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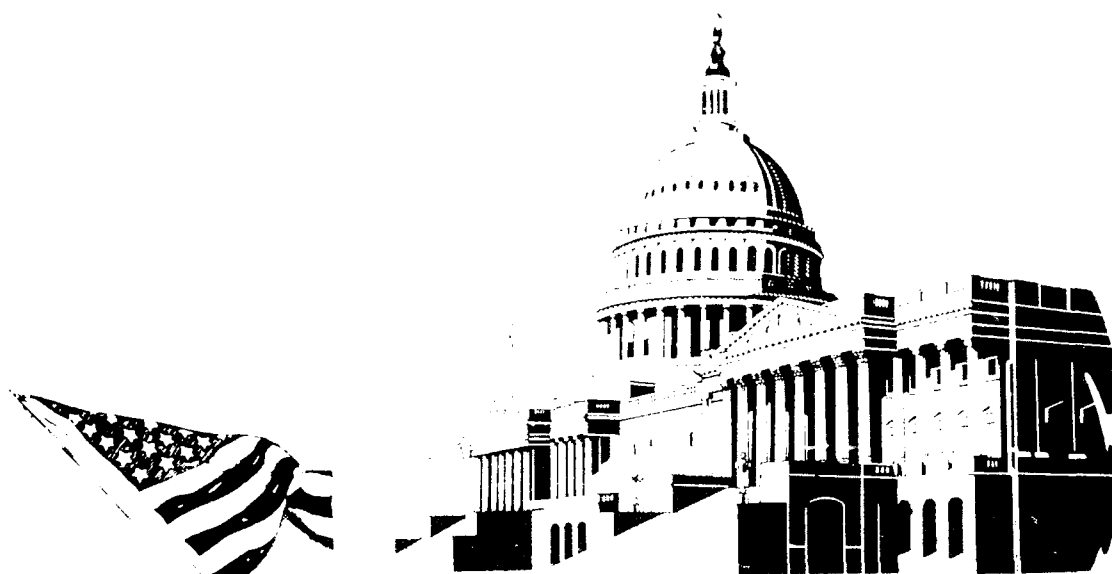


Department of the Navy

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Report to the Congress



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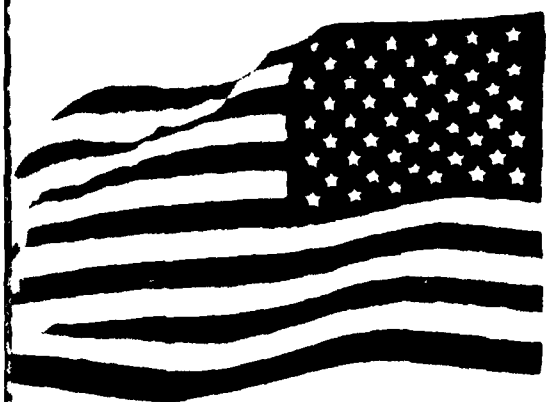
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Prepared by
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**H. Lawrence Garrett III
Under Secretary of the Navy**

On May 19, 1987, President Ronald Reagan nominated H. Lawrence Garrett III, to be the Under Secretary of the Navy. Mr. Garrett was confirmed by the Senate on Aug. 5, 1987, and took the oath of office on Aug. 6, 1987, becoming the 24th Under Secretary of the Navy.

Mr. Garrett was born June 24, 1939, in Washington, D.C., and was raised in Miami Fla. He enlisted in the United States Navy in October 1961 and subsequently became qualified in submarines as a machinist's mate. Mr. Garrett was commissioned in April 1964 upon completion of flight training, serving as a naval flight officer aboard maritime patrol aircraft. He served operational tours in VP-50 with deployments to Vietnam.

In 1972 he transferred to the Judge Advocate General's Corps, where he rose to the rank of commander. He served from 1974 to 1978 as force judge advocate/legal advisor to the Commander, Submarine Force, U.S. Pacific Fleet, Pearl Harbor, Hawaii. In January 1979, while serving in the Office of Civil Law in the Washington, D.C., Office of the JAG, he was detailed to assist in developing the Federal regulations pertaining to the Ethics in Government Act of 1978. In February 1981, he was detailed to the White House as assistant counsel in the Office of Coun-



sel to the President. He retired from the Navy in 1981.

Subsequently, Mr. Garrett was executive assistant to the President and chief operating officer of the U.S. Synthetic Fuels Corporation. He subsequently served as regional director of the Seattle Regional Office of the U.S. Merit Systems Protection Board. In 1983 he returned to the White House as associate counsel to the President of the United States.

Prior to his appointment as Under Secretary of the Navy, Mr. Garrett served as general counsel of the Department of Defense from February 1986 to August 1987.

Mr. Garrett attended the University of Miami, Coral Gables, Fla., where he studied Industrial Engineering. He received a B.S. degree in Business Management from the University of West Florida in Pensacola, and received his J.D. degree from the University of San Diego School of Law, San Diego, Calif., graduating cum laude.

A member of the California and District of Columbia Bars, he is licensed to practice before the United States Supreme Court, the Supreme Court of California, the District of Columbia Court of Appeals, U.S. Court of Military Appeals, and the U.S. District Court for the Southern District of California.

Posture Statement by the Under Secretary of the Navy

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**A Report by
The Honorable H. Lawrence Garrett III
Under Secretary of the Navy
on the Posture and Fiscal Year 1989 Budget
of the U.S. Navy and Marine Corps**

Mr. Chairman, members of the committee, I welcome this opportunity to offer my assessment of the current posture of the Navy-Marine Corps team and to discuss the Navy budget for Fiscal Year 1989.

Last year we celebrated the 200th anniversary of the framing of the Constitution. I am reporting to you that Congress, under Article I of the Constitution, has provided and maintained a Navy that is capable of operating globally to protect the interests of the United States. Naval forces are meeting their commitments with the best equipment and personnel in the world. Preparing our Navy and Marine Corps for action throughout the full spectrum of potential conflict, from peacetime presence to global war, has yielded a powerful mix of weapons, centering on the carrier battle group and amphibious power projection forces.

The success of operations in the Persian Gulf demonstrates our naval forces' ability to operate continuously at the cutting edge of national security policy at any level of conflict. Indeed, for our Navy and Marine Corps, a "decade of neglect" has been reversed. But, just as a nation must use care in expending borrowed resources, so must we consider the extent that we will draw down this reservoir of manpower and equipment as we meet our operational commitments under a contracting budget. Visits to the fleet reveal how close to the edge we are operating in terms of wearing out our people and equipment. I have every confidence that the committee will continue to recognize that defense is the first and most vital function of national government and will acknowledge

the abiding requirement to maintain sea services ready to meet any national tasking.

As the Secretary of Defense noted in his statement before the Senate Armed Services Committee last month, the amended FY 1989 defense budget before the Congress reflects significant force structure reductions that have long term implications for our national security. The price we paid in the early 1980s to reverse a decline in the condition of our military forces was high. I share the Secretary's fear that, with four years of real decline in defense already a fact, we are halfway into another decade of neglect. The FY 1989 Department of the Navy budget distributes decrements in ways that maintain a balance among programs, while conforming to the constraints of the budget summit agreement. It merits immediate Congressional support.

I. PLANNING THE FUTURE OF THE NAVY AND MARINE CORPS

Changing Environment: Changing Threat

We see today a broad shift in the world balance of power, as concentrations of economic strength and technological talent shift from Europe toward Asia. A new group of major economic powers is emerging, with overall world military power spread among many more players.



An increasing number of smaller, less developed nations will be able to support limited, but deadly, arsenals of high-technology "smart" weapons without the direct support of the Soviet Union or the United States. This development will decrease the military advantage and the political leverage the major powers have long enjoyed with their near monopoly of sophisticated systems.

In today's international environment, we must not only face the possibility of direct and indirect Soviet aggression, we must also prepare for the more likely and broader range of challenges in the Third World. Security concerns among regional powers may dominate our attention, as we seek stability in areas geographically distant and generally unfriendly to the concept of permanent American military presence.

Another immediate and striking trend is our decreasing ability to gain timely military access in areas threatened by aggression. Our recent Persian Gulf experience reflects how sensitive nations can be to the presence of foreign forces, and how our military options can be constrained to forces independent of bases ashore. At the same time we see the Soviets gain access to facilities located near key sea lanes in the South China Sea, the Indian Ocean, and in our own hemisphere.

Within this environment, America is a *maritime nation*, a fact reflected in the breadth and depth of diverse, economic, commercial and political interests binding us to our overseas friends and allies. Foreign trade grew to 20 percent of our gross national product by 1986. We are becoming a more geographically diverse trading nation, and one whose focus is increasingly south and west. Since 1979, our trade volume with the Pacific Rim has exceeded that of our Atlantic trade. In sum, our concerns for economic vitality, and for the requisite stability in international relations are global in scope.

Sea Power: A Component of National Security

The President in his National Security Strategy Report recognizes the unique role maritime forces play in supporting our national military strategy: "Given the realities of our geostrategic position, fronting on two oceans, maritime superiority over any potential adversary is essential to support our alliance relationships and forward deployed forces."

Maritime superiority for us is not a luxury but an immutable requirement, and sea power is the chief guarantor of our survival as a maritime nation. Our interest in the high seas represents more than just an expression of commercial and trading concerns. It is a key facet of our national identity and demonstrates our resolve to sustain our position as the leader of a western alliance of like-minded nations. These nations' ability to pursue democratic ideals and unfettered economic enterprise is nearly as reliant on American sea power as is our own. The ability of our naval forces to protect sea lanes and to serve as a visible forward deployed expression of U.S. determination to protect our vital interests is essential to the framework from which our national security is derived.

Naval forces have long been the force of choice for addressing crises and deterring conflict. Since 1955 the Navy has been called upon in 153 cases to respond to crises involving international conflict, tension or terrorist activity, or to protect U.S. assets or citizens abroad, or as in the Persian Gulf area, to protect U.S. flagged shipping. These actions represent roughly 80 percent of the instances



where American armed forces have been employed in this period. Sea based forces are often the *only forces available* to react *immediately* in defense of national interests. Our sea services give the national command authority in all circumstances the ability to maintain a credible presence just over the horizon from the scene of possible action.

