable 29 aircraft through 2023, with some risk.

In the long term, the Navy will need to replace its F/A-18E/F Fleet. Pre-Milestone A activities are underway to define the follow-on F/A-XX aircraft. Navy continues to develop the first-generation Unmanned Carrier-Launched Airborne Surveillance and Strike System (UCLASS), which will provide long-range, persistent ISR&T with precision strike capability, enhancing the carrier’s future ability to provide support across the range of military operations in 2020 and beyond. UCLASS will utilize the flexibility and access inherent in carrier operations to provide

the Joint Force and Combatant Commanders with on demand intelligence and strike capability against time-sensitive targets while on station.

In FY14 the DON is seeking approval for a MYP of 32 E-2D aircraft over a longer term than originally proposed. Over the FYDP, purchases of P-8s have been reduced by eight aircraft, which reflects the Department's intent to procure all the aircraft originally planned, but at a slower rate in order to distribute the costs more evenly.

Marine Corps

As the Nation's ready response force, the Marine Corps, by definition, remains at a high state of readiness. The demands of a ready force require careful balance across these accounts to avoid a hollowing of the force. The Department is executing an approved multi-year plan to draw down the Corps from an end strength of 202,100 in early 2012 to 182,100 by the end of FY16. The drawdown is on pace at approximately 5,000 Marines per year and anticipates that voluntary separations will be adequate to meet this planned rate. The Marines will resort to involuntary separations only if absolutely necessary. But, no matter how a Marine leaves, we remain committed to providing effective transition assistance and family support.

The Joint Strike Fighter continues as the Marine Corps number one aviation program. The F-35 will replace the Marine Corps' aging legacy tactical fleet; the F/A-18A-D Hornet, the AV-8B Harrier and the EA-6B Prowler, bringing the force to one common tactical fixed-wing aircraft. The integration of F-35B will provide the dominant, multi-role, fifth-generation capabilities needed across the full spectrum of combat operations, particularly to the Marine Air Ground Task Force (MAGTF) and the Joint Force. Having successfully completed initial ship trials,

dropping a variety of ordnance and completing hundreds of successful test flights, the F-35B continues to make significant progress, culminating with the standup this past November of the first operational JSF squadron, VMFA-121, in Yuma, AZ.

The Marine Corps' ground vehicle programs are also a critical element of revitalizing the force after age and operational tempo have taken their toll on the equipment. Two key programs for the Ground Combat Elements are the Joint Light Tactical Vehicle (JLTV) and the Amphibious Combat Vehicle (ACV). The JLTV will provide the Marine Corps tactical mobility with a modern expeditionary light utility vehicle. The initial planned purchase of 5,500 vehicles has been reduced based on our constrained fiscal environment, and the Marine Corps will need to refurbish the remaining High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) fleet in order to fill out less dangerous missions. The ACV is central to the Marine Corps role as an amphibious force providing forcible entry and crisis response. The ACV program will develop the next generation amphibious, armored personnel carrier that will help ensure the Marine Corps can continue to bridge the sea and land domains. The Marines' Light Armor Vehicle (LAV) Mobility and Obsolescence program is on track to extend the service life of the LAV by replacing or upgrading several components including the suspension and drive systems. The Marine Corps' ability to exploit an obsolete but already produced suspension system from the Army's Stryker vehicles has saved at least $162 million taxpayer dollars.

Of particular concern is the fact that the Marine Corps modernization accounts represent only 14 percent of the Marines' total obligation authority. Because of this level of modernization funding, even proportional cuts have disproportionate impact on the many small programs essential to modernization of the Corps. Combining this with efforts to reconstitute the force as

it returns from Afghanistan, our reset strategy, which focuses on the most economical way to restore equipment readiness, is vital to the Marine Corps' future.

Keeping faith with our Marines as we reduce the force, maintaining our plans for the modernization of the force, and resetting our equipment after a decade in combat depend on appropriate funding.

Conclusion

The Founding Fathers, in their wisdom, placed in the Constitution the requirement that Congress "provide for and maintain a Navy." In the 21st Century, that force is as vital, or more so, to our national security as it has been throughout our nation's history. As we commemorate the bicentennial of the Battle of Lake Erie, we continue to recognize our Navy's history in the War of 1812. Captain Oliver Hazard Perry led his men through a bloody battle, in the end reporting that "we have met the enemy, and they are ours." It was the first time that an entire squadron of the Royal Navy surrendered to an enemy force. The battle was a critical naval victory and represents more than just the skill and daring of our Navy in the Age of Sail. The joint operations that followed, with Perry's naval forces conducting an amphibious landing and providing naval gunfire support for an Army invasion of Canada, were early examples of joint power projection. It serves as a reminder that the Navy and Marine-Corps Team has a vital role to play in the defense of our nation, but is a teammate with our joint partners who all contribute to success and victory.

The goals and programs we have discussed today will determine our future as a global force. We have worked to streamline our processes and increase efficiency, to work toward innovative new

solutions to our 21st Century problems, and to eliminate programs that no longer apply in the current strategic environment. We have done this to ensure that we retain the ability to deter regional conflict and respond rapidly and decisively to emerging crises.

Our specific requests are reflected in the President's FY14 budget submission. Today's economic environment and our nation's fiscal constraints demand strict stewardship and leadership. The process by which we arrived at the Department's budget requests was determined, deliberate, and dedicated to our responsibility to you and the taxpayer. I can assure you that the Department has thoroughly considered the risks and applied our available resources efficiently and carefully to align our request with the President's Defense Strategic Guidance.

Today, your Navy and Marine Corps are deployed across the spectrum of military engagement around the world, from direct combat operations to providing security in the maritime domain to humanitarian assistance. Our Sailors and Marines often seem to be everywhere except at home. Their hard work and success are based on the unparalleled professionalism, skill, and dedication that ensure their dominance in every clime and place. The Commandant, CNO, and I look forward to answering your questions. This Committee's continued and enduring support for our policies, payloads, platforms, and people enables us to fulfill the historic charge of the Founders to sail as the Shield of the Republic.

Thank you.