Remembering the lessons of the oil shocks of 1973 and 1979, we are acting today in response to national "security" tasking in the Persian Gulf to keep the sea lanes open in the midst of an eight-year-old war between Iran and Iraq. Our naval presence has guaranteed the continued free flow of U.S. flagged shipping through the Gulf. We can and will continue to act quickly in time of crisis in cooperation with our allies and friends to protect our maritime interests. And once the political or military objective is realized, our naval forces can exercise one final quality of sea power, the ability to de-escalate rapidly, to resume peacetime activities of foreign policy support, exercises, training and maintenance.

If we do not focus attention on our ability to cope with violence far from our shores, we stand to lose support among Third World countries and among advocates of democracy worldwide who want to believe that the United States can protect its interests and its friends. As a crisis mounts, threatened friends and allies often find it increasingly difficult to call us in for assistance. In these circumstances, mobile, flexible forces of the sea services, the Navy and Marine Corps, offer the measured and decisive military means to act rapidly in American interests.

The contribution of American sea power to global stability lies in its ability to confound potential aggressors, using a broad range of options for military action -- broad in geographic scope, in time and in intensity. Sea services offer a means to *preserve U.S. coupling to strong European defenses* as we simultaneously contend with national commitments in other areas.

United States Strategic Objectives

In support of the National Security Objectives outlined by the President and Secretary of Defense in their annual reports, certain key objectives stand out as the rightful focus of future Navy and Marine Corps efforts:

- To deter war and, should deterrence fail, fight as far forward as possible to defeat armed aggression and to end the conflict on terms favorable to the United States, its allies and its interests at the lowest possible level of hostilities.

- To foster robust alliances to preserve Western political identity and institutions, maintain international stability, and prevent hostile domination of vital areas.
- To maintain maritime superiority in the NATO area and in the Pacific Basin (including the Indian Ocean) and ensure that the continued economic growth of that region is protected.
- To ensure U.S. access to critical resources, markets, the oceans, and space.

As we invest in future military capability, we must maintain a stable deterrent against all-out conflict with the Soviet Union. In the aftermath of agreements on major reductions in nuclear weapons, the importance of *survivable, accurate and responsive* nuclear capability is dramatically *increased*. We will continue to require a nuclear backdrop for conventional deterrence in order to offset conventional imbalances. Additionally, we must foreclose the possibility of nuclear blackmail by the Soviets or anyone else.

We must concentrate on maintaining the technological advantage in key warfare areas, exploiting and countering extended-range, accurate, smart conventional weaponry. This means keeping a steady strain on our research and development activities to maintain an edge over competitive systems of our adversaries. *Mobility and flexibility* will be at a greater premium than ever, as we need to move *swiftly*, often in response to *ambiguous* warning. Support from space systems capable of global coverage will be crucial to our effectiveness to respond to local crises while monitoring potential adversaries' behavior.

Coordinating Our Defense with Allies

The United States will need to nurture even more carefully its links with allies worldwide in the context of greater economic interdependency and to compensate for a less manpower-intensive force structure.

The Navy and Marine Corps provide the sophisticated, mobile and flexible forces that can support our formal alliance commitments as well as our interests in international order and in the advance of democracy worldwide. Indeed, the viability of the U.S. Navy and Marine Corps will be even more critical to the defense of the Alliance in the aftermath of reductions of land-based intermediate range missiles. Sea-based nuclear systems and dual-capable tactical aircraft still back up NATO's nuclear and conventional deterrent posture, remaining available for employment in NATO's strategy of "flexible response."

Despite all arms control negotiations and the best wishes of the disarmers, there is no indication that the Soviet naval forces our people face will be any smaller, less sophisticated or less prepared for war. Arrayed against our maritime forces is an increasingly sophisticated and capable Soviet Navy, along with an increasingly lethal, high-tech threat from non-Soviet adversaries. It is precisely those threats and risks that require our continuous commitment to maritime superiority. We must prevail at sea and keep the sea lanes open for essential reinforcement from the combined industrial base of the United States, European and Pacific economies in order to assure a favorable outcome for any future conflict. The role

of Pacific and Third World products and resources in sustaining the United States mobilization and industrial base is becoming more critical each year. Our attention to the Pacific is justified as supporting -- rather than competing with -- the defense of the NATO alliance.

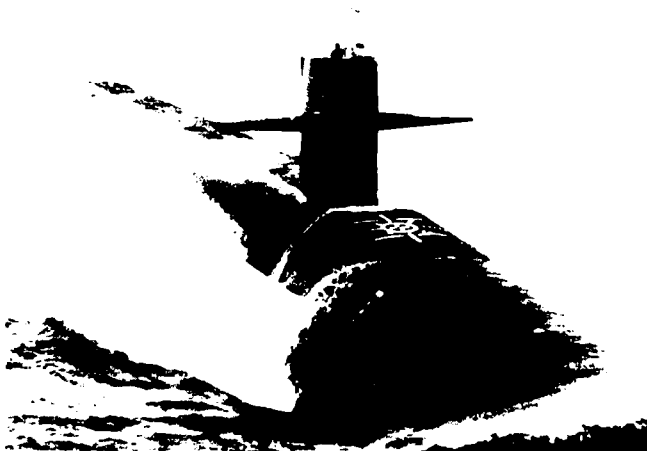
Maritime Strategy

The maritime component of U.S. National Security Strategy, as articulated by our senior naval leadership in Washington and in the Fleet, is a flexible, integrated, and broadly articulated framework, which serves to guide commanders, not encumber them. It is not a new or a "go it alone" strategy, but rather the *articulation of maritime goals and principles* which have been *with us for most of the past fifty years*. To me the maritime strategy represents the collected wisdom and experience of our fleet commanders, that we defend ourselves and our allies as far forward as possible, taking advantage of our strategic strengths.

We support the national strategy of deterrence by providing a formidable, convincing and forward naval presence that *demonstrates an ability to prevail in war*, and that visibly and tangibly *conveys our commitment* to our many overseas interests, allies, and friends. We operate today as we would in war, *forward*, where our allies live and where potential aggression must be deterred. High readiness, a forward deployed posture, and an ability to concentrate quickly and just as rapidly disappear back into the sea are enduring strengths of American sea power which will grow in importance in an era of possibly historic strategic arms control agreements with the Soviet Union.

Force Structure: the Shape of Our Defense

Our nation's ability to affect world events is most often measured by the size and capability of its Navy. The *size of our fleet* provides the *tangible evidence* that *U.S. national interests* around the world *will be protected*. As with Great Britain, who for centuries was Queen of the Seas, this is simply a fact of economic and geographic necessity. By contrast, the nations which concentrate on naval power without such geographic and economic necessity, such as prewar Germany and today's Soviet Union, should give us alarm. Since World War II, allied navies



around the world have declined while the Soviet Navy has dramatically expanded in numbers and capability. The Soviet submarine fleet is now 55 percent larger than the combined submarine fleets of the Western alliances.

The Navy we have been building since 1981 represents less an innovation of strategy than simply the long overdue effort to close the gap between political ends and military means. The Department of the Navy force levels supported by Congress for the past seven years will provide the *minimum* essential ships, aircraft, submarines and Marine forces that form the vital dimension of our naval renaissance. This administration's commitment to a fully supported, balanced fleet with an appropriate mix of ships and aircraft -- centered around 15 carriers, four battleships, 100 attack submarines, adequate numbers of ballistic missile submarines, and sealift to support an assault echelon of a Marine expeditionary force and a Marine expeditionary brigade -- is a commitment to maintain the minimum force required for maritime superiority.

Our ballistic missile submarine force provides the greatest deterrent to the Soviet nuclear threat, providing the most survivable half of the country's nuclear capability at one-fourth of the overall cost of our national strategic nuclear forces. Below the seas, our naturally stealthy attack submarines, equipped with our "smartest" weapons, play a unique role in deterrence of Soviet or other aggression. The SSNs stand ready to operate against the Soviet attack submarine threat in forward areas, thus most efficiently preventing interdiction of our shipping,

while destroying enemy ballistic missile submarines, surface forces, shipping and selected high-value land targets. Our carrier battle groups and amphibious forces have the requisite maneuverability for power projection at points of our choosing, whether in situations of crisis or major conflict.

While our carrier battle groups control the air and the sea, our Marine Air Ground Task Forces can project power ashore. The Marine Corps is the most sophisticated combined-arms fighting force in the world, with ground and air capability projected from the sea. In addition, power projection ashore is augmented by battle force surface combatants and submarines with *Tomahawk* missiles that enhance their standoff capability while presenting a powerful threat to any enemy surface action group.

In sum, it is clear that in an era of worldwide shifts in trade and economic capacity, tight budgets and arms control agreements, the Navy and Marine Corps make a unique contribution both to Alliance defense and to support of U.S. interests in international order and in the advance of democracy worldwide. The United States Navy and Marine Corps offer important tactical options necessary for continued deterrence after reductions in nuclear or conventional forces -- against Soviet aggression and in Third World contingencies anywhere on the globe. Their utility and effectiveness are proven every day, in the Atlantic, Pacific, Caribbean, Indian Ocean and most visibly today, in the Persian Gulf.



II. NAVY/MARINE OPERATIONS IN 1987

Foreign Policy Support

As the Secretary of Defense noted in his annual report last month, our maritime strategy continues to serve our nation well, as exemplified by world events in 1987. In the Persian Gulf, the flexibility of naval forces in response to emergent national tasking is demonstrated on a daily basis. A considerable Navy presence will likely continue for the foreseeable future until the threat to shipping has been eliminated. At that time we can return to a more moderate level of operations. A brief review of the Navy's extensive contributions to the goals of U.S. policy in the Gulf region demonstrates the continuing value of naval forces in coping with the complex challenges of this era of "violent peace."

As of Feb. 26, 1988, 37 convoys, including 87 U.S. flagged ships, had made transits of the Gulf under U.S. escort. Threats to their safe passage were met with firm and decisive action. In September 1987, the Iranian ship *Iran Ajr* was caught laying mines in international waters of the Persian Gulf. The Iranian ship was attacked by U.S. Army helicopters operating from Navy ships in the area. The Iranian ship was abandoned by its crew, who were apprehended and later turned over to international authorities for return to Iran. In all, 26 Iranian crewmen and three bodies were returned. The *Iran Ajr* was sunk.

In another incident, one Iranian patrol boat was destroyed and two were disabled by helicopter attack after the boats fired on a U.S. helicopter. Six Iranian survivors were picked up, two of whom later died of wounds received in the exchange.

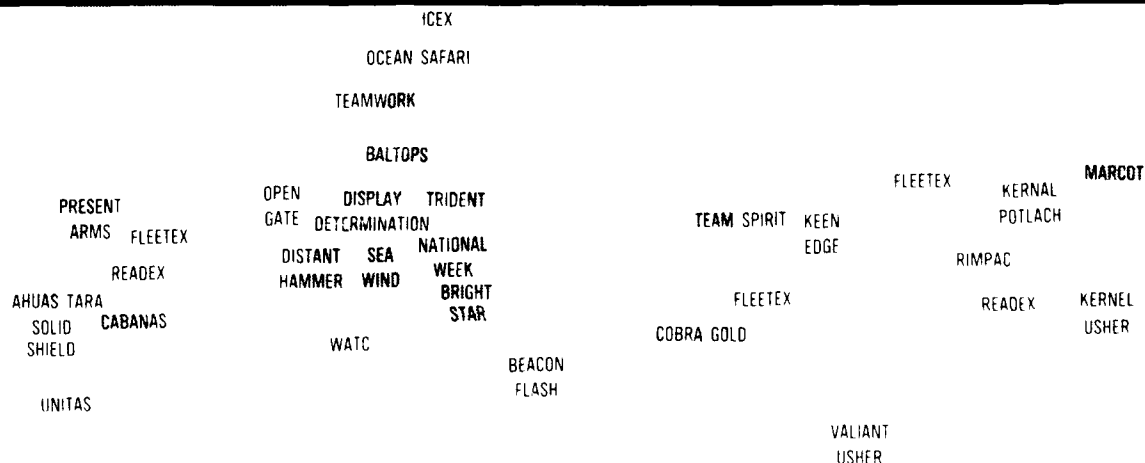
In October 1987, four destroyers, USS *Kidd* (DDG 993), USS *Hoel* (DDG 13), USS *Leftwich* (DD 984) and USS *John Young* (DD 973), shelled an Iranian oil platform in the central Persian Gulf, and Navy personnel destroyed communications and radar equipment on another. The platforms, formerly used to drill for oil, were being used as bases for Iranian operations. The strike was in response to Iran's *Silkworm* missile attack on an American-flagged Kuwaiti tanker in Kuwaiti waters.

Operating Tempo and the Fleet

The impact of these continuing actions in the Persian Gulf on our ships and people portend, unless we are careful, a possible return to the adverse trends encountered before this administration's naval recovery program. Units in the Persian Gulf today are underway 75-85 days per three month quarter. The Navy is funded for an average of 50.5 days per quarter. The difference is made up by decreasing the underway time of nondeployed units, keeping them in home port rather than on exercises and weapons ranges preparing for combat.

The incremental cost for Persian Gulf contingency operations in FY 1988 may be as high as \$240 million. To date, Congress has provided \$100 million.

MARITIME FORCES - JOINT AND COMBINED EXERCISES



● ALLIED CONTRIBUTIONS

- SURFACE COMBATANTS
- SSNs/SS
- MARITIME PATROL AIRCRAFT
- MINE COUNTERMEASURES

● ENHANCES DETERRENCE

- STRENGTHENS ALLIANCES
- STANDARDIZES PROCEDURES
- MAINTAINS READINESS
- TESTS CAPABILITIES

Family separation resulting from high levels of operational deployment remains the primary reason why young officers and enlisted men choose to leave the Navy. Long months of vigilance in crisis areas are today stressing the Fleet. In the holiday period at the end of 1987, 96 ships were forward deployed: 30 in the Persian Gulf, 9 in the Indian Ocean, 34 in the Western Pacific, and 23 in the Mediterranean Sea. Congressional support is necessary if we are to adhere to our commitment to reasonable deployment schedules of a maximum of six months away from home port. Naval personnel on sea duty are assured they will be in home port at least 50 percent of the time between overhaul cycles, with a deployment turnaround ratio of 2:1 or better, meaning that if a person is deployed for six months, the next twelve months will be spent in or near the home port.

Joint Training and Exercises

Events in the Persian Gulf area in the past year have naturally heightened public awareness of the utility and demands placed on our sea services. But the Navy and Marine Corps operate *globally*, with the U.S. Army and Air Force and the forces of our *allies and friends*, maintaining the levels of training and readiness that contribute to deterrence against the entire spectrum of possible adversaries. The only real difference between the sea services' activities in peace and war is in operating tempo and casualties. We exercise our forces in the environments and the geographic areas in which they may see action. Here are only a few examples from the past year:

- In the Atlantic area, the U.S. 2nd Fleet conducted a series of multi-ship and battle group exercises such as *Fleet Exercise 1-87* in the Atlantic and Western Caribbean Sea. The exercise included 18 U.S. ships and more than 5,500 U.S. servicemen. Allied participation included British naval units of their Caribbean Training Task Force, the aircraft carrier HMS *Ark Royal*, with three destroyers and two frigates, as well as NATO's Standing Naval Force Atlantic, with combatant ships from the Netherlands, Canada, the United Kingdom, Germany and the United States. The USS *Forrestal* (CV 59) battle group, along with Navy logistics support and mine countermeasure ships, participated in NATO's 1987 *Ocean Safari* exercise where they practiced the protection of resupply and reinforcement shipping in support of NATO.
- In the Mediterranean, our sea services participated in exercise *National Week*, involving 29 ships and 180 aircraft. French armed forces, including the aircraft carrier *Foch*, participated in some parts of the exercise with the USS *Nimitz* (CVN 68) and USS *John F. Kennedy* (CV 67) battle groups. The exercise involved simulated strikes against land and sea targets, as well as sea control and amphibious actions. Soviet units in the area at the same time included the aircraft carrier *Kiev* with four escorts.
- In the Pacific area, our forces participated in the first amphibious operation in Alaska's Aleutian Islands area since World War II. Its purpose was to provide training in landing assault forces during extreme cold weather, in this case 18-20 foot seas and gale-force winds. The forces included an aircraft carrier battle group, with more than 10,000 sailors and 14 ships, supporting an amphibious squadron with 1,900 Marines. Both sea and air landings were accomplished, demonstrating our national resolve to defend our interests in the northern Pacific area. Multi-national exercises in the Northeast Asia included *Team Spirit* with forces of the Republic of Korea and exercises with the Japanese Maritime Self-Defense Force.
- In Central America, more than 40,000 soldiers, sailors, airmen, Marines and Coast Guardsmen participated in *Solid Shield 87*, an exercise designed to emphasize command and control of military forces with a friendly nation in a combat environment. Navy and Marine forces joined Honduran Army and Navy forces to conduct an amphibious assault on a beach on the north coast of Honduras. During the amphibious assault phases, U.S. Navy, Air Force and Marine aircraft, along with Navy and Coast Guard ships, simulated anti-air, surface and submarine attacks on the amphibious task force.
- The Navy continued in 1987 to expand its proficiency in Arctic Operations. Included in our efforts was *ICEX 1-87*, a coordinated U.S. and British mission conducted to collect scientific data in the Arctic Ocean and to continue validation of the readiness of our nuclear submarine forces to operate in the harsh Arctic environment. *ICEX 1-87* was highlighted by the first simultaneous surfacing at the geographic North Pole by one UK and two U.S. nuclear submarines. In the past three years almost half of our Arctic-capable nuclear submarine crews have operated in the deep Arctic environment. The maintenance of our proficiency in conducting Arctic operations ensures that we are "combat ready" to engage potential adversaries as far forward as possible including under the ice. Our tactical capability in this vital area will be expanded further with the delivery of the first fully Arctic-capable Improved SSN 688-class submarine in FY 1988.
- The Marine Corps will participate in 195 exercises in FY 1988 and in 190 exercises in FY 1989. Marines refine their skills in exercises worldwide in a variety of missions ranging from special operations to support for naval campaigns. In the Republic of Korea during *Team Spirit*, Marines conducted a brigade-size amphibious assault, including a Maritime Prepositioning Force. Two ships of the Maritime Prepositioning Squadron were unloaded and the equipment distributed to arriving Marines. During *Solid Shield* in Central America, the 4th Marine Expeditionary Brigade conducted a joint-combined amphibious operation with the U.S. Army 82nd Airborne Division, and Royal Marines from the United Kingdom and the Netherlands. In Norway, in exercise *Cold Winter*, Marines exercised the land prepositioning program, demonstrating the capability to support NATO's northern flank.

- Also in support of our national interests, USNS *Mercy* (T-AH 19) completed a 62-day humanitarian training mission, providing medical care to more than 62,000 Filipinos. Her staff performed major surgery on 848 patients aboard ship and 1,108 minor operations ashore at local medical/dental civic action projects in seven Philippine ports.

Naval Special Warfare Operations

Naval Special Warfare Operations saw a marked increase in tempo in 1987-1988. While both SEALs and Special Boats deployed in the Persian Gulf, Special Warfare assets continued to participate in major fleet, joint, and combined exercises worldwide. Special Boat Unit 26 (Panama) was commissioned to provide USCINCSOUTH an organic coastal and riverine capability. Naval Special Warfare Command (Coronado) was commissioned as the Naval component of the newly created U.S. Special Operations Command. Groundwork was laid for forming Seal Team 8 (Norfolk) and Naval Special Warfare Unit 8 (Panama) in 1988, and Naval Special Warfare Unit 6 (Southern Europe) in 1989.

Navy and Marine Corps Reserve

The Naval Reserve contains several components which exist only in the Reserve: 100 percent of the Navy's U.S. based logistics support squadrons; 100 percent of light-attack helicopter squadrons; 100 percent of our combat helicopter search and rescue capability; and 100 percent of naval mobile inshore/undersea warfare units -- the "Brown-Water Navy" -- structured for combat on inland waterways. The Naval Reserve also provides: 99 percent of Naval Control of Shipping organization manning for merchant ship mobilization and convoy formation; 93 percent of the cargo-handling battalions vital to port management and loading operations in combat theaters; 82 percent of our ocean going minesweepers; 65 percent of naval mobile construction battalions, the famed Seabees; 57 percent of special boat forces; 49 percent of naval intelligence personnel; 35 percent of antisubmarine patrol aircraft squadrons; 25 percent of airborne mine countermeasures squadrons (HM); 18 percent of ASW helicopter squadrons (LAMPS I) needed for fleet and convoy antisubmarine defense efforts; and 13 percent of our tactical sea-based aviation capabilities. Perhaps our most critical reliance on the Reserves is in medical services, where 5 of our 12 fleet hospitals in FY 1989 will be reserve manned, with Reserve medical personnel also needed for expanding capabilities at other U.S. based hospitals.

Reorganization of the Naval Reserve to a "horizontal integration" with the active force, begun in 1982, has had the effect of shifting a substantial portion of our force structure manning to the Ready Reserve. Increased reliance on the Ready Reserve has enabled us to reduce our original estimates of required active end-strength growth.

- In FY 1988 and 1989, 48 ships will be manned by Selected Reserves, in addition to the augmentation of essentially all naval units by Selected Reserves upon mobilization.
- The 14th active carrier air wing has been deleted from the program for FY 1989. The 14th carrier will carry a reserve air wing.
- 21 modern *Oliver Hazard Perry* and *Knox*-class

frigates have been transferred to the Naval Reserve Force, with a total program of 26 frigates planned by 1990.

- By the mid-1990s, 14 MCM and 7 MHC mine warfare ships will join the Naval Reserve.
- The first reserve squadron has now completed transition to the F/A-18 with a second squadron transitioning this year. Two fighter squadrons have transitioned to the F-14A and the other two will complete transition this fiscal year. The first reserve A-6E squadron stands up this fiscal year, and the second one will follow in FY 1990.
- Squadron augmentation flying units have been established and are operating successfully in Fleet Replacement Squadrons on both coasts, providing currently trained aviators and maintenance personnel for immediate augmentation to active-duty squadrons.

The Marine Corps relies heavily on a fully trained and capable Reserve component to complement its active force. Upon mobilization, this Reserve component provides up to 33 percent of the Marine Corps' wartime manpower requirements. The Reserves provide 40 percent of Marine tanks; 33 percent of the heavy artillery; 30 percent of the light attack aircraft; and 33 percent of the anti-aircraft missile capability.

The Marine Corps Reserve has made great progress over the past six years. Enhancements in military capability include equipping the Marine artillery battalions with the M-198 howitzer in FYs 1988 and 1989, increasing the deliveries of the *TOW* missile systems in FY 1988, and the activation of a light armored vehicle (LAV) battalion in FYs 1987 and 1988. Marine Reserve aviation assets also have been the subject of an intensive modernization effort. Increased combat capability has been gained by the activation of an additional AH-1J *Cobra* attack helicopter squadron and a new KC-130 refueler squadron in FY 1988. Additional enhancements include the employment of the F-21A *Kfir* aircraft by a Reserve squadron to provide adversary training for Marine tactical air assets. In 1989, the Marine Reserve will begin transitioning to an all F/A-18 Reserve fighter/attack force, providing advanced aircraft and commonality and interoperability with the active wings.

Navy Department Programs

The effectiveness and combat readiness of the Navy and Marine Corps, as tangibly demonstrated by the real-world operations and exercises conducted in 1987, depend on motivated, highly trained people who man effective ships, fly modern aircraft, control reliable weapons, and who can count on *filled weapons bins*. These are the contours that define the Department of the Navy's portion of the President's Defense Budget. In revising the FY 1989 budget submission, our watchwords have been *balance* and *acceptable risk*. There is no indication that the future holds any reduction in the commitments our forces will keep around the world. We have been forced to accept an increased level of risk in being able to respond to threats to our national security. We have worked hard to ensure that our program reductions are balanced and

that we have not introduced unacceptable risk levels in any program area.

Highlights and key details of the programs which describe our priorities in shipbuilding, aircraft, weapon systems, Marine Corps systems and support requirements are presented in the statements of the Chief of Naval Operations and the Commandant of the Marine Corps.

In the sections that follow, I will address several issues of personal importance to me that affect all of our people and programs in sea services.

III. PEOPLE

The Chief of Naval Operations, the Commandant of the Marine Corps and I are in absolute agreement on the vital nature of proper recruitment, training and retention of our most precious asset, our people. The best of our technology is only as good as the individual sailor and Marine at its controls. Our men and women's selfless dedication and strength of character are evident daily in the Fleet as they honor national commitments, endure the stress of prolonged absences from families and accept the risks of armed service in troubled areas around the world.

End Strength

After a detailed review of our personnel policies, we have adopted the most austere manning policies possible for our operational units. Navy active and reserve end strength for FY 1989 has been held to the FY 1988 levels of 593,200 and 152,600 respectively. Marine Corps active strength has been reduced to 197,200 while reserve end strength has been capped at the FY 1988 level of 43,600. This is an end strength reduction of 9,600 for Navy and 2,900 for the Marine Corps from the President's FY 1988 budget request.

Our global commitments highlight the danger in adopting a posture that would degrade our readiness and capabilities. In effecting this austere policy we have taken balanced reductions to protect our ability to respond to crises without mortgaging our future. Our challenge now is the precise management of our personnel to maintain readiness without sacrificing the basic needs of our people.

Further forced reductions in our officer corps proposed for FY 1989 pose serious challenges to our ability to man and manage the sea services without serious hardships for our people. We have only to look at the recent past to see how honoring our commitments with insufficient manpower can wear out our people. Operating tempo is not likely to decrease. At the same time that operational officer requirements are increasing, we must assign substantial numbers of top mid-grade officers to joint duty assignments ashore to comply with new joint officer management policies. These joint duty requirements are also likely to affect adversely our graduate education programs which are vital, not only to adequately performing many jobs requiring such training, but also to the proper broadening of our future leaders. Our officer requirements are not decreasing. Our best officers, because of increasing operational demands and the requirements of joint duty, will have very limited opportunity for graduate education. We are examining ways to deal with this problem, but no easy solutions are in sight.

The officer to enlisted ratio of the Navy and Marine Corps is among the best in the world, even in comparison to allied navies. The Navy and Marine Corps are the only two services that meet the HASC goal of one officer to every 6.5 enlisted persons. However, ratios are not necessarily valid for use in a requirements determination process. Technology changes or additional medical or



joint officer requirements are valid reasons for growth in the officer corps without corresponding enlisted force growth.

Today's austere budget forces each service to carefully analyze its requirements before determining the characterization of each billet as either officer, enlisted or civilian. The current ratios reflect these changes. The Navy and Marine Corps portion of the Defense Officer requirements study on this issue offers a complete explanation of the officer requirements determination process. This process provides an accurate accounting and justification of Navy and Marine Corps officer requirements.

We have reviewed carefully the justification for our FY 1989 budget submission and have taken all economies possible without decreasing our readiness or adversely affecting our people. We have properly sized our officer corps, and we feel that the congressional mandate for further reductions is not justified. Our commitment to our people extends to their overall health and welfare. Our medical structure requires immediate growth, which we are supporting. However, growth in this area means reductions in other officer specialties. Limits on officer end strength will not enable us to meet both peacetime and wartime commitments. Arbitrary reductions in our officer end strength will reduce dearly needed muscle and sinew -- not fat -- and will affect adversely the combat readiness of your Navy and Marine Corps.

Return on Investment: Personnel Readiness

We must support programs that will ensure continued personnel readiness and must not neglect programs which affect directly the families of our sailors and Marines. The FY 1989 Budget continues to place personnel readiness at the top of spending priorities. *Nothing is more important than our people.*

Family separation, stemming from the high tempo of operations, remains the number one reason why young officers and enlisted men and women choose to leave the Navy. We have made significant progress and improvement in this area. Schedules were modified to eliminate excessive at sea periods for ships and aircraft squadrons and to ensure all units deployed will spend no more than six months away from home port. We believe that if we are to improve our retention efforts we must remain committed to easing the burden of family separation. As the Navy grows to meet its global commitments, we must respond with programs and incentives that protect our sailors, Marines and their families.

Our success in this area can only be measured by the maintenance of adequate compensation and adequate quality of life. Pay caps since FY 1982 have resulted in a disparity between military pay and private sector wage growth of about 11 percent as measured by the Employment Cost Index. I fully support the DOD request for a 4.3% pay raise for our sailors and Marines.

The Selective Reenlistment Bonus (SRB) -- targeted at sea-intensive critical skills -- is one of our most potent incentives for retention. Specifically, it is tailored to those skills with significant retention problems and for which training and replacement costs are high. Personnel technically trained in advanced electronics and engineering skills have ready alternative employment openings in the civilian sector. SRB remains the most cost effective program to retain these critical skills. On the average, each dollar invested in SRB saves two and one-half dollars in

training and replacement costs. Historically, a large reduction in SRB award level has had an immediate and severe impact on skill retention. This program must continue without disruption if we are to retain skilled individuals.

We are experiencing a severe exodus of experienced pilots to the airlines. Family separation and the availability of lucrative airline careers are the primary reasons for these losses. Aviation Officer Continuation Pay (AOCP) is targeted at our aviation communities with the most critical shortfalls. AOCP has proven to be effective in managing retention; however, in recent years its incentive value has been greatly reduced because of static bonus award levels. The Air Force is also experiencing retention problems, and we are working with them to submit a joint proposal to restore the incentive value of this critical program.

The goal of minimizing permanent change of duty station (PCS) costs must work a careful balance between quality of life, hardships of extended sea and isolated duty, and professional development to build and retain a ready, high quality career force. Cuts in end strength and funding would severely complicate an already difficult problem. Our estimates for FY 1989 indicate that we may not be able to make all required moves with the proposed funding levels. This will mean longer family separations when assigned to sea duty, a probable decrease in retention and morale, and a final outcome of decreased fleet readiness.

As ship's home ports become more widely dispersed, it is not feasible to have the number and diversity of shore billets in each home port that would allow many sailors to rotate between sea and shore duty at no cost. Our ability to reduce PCS moves is limited by requirements to support equitable sea/shore rotations and established overseas tour lengths. We need your support for the funding to execute a balanced PCS program -- to recruit, train, assign and retain our best people while correcting personnel imbalances, providing necessary leadership, and meeting our manning requirements.

The current projection for military housing is a bare minimum to support retention and operational readiness. The FY 1989 Navy Housing program will build 1,656 units of new family housing. Additionally, with the Navy facing a deteriorating family housing inventory (75 percent of existing housing is over 25 years old), we can ill afford a reduction in maintenance below the Presidential Budget Levels. Cuts in housing affect severely those junior enlisted personnel least able to survive in high cost areas. We must support these programs and other initiatives we will pursue in the areas of housing and variable housing allowance (VHA). If our personnel are not provided what they consider to be adequate housing for their families, they will again begin to leave the service -- particularly those with easily marketable skills.

I cannot overemphasize that the readiness of the Navy is directly related to the capability of our people. The Navy and Marine Corps are dealing with the problems created by the growing number of single parents and working spouses requiring your support for our programs in child care and family services. We have established successful programs that encourage healthy lifestyles through hypertension control, fitness/exercise, smoking prevention/elimination, nutrition awareness and stress management. We remain *fully committed to the policy of Zero Tolerance toward drug and alcohol abuse*. Our firm stand in these areas will help ensure that we retain the highest caliber of individuals.

Rising manpower costs, a shrinking pool of high school and college graduates and competition from the private sector will combine to make recruiting and retention of our men and women a particularly tough challenge. Success begins with a strong commitment to people -- those currently on board, and those we intend to recruit. The next key is a recruiting program aimed at the individual who will be successful throughout his military service. Although recruiting in FY 1987 was successful, this was largely due to a temporary increase in field recruiters. Funding cutbacks in recruiting and advertising severely handicap our efforts and will likely prevent us from meeting recruiting goals, both in quantity and quality. Congressionally approved funding for Navy recruit advertising in real terms is at the lowest level since FY 1985, even though Navy enlistment objectives are larger now than at any time since FY 1982. Recently we have observed that the limited funding provided for Navy advertising has resulted in new lows in national youth awareness surveys. Effective advertising on national television and in the print media is essential to positive recruiting results in the field. For success in the future, we must recruit *now* those young men and women who will lead us into



the 21st century. We need your full support for the minimal funding levels for both recruiting and advertising requested in FY 1989.

Women in Navy and Marine Corps

During the past 15 years there has been steady and significant progress in managing the rapid introduction of large numbers of women into an historically male organization. The number of women in the Navy increased from about 9,000 in 1972 to more than 54,000 today, more than nine percent of our active force structure. Women are succeeding, and policies are evolving to keep pace with their growing numbers, seniority, expectations and advancement opportunities. In September 1987, we began an in-depth review of the progress of women in the Navy and Marine Corps and an assessment of the effectiveness of existing policies. The Chief of Naval Operations and the Commandant of the Marine Corps convened study groups to examine command environment and quality of life issues, job assignments open to women, sea/shore rotation policies, promotions and command opportunities.

Acting on the results of this effort, we have expanded the opportunity for women to serve at sea by authorizing their assignment to selected ships of the Combat Logistics Force. This includes certain oilers, ammunition ships, and stores ships. Air crew assignment with shore based Fleet Air Reconnaissance squadrons also will be opened to women. This expansion is following a careful ship-by-ship approach and will require significant adjustments in living spaces aboard each ship.

It will also require larger numbers of appropriately trained women. In addition, the Marine Corps will begin to expand opportunities for women as Marine Security Guards in our embassies overseas.

We have changed recruiting and personnel policy to improve our women's advancement opportunities for both officer and enlisted sailors and Marines. We are developing plans to support a balanced enlisted sea/shore rotation policy and equitable promotion opportunities. We have directed that commands enforce strictly the regulations against sexual harassment of women sailors and Marines. We have expanded training to clear the air for both men and women, that men understand the nature of women's concern for dignity and professional working relationships, and that women understand the grievance reporting procedures. We will not tolerate sexual harassment in any form.

That women will play a larger role in the defense of our freedom is a simple fact of life. It simply makes sense to employ women fully wherever permitted by law.

Our People: Our Prime Concern

In summary, the personnel problems we face are highly complex and interwoven. The Department of the Navy has submitted a funding plan that carefully addresses each item. Each piece depends on the other for its success. Arbitrary reductions in end strength or funding will hinder our efforts and will ultimately weaken combat readiness. The success of the Navy and Marine Corps depends less on technology than on the ability to recruit, train, and retain quality people. For all the intrinsic excellence of our technology, experience has shown that success in battle depends on the integrity, courage, commitment and professional excellence of those who bring that technology to bear in the defense of freedom.

IV. NAVY MEDICAL CARE

When Secretary Webb testified before the House Armed Services Subcommittee on Compensation and Personnel in October 1987, he spoke of the game plan to correct the problem confronting Navy medicine. Briefly stated, the plan was to bring together a team of top medical leadership, candidly assess the current state of Navy medicine, educate *all* Navy leadership on the problems, and develop achievable short- and long-term solutions. Our approach is to balance long-term solutions with short-term priorities, rather than to focus exclusively on short-term "squeaky wheels" or long-term big-picture solutions. Our assessment of naval medicine covered both peacetime and wartime medical readiness in eight specific areas: command, control, and communications; policy formulation and implementation; manpower and staffing; professional training and career development; R&D; resource requirements and constraints; wartime medical readiness; and alternatives for peacetime health care delivery. The assessment concluded that *without a long-term application of additional resources, Navy medicine will continue to be "in extremis."* The system is besieged by escalating demands from the population it serves. The retiree component of our peacetime beneficiary population is getting larger and older. The case mix of this population is shifting toward the resource intensive chronic care required by the aging. For example, we project that between FY1986 and 1993 the number of retired personnel and their dependents will grow by ten percent. During this same period, we expect the number of dependents of active-duty personnel to increase by five percent.

Today, patient access is so limited in some locations that we cannot provide timely care to other than active-duty personnel. This constricted access forces other beneficiaries into the more costly CHAMPUS program. We are watching carefully the recent implementation of the CHAMPUS Reform Initiative in California and Hawaii. We hope it will help the problem of beneficiary access and CHAMPUS cost control. The West Coast is one of the Navy's largest concentrations of active and retired populations, but it represents only a portion of our commitments worldwide.

Concurrent with the assessment effort, we assembled a common data base, or planning matrix, to provide a snapshot look at medical treatment facilities and the tempo of health care. We are developing now a computer-based decision support system for our hospitals, compatible with Department of Defense efforts, that will allow us to monitor hospital performance and to make informed judgments about the best use of medical resources.

Manpower, Staffing and Career Development

People are the Navy's most valuable resource -- this is particularly true in the practice of Navy medicine. Our total inventory of active-duty medical personnel is about 41,023. This includes 3,898 physicians, 1,710 dentists, 3,104 nurses, 2,435 administrators and allied health personnel, 259 physician's assistants and 29,911 enlisted personnel. There are also about 9,000 civilians working in our health care system. However, we estimate that about 3,000 additional personnel are needed to operate our medical treatment facilities at full capacity.

Our medical manpower situation has been handicapped

by difficulties in recruiting and retaining medical personnel. We have not been successful in the past in recruiting fully-trained physicians "off the street" and have had to rely on the Health Professions Scholarship Program and Reserve education programs. Additionally, we are losing physicians at the end of obligatory payback periods -- just when they are reaching full stride professionally. Annual recruiting goals for nurses vary significantly from year to year, resulting in an uneven flow in the nursing pipeline. But, we have taken steps to correct these problems, and have turned the corner in recruiting. We now have 45 dedicated active-duty medical recruiters, with another 15 arriving by March. We have shortened the accession process from an average processing time of 285 days down to a current average of 85 days. Our target is 60 days. The Surgeon General personally contacted many physicians who recently left active-duty concerning their interest in returning to active service. The initial results are encouraging. In the first four months of FY 1988, we recruited 30 doctors (11 recalls and 19 direct appointments). This is double the number of direct accessions achieved during FY 1987.

We also are seeking to increase the number of Armed Forces Health Professions Scholarships from 975 to 1,050 per year, with an ultimate goal of 1,200 scholarships, since this program is our best source of new high quality Navy doctors. Selected active duty physicians will receive training at the Navy's recruiting school to become more effective spokesmen for Navy medicine. And, we are planning a pilot program in which Reserve medical personnel will be able to work on a regularly scheduled basis at our medical treatment facilities to augment the hospitals' staffing.

Alternatives for Peacetime Health Care Delivery

Our peacetime health care delivery goal is to have fully utilized and fully staffed medical treatment facilities. Much of our medical planning effort in FY 1988 will continue to address alternatives for peacetime health care delivery that will return patients to our hospitals.

We are encouraged with the progress in our four NavCare clinics as alternatives to the more expensive CHAMPUS program, and to the often-crowded medical treatment facility outpatient clinics. Both the six new clinics and the existing four clinics will have expanded capability, including chronic care, mammography services, and a full-time medical director at each clinic for quality assurance and administrative purposes. The NavCare visits' costs are running at about 60 percent of the cost of a CHAMPUS visit and the utilization is up about 30 percent over the FY 1987 levels. We are planning to open up six more clinics in late FY 1988, located in Norfolk, San Diego, San Francisco, Long Beach, and Oceanside, Calif., and Charleston, S.C..

We also are planning for our catchment area management project in Charleston. We have submitted our conceptual plan to the Assistant Secretary of Defense for Health Affairs and have selected our implementation cadre. Our emphasis will be to encourage private sector involvement locally to maximize use of our resources and increase access of our beneficiaries to the health care system overall. Under an enrollment system, beneficiaries will be treated either at the Naval Hospital, or from local physicians under contract, to provide care for beneficiaries at a cost below prevailing CHAMPUS rates for the region.

Operational Medicine and Wartime Medical Care

Because of the Navy's forward-deployed status, much of our operational medical support is an ongoing peacetime activity. There are more than 320 physicians and 4,600 corpsmen assigned to Navy afloat units and more than 200 physicians and some 2,800 hospital corpsmen assigned to deployed units of the Marine Corps.

Important progress has been made in providing medical support to the operational units. Three of the numbered fleets now have full time, dedicated Fleet Medical Officers. Many of our operational units, including aircraft carrier and battleship battle groups, destroyer squadrons, amphibious ready groups, marine expeditionary forces and others, have unit physicians providing under-way support.

Our objective is to create permanent, full time organic medical capability for the Atlantic and Pacific fleets. Each fleet will have two surgical units assigned to provide medical support to deploying units. When not deployed, these assets will be used by the hospitals at their bases of operations. The teams will also help us to stabilize our medical personnel situation. For personnel who are not assigned to one of the teams, the likelihood of unscheduled deployments will be significantly reduced if not completely eliminated.

The cornerstone of our wartime medical capability is the deployable medical systems (DEPMEDS) -- the fleet hospital units and the hospital shops -- and the personnel to staff them. Our current program has 20 fleet hospitals. 16 of the 20 are approved and funded and the remaining four are in the Navy's five-year procurement plan. The first three fleet hospital units reached initial operating capability (IOC) during FY 1987, and five more will reach IOC in FY 1988. These will provide an additional 2,500 beds for our combat forces in theater.

Navy Medical Strategy

Navy peacetime health care will be characterized in the early 1990s by more patients receiving the care they need in the most appropriate place at the most appropriate time. We will have fully implemented Joint Health Care Manpower Staffing Standards to validate staffing in all of our hospitals. In the short-term, we will bring more CHAMPUS workload back into our military treatment facilities by contracting for health care providers. This short-term solution, about two years, gradually will be supplanted by the introduction of additional active-duty personnel as our budgeting, recruiting and training programs mature and begin to provide a reliable pipeline of medical professionals and support staff. Where possible and cost effective, residual CHAMPUS care would be provided through alternative delivery systems, such as planned in catchment area management. The health care delivery alternative that best fits a given area and provides a comprehensive array of high quality services at an affordable price will be the solution of choice.

The key ingredient to making this vision a reality is the support of Congress. The Surgeon General, the Chief of Naval Operations, the Commandant of the Marine Corps and I are committed to making the investments that, when mature, will bring increased access to health services to our people. The President's budget submission includes requests for \$98 million in FY 1989 to support our contracting initiatives. The growth in the medical manpower accounts assumes no cuts will be made by the Congress.

In summary, *Navy medicine needs attention*. Our many beneficiaries are becoming disenchanted with our system because of its inability to care for their needs. We took a comprehensive look at our medical system and identified short-term and long-term solutions. *Our program strategy is achievable but we must have the continued support of the Congress*

V. NAVY MANAGEMENT INITIATIVES

As funding becomes even more austere, fiscal and management initiatives to reduce acquisition cost and to protect our essential industrial base are more important than ever. We continue to develop initiatives to rationalize Navy expenditure for equipment, maintenance, and capital improvements. The Department of the Navy has had underway since 1984 a series of reforms directed at improving the management of the Department of the Navy's industrial activity operations.

Navy Industrial Improvement Program

The Navy Industrial Improvement Program represents a fundamental change in the way we want our shipyards, laboratories, and data automation activities to do business in supporting fleet requirements. We are streamlining our industrial operations and management to make them as efficient as our nation's best run private industries.

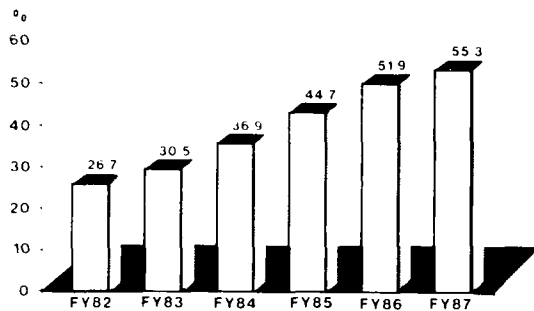
These efforts to improve the way we do business began well in advance of recent defense reform legislation and are critical during this period of intense fiscal pressure. The primary emphasis of the program is to drive cost of work down while sustaining or improving quality. We are achieving these objectives through tighter cost control, better work scheduling/execution practices, more efficient material management, lower overhead, prudent management of overtime, more effective planning, and continued investment in training.

Public vs. private sector competition is focusing our industrial activity managers and workers on the importance of their individual efforts in reducing costs and improving quality. It will continue to stimulate examination and improvements in industrial processes and operations in both sectors. By making our industrial activities more responsive and efficient, the Navy Industrial Improvement Program philosophy mirrors the finding of the Packard Commission Report on Defense Management: if you trust people to do a good job and create a situation where everyone can contribute ideas, headquarters' supervision can be kept to a minimum.

Competition as a Business Strategy

We have vigorously pursued competition in order to achieve the four goals of the 1981 Carlucci Initiatives: reduced costs, a broadened industrial base, improved quality, and fairness. In the period 1982 to 1986 the annual value of competitively awarded Navy contract dollars increased from \$8.1 billion to \$23.2 billion. During FY 1987 the Navy competed 55.3 percent (\$27.3 billion) of its procurement dollars. Our goal was 55 percent. Almost 90 percent of the individual contract actions were competed. The competitive dollar goal for FY 1988 is 53 percent, reflecting the awarding of contracts for two aircraft carriers in that year.

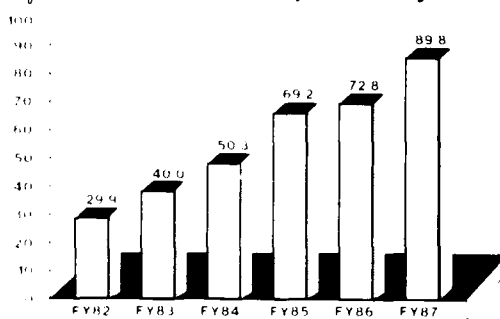
Percentage of Navy Procurement Dollars Competed



From FY 1983-1987, the Navy realized savings of over seven billion dollars in its shipbuilding programs. Several factors combined to produce these savings, including lower inflation rates and program restructuring, but a conservative estimate is that one third of the savings was due to competition. These savings allowed us to buy significantly more forces and higher readiness levels for the same dollars spent. For instance, the Navy's shipbuilding competition savings (about \$2.5 billion) would be enough to buy three DDG-51-class *Aegis* destroyers or three SSN-688-class submarines.

Competition's detractors argue that dual sourcing does not always equate to adequate competition, and that, in some circumstances, the non-recurring costs necessary to establish a second source have forced unit costs above that projected for a continued sole source buy. Although not all programs have demonstrated clear savings due to com-

Percentage of Contract Actions Awarded Competitively



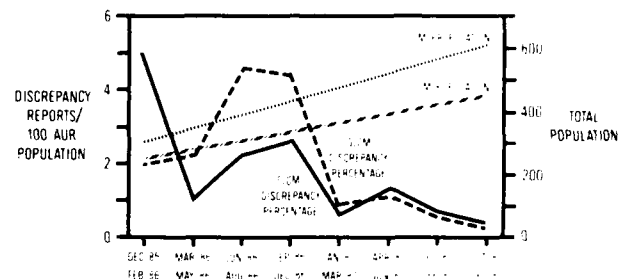
petition, on balance, our experience is that *competition is saving money*.

Opening up more procurement and support programs to competition and fostering an environment which invites contractor participation have enhanced mobilization capability by expanding the defense industrial base. For example, the Navy has 13 ordnance systems in dual source production today compared to four ten years ago. This provides us with a significant wartime surge capability above that of the sole source environment and frequently results in reduced procurement costs. For example, the dual source *Tomahawk* missile (all-up-round) program procurement cost has decreased from \$11.0 billion to \$9.2 billion

since submission of the President's FY 1986 budget.

To date there is no evidence that "low bidder mentality" has led to reduced quality. In fact, there are examples to the converse, where quality has improved after the advent of competition. One example is depot rejection rates for the *Tomahawk* cruise missile which greatly improved after a second source was established.

TOMAHAWK ALL-UP-ROUND REJECTS REQUIRING DEPOT MAINTENANCE



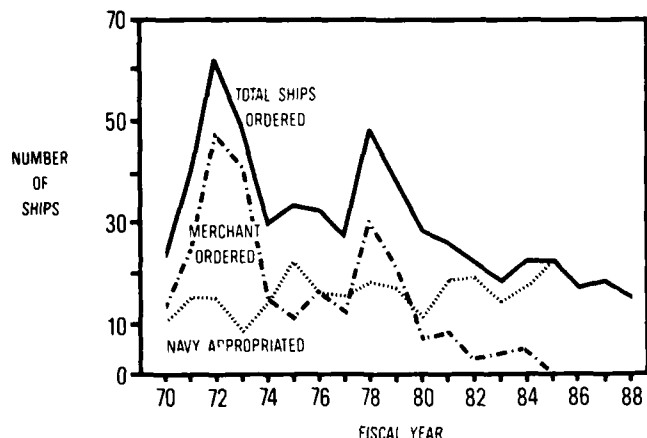
The Carlucci Initiatives' goal of fairness is the most difficult to address; however, the Navy, through its competition policy has significantly increased the opportunities for companies to obtain a share of Navy business. An increase in the percent of competitive actions from 30 percent to nearly 90 percent over the past five years is indicative of our intent to distribute fairly our business base.

Our policies do not promote competition just for competition's sake. In some circumstances, it is inappropriate. High entry costs to establish a second source, such as would be necessary to establish a second source for aircraft carrier construction, do not make sense. Competition may not make sense for programs which have matured to the point where competition would require the second firm to realize impossible production efficiencies to match the price of the original prime, and instances where a contractor finances the development of a unique system for limited production quantities do not justify competition.

The Navy's competition strategy is succeeding. We are meeting our goals as delineated in the Carlucci Initiatives; however, our business strategy was conceived with a very different level of resources in mind. We will continue to pursue our competition policy and through it increase our national industrial base. However, given the forecast of a severely constrained budget, maintenance of specific areas of our industrial base may require creative action on our part. An example of this problem is ship construction.

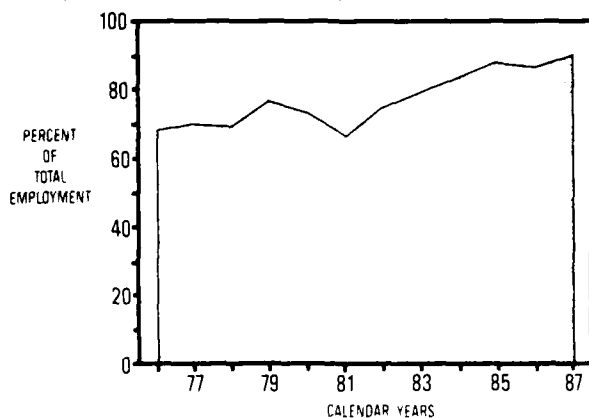
The shipbuilding industry, as well as some other defense related industries, is currently experiencing a reduction in workload. This is not a result of competition for Navy contracts, but the loss of the commercial market. While civilian orders for new ship construction have shrunk to zero in recent years, Navy shipbuilding competition has actually increased the number of shipyards engaged in new construction since 1981. The supplier base has responded well by lowering manufacturing lead times for important mechanical and electrical ship components and basic materials by 20 to 30 percent. Another way in which we are helping to maintain the shipbuilding industrial base is by opening up ship repair availabilities to competition between public and private shipyards. Since FY 1985 we have competed 28 overhauls with savings to date of \$276.2 million. Navy ship construction and repair now provides 90 percent of private shipyard employment.

SHIPS ORDERED (1970 - 1988)



Our challenge in the next few years will be to maintain an adequate defense industrial base in the face of a severely constrained budget, not only within the Department of Navy or the Department of Defense, but for the entire nation. As the results of the President's Commission on Merchant Marine and Defense indicate, the invigoration of our commercial maritime industry is more than a Navy problem or a private sector problem. It is a national problem which must be addressed in the context of national defense and economic strategy.

ACTIVE SHIPBUILDING BASE NAVY SHARE OF TOTAL PRIVATE SHIPYARD EMPLOYMENT



ACTION '88

Our unified improvement initiative, ACTION '88 (Attack Costs Through Improvements in Our Navy/Marine Corps), is promoting efficiencies and cost control throughout the Department of the Navy. ACTION '88 provides a coordinated approach to interrelated improvement programs including acquisition streamlining, value engineering, off-the-shelf procurement, productivity improvement, and upgraded specifications and standards.

The acquisition streamlining initiative is reducing procurement lead times, eliminating unnecessary require-

ments, and encouraging greater teamwork between government and contractors. Recent examples include the AOE-6 Fast Combat Support Ships and P-3C Update IV Avionics Suite programs. The AOE-6 class contract saved over \$630 million from our FY 1987 five year shipbuilding plan. This streamlined approach has reduced current cost estimates for P-3C Update IV program by over \$500 million. We are applying additional contractor incentives for reducing costs, including fixed price ceilings and shared savings through value engineering. We have established a certification process in our major procurement commands, with executive level oversight from the Specification Control Advocate General and the Assistant Secretary of the Navy for Shipbuilding and Logistics. This process ensures that our acquisition programs are streamlined before proceeding into full scale engineering development, and includes a progressive process of certification of the acquisition plan, contract specification, and solicitation. During the past year, more than one hundred programs have been through this process.

The marketplace is making a significant contribution in yet another area, the use of off-the-shelf designs, equipment and components. Before beginning a development effort, program managers now consider "non-developmental items" available to meet operational requirements. This reduces costs and delivery time. The LSD 41 Cargo Variant is an example of modifying an existing design to satisfy a new requirement. Off-the-shelf products include some of our most sophisticated weapons systems, such as components for the AN/BSY-1 Submarine Combat System and the E-6A TACAMO Aircraft. We are encouraging competitors for our contracts to propose alternative off-the-shelf solutions. We used this approach on the P-3C Update IV Avionic System.

The effort we launched several years ago to ensure that our specifications, standards, and drawings are up-to-date, technically correct and cost-effective is paying off. It has enhanced competition, saved time and effort, increased productivity and reduced contractor costs. Our approach includes an aggressive campaign to cancel, revise and consolidate existing military specifications, standards and drawings. During the past year we reviewed over 3,000 specifications and cancelled another 400. At one command alone we canceled over 500 unnecessary or outdated drawings. We consult with non-government standards associations and have established joint ventures to develop specifications and standards acceptable to the Department of the Navy and to industry. During FY 1987 we adopted 133 commercial specifications in place of military specifications. Many of our procurement contracts are based on commercial item descriptions and performance specifications instead of detailed military specifications. Our goal is to have specification documents that are the most cost-effective possible while satisfying our requirements for quality and performance.

Our value engineering program is a clear demonstration of our commitment to reducing costs. During FY 1987 savings were in excess of \$1 billion. This is more than a 75 percent increase over FY 1986 savings. Much of this increase can be attributed to our stepped-up training efforts. Since 1985, over 5,000 government and contractor personnel have attended our value engineering course. Our acquisition streamlining training, initiated in 1986, is being accelerated. We expect to reach an additional 5,000 students in these two areas during FY 1988. We believe training is key to even more impressive results.

We believe our productivity improvements initiative to be unsurpassed by any in the federal government. Our goal

is to surpass the President's challenge in 1986 to increase productivity 20 percent by 1992. A critical element -- top level support and commitment -- for achieving this goal was demonstrated by Admiral Trost, General Gray and myself when we committed ourselves to the six Navy Guiding Principles.

We believe that our Total Performance/Productivity Improvement Plan embodies a comprehensive, practical approach to achieving sustained improvements. We are emphasizing cost control, with quality as an essential measure of effectiveness. We use the same techniques found in successful private companies. We have stepped-up efforts to improve productivity through smart capital investment. Employee action teams address a wide range of issues to improve performance, increasing participation and better using a significant resource. We have extended our Model Installations Program to cover all Navy and Marine Corps installations, resulting in the elimination of many self imposed and unnecessary rules and regulations. Our Manage to Payroll effort is an unqualified success. We eliminated 900 pages -- 54 percent -- of all civilian personnel "guidance." Twenty-one instructions were canceled entirely.

We are encouraging increased productivity through employee participation, incentives, and recognition programs to make our work force more competitive for ship overhauls and aircraft rework. Our goal is to have gain sharing programs in place in at least ten major activities before the end of FY 1988. Our first two activities--Charleston Naval Shipyard and Naval Aviation Depot Cherry Point--already have approved plans and are working under their guidelines. These gain sharing programs are the first activity-wide gain sharing programs ever attempted in the federal government and should provide a body of knowledge useful to other federal departments and agencies.

Research, Development, Testing and Evaluation (RDT&E)

Today the U.S. Navy stands ready to "go in harm's way" as a result of many years of well managed acquisitions and investments in RDT&E. This investment, approximately 10 percent of the Navy's total budget request in FY 1989, is positively affecting operations every day as new and improved systems enter the Fleet.

We are taking our cues from industry as we implement business management practices similar to the commercial world. Through greater use of competition, fixed price contracts and contractor investment we are realizing improved performance, better quality products and reduced cost for the American taxpayer. Dual sourcing now starts in the development process and will pay off with production savings on programs such as the AN/BSY-2 Submarine Combat System.

Navy contractors benefit from higher allowable profits for fixed price development contracts than they can under a cost-type arrangement which has a statutory limit on fee. Our use of flexible fixed price arrangements -- fixed price incentive vice firm fixed price -- for low risk definitively negotiated full scale development contracts is being lauded by Navy program managers and their contractors.

An interesting phenomenon of the Navy-initiated policy of contractor investment in production tooling and test equipment is an overall decline in the total tooling/test equipment bill. Once we put the onus on the contractors' shoulders to make the up-front investment, senior co-

tractor management became involved. In many cases, tooling and test equipment proposals have been reduced drastically, saving money in two ways: First, instead of making the up-front investment as we used to, we now reimburse the contractor gradually over the life of the program. Second, the total cost we amortize has decreased substantially due to the reduction in the overall tooling bill made by industry executives.

It will take time to measure the exact benefits of this acquisition policy, but we are already seeing a payoff. We are seeing a smooth transition as we proceed from research and development to production, with more finite specifications and controlled costs. The Fleet will reap the real benefits as we shorten total acquisition time and are able to field more for our money.

Antisubmarine Warfare (ASW) Master Plan

The growing sophistication of the Soviet submarine force requires a carefully managed development and procurement program. Threat advances must be assessed and projected for the future, and the appropriate technical responses selected. These concepts must then be incorporated into the fleet hardware and put in the hands of operators in time to preserve our ASW capability. The Navy's blueprint for accomplishing this is the ASW Master Plan, first printed last year, and published in revised form this February.

ASW is not a platform mission but a Navy mission. Winning against the submarine of the future will rely more and more on the coordinated application of a wide variety of intelligence sources, sensors, platforms, and weapons. The "Lone Ranger" approach, possible for many years by virtue of our acoustic advantage, has become largely a thing of the past. This year's Master Plan clearly describes the role of each ASW unit -- aircraft, submarine, surface ship, and surveillance system -- and its importance to the ASW problem.

The Master Plan explains the importance of the ASW campaign to our maritime strategy, lays out our best estimate of the submarine threat, and then describes the systems which will be needed to execute our strategy today and in the future against this threat.

Shore Facilities

The Navy's shore facilities continue to deteriorate, thus detracting from improvements being made in the readiness of fleet operating forces. A Shore Facilities Life Extension Program was initiated last year to reverse this trend by targeting military construction and maintenance funding in high priority support facilities with a goal of eliminating all major degradations by 1994. Unfortunately, FY 1988 was the fourth consecutive year that our Navy military construction request was reduced 20 percent by Congress. This trend has seriously impeded efforts to improve the deteriorated facilities that hamper overall combat readiness. Notwithstanding Congress' consistently large reductions to the Military Construction Program, we will forego other procurement items again this year to submit a shore facilities budget request with an increase of 10 percent over last year's funding in order to reverse this trend. This increase has been made while the total Department of Navy budget request for FY 1989 has been reduced sharply to conform to deficit reduction goals. The military construction segment of our budget request is the absolute minimum needed for our facilities upgrade plan. We cannot maintain required readiness posture,

protect existing assets, and take care of our people properly without the full support of Congress for the Navy's military construction program.

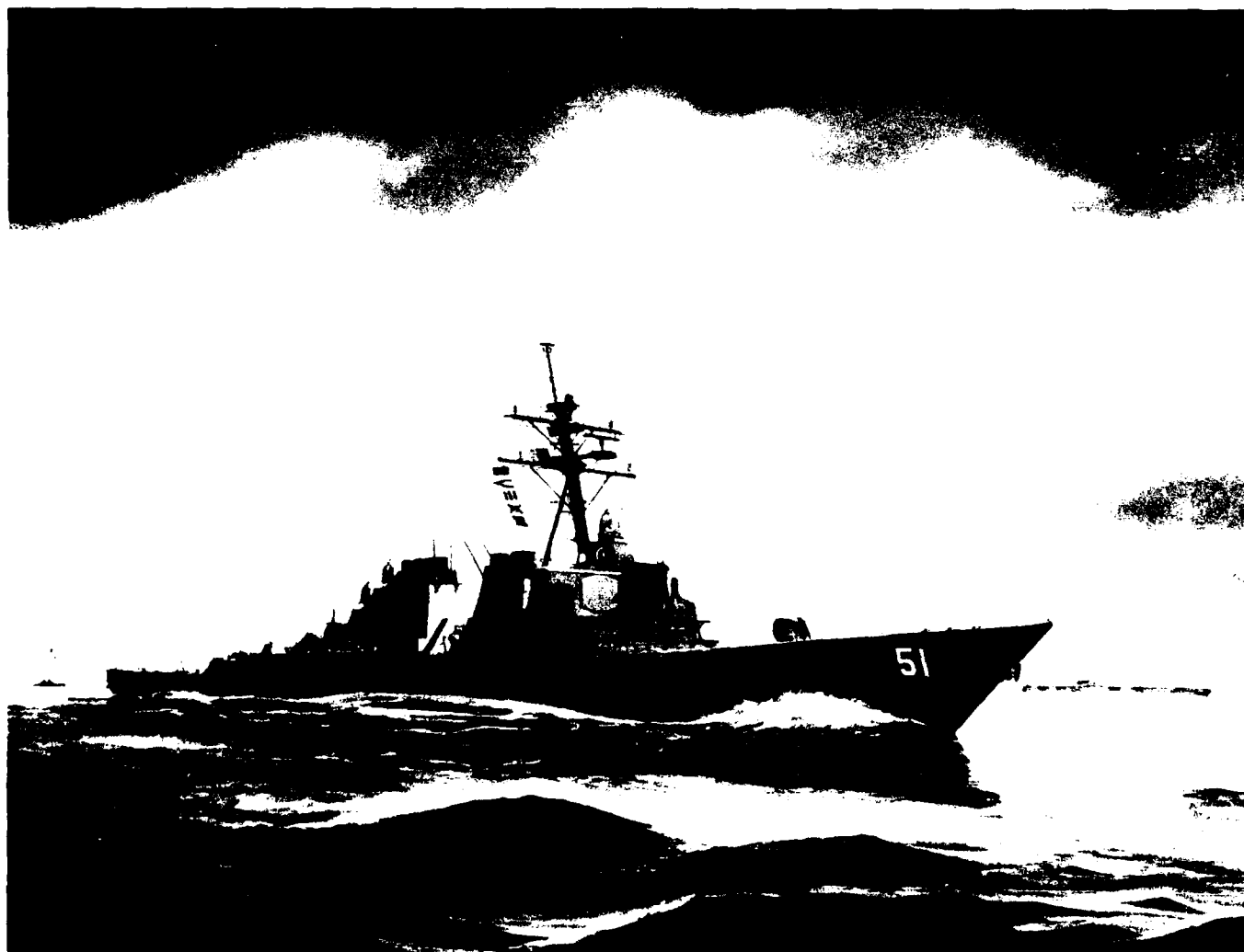
VI. CONCLUSION

America's sea services, forward deployed in areas of vital interest, serve as an active expression of national resolve to maintain our access and ties to friends and allies and to dissuade our adversaries. The most cost-effective, least vulnerable element of our strategic deterrent posture -- the ballistic missile submarine force -- will increase in importance as we enter into potentially historic strategic arms agreements with the Soviet Union. American sea power's contribution to deterrence throughout the spectrum of violence will continue to enhance our ability to negotiate agreements that advance America's interests.

Regional challenges, areas of unrest and low-level conflict will continue to require that the Navy and Marine Corps remain ready for any national tasking. Our ability to concentrate powerful naval forces quickly in response to emergent crises, and yet to just as quickly redeploy them, means that the sea services will remain a primary military instrument of foreign policy in this era of "violent peace," and a key contributor to victory in the event of war.

The past seven years have seen a resurgence in America's sea services, thanks to the Administration's Naval Recovery Program and to the support of Congress. A fleet that had shrunk to 479 ships has now been nearly rebuilt. Our people are exceptionally dedicated and immensely talented. These magnificent improvements could be sadly and all too easily squandered if the rush to reduce the fiscal deficit is permitted to affect national security by suppressing the defense budget. Delay and deferral of ship, aircraft and material acquisition can create another kind of deficit, faced by our children in terms of an increasingly unreliable deterrent and block obsolescence of our weapons. While strong national defense has never been inexpensive, far more costly and incalculably painful are the lives and resources forever lost to the war which untoward weakness invites. In an address delivered in 1897 to the Naval War College, Theodore Roosevelt said, "Again and again we have owed peace to the fact that we were prepared for war." Ninety years later the wisdom of those remarks is more apparent than ever.

The continued support of the Congress and American people, coupled with the dedicated and courageous professionalism of the men and women of the sea services, guarantee that the Navy and Marine Corps team will continue to serve this nation well and faithfully, preserving the ideals of this nation we most cherish.





Adm. Carlisle A.H. Trost
Chief Of Naval Operations



Carlisle Albert Herman Trost became the U.S. Navy's 23rd chief of naval operations on June 30, 1986.

Son of the late Elmer H. and Luella (Hoffman) Trost, he was born April 24, 1930, in Vaimeyer, Ill. He attended Washington University, St. Louis, Mo., prior to entering the U.S. Naval Academy in 1949. On June 5, 1953, he was commissioned an ensign, graduating first in his class from the Naval Academy.

Following graduation, Trost reported to the destroyer USS *Robert A. Owens* (DD 827) and, in December 1954, detached to attend the Submarine School, New London, Conn. In June 1955, he reported to the submarine USS *Sirago* (SS 485) where he qualified as a submariner in July 1956. From January to June 1957, he attended the Advanced Nuclear Power course at the Submarine Base, New London, Conn., followed by further training at the Naval Nuclear Power Training Unit, Idaho Falls, Idaho, until September 1957.

In November 1957, Trost reported to the nuclear-powered attack submarine USS *Swordfish* (SSN 579) and in December 1959 qualified to command submarines. From January until June 1960, he studied German at the Army Language School, Monterey, Calif., and was then assigned temporary duty in the Bureau of Naval Personnel, Navy Department, Washington, D.C. In September 1960, he reported to the University of Freiburg, Federal Republic of Germany, serving until January 1962 when he reported as executive officer of the nuclear-powered attack submarine USS *Scorpion* (SSN 589).

From May to July 1963, Trost attended the Polaris Command course at the Fleet Anti-Air Training Center, Dam Neck, Va. He then reported as executive officer of the Blue Crew of the nuclear-powered ballistic missile submarine USS *Von Steuben* (SSBN 632). In March 1965, he reported as military assistant to the deputy secretary of defense, Washington, D.C.

In January 1968, Trost assumed command of the Blue Crew of the nuclear-powered ballistic missile submarine USS *Sam Rayburn* (SSBN 635). In September 1969, he

was assigned as assistant chief of staff for personnel and administration on the staff of Commander Submarine Force, U.S. Atlantic Fleet. He reported in August 1970 as executive assistant and naval aide to the under secretary of the Navy, and later Secretary of the Navy, John W. Warner, serving until June 1973. In March 1973, his selection to flag rank was approved by the President. In June 1973, he assumed command of Submarine Flotilla 1 in San Diego, Calif., with additional duties as Commander Submarine Force Pacific Representative, West Coast.

In December 1974, Trost reported to the Bureau of Naval Personnel as the assistant chief of office development and distribution. In January 1976, he was assigned to the Office of the Chief of Naval Operations as director, systems analysis division. On Aug. 22, 1978, he was promoted to vice admiral and reported as deputy commander in chief, U.S. Pacific Fleet, Pearl Harbor, Hawaii.

On Feb. 14, 1980, Trost assumed command of the U.S. 7th Fleet where he was awarded the Government of Japan's Order of the Rising Sun (2nd Class) and the Republic of Korea's Order of National Merit.

On Sept. 15, 1981, Trost was assigned as director, Navy program planning on the staff of the Chief of Naval Operations. On Oct. 4, 1985, he was promoted to the rank of admiral and became commander in chief, U.S. Atlantic Fleet and deputy commander in chief, U.S. Atlantic Command.

Trost's personal awards include the Distinguished Service Medal (2), the Legion of Merit (3), the Navy Achievement Medal, the Navy Expeditionary Medal, the Navy Occupation Service Medal (European Clasp), the National Defense Service Medal with Bronze Star, the Antarctica Service Medal, the Humanitarian Service Medal, and the Sea Service Deployment Ribbon.

He is married to the former Pauline Haley of Cottage City, Md. Admiral and Mrs. Trost have four children: Carl Michael, Laura Lee, Steven Glenn and Kathleen Susan.

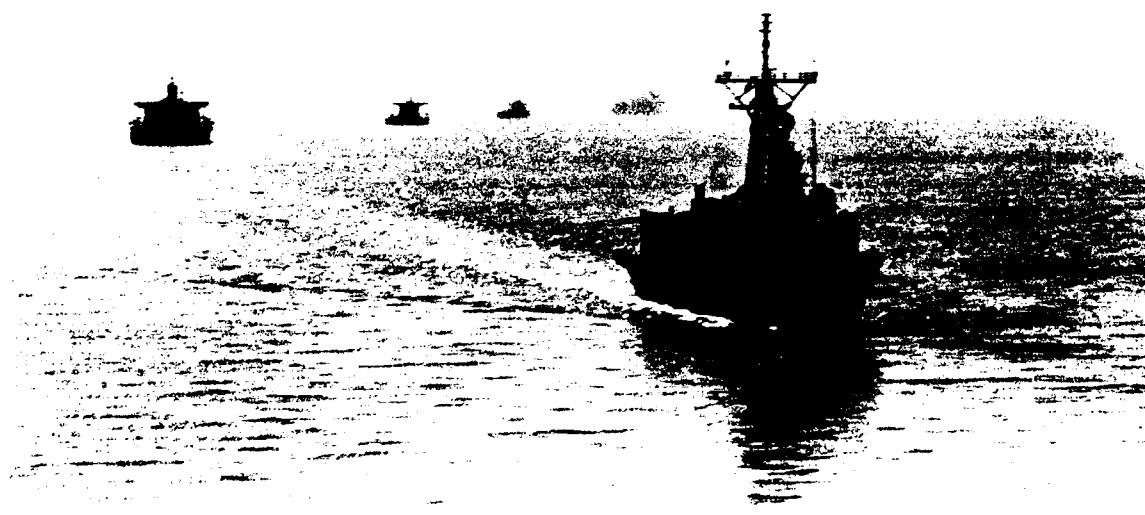
Posture Statement by the Chief of Naval Operations

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A Report by Admiral C.A.H. Trost Chief of Naval Operations on the Posture and Fiscal Year 1989 Budget of the U.S. Navy

Introduction

Mr. Chairman, I am very proud to appear before you and the distinguished members of this committee to represent the United States Navy. My statement this year focuses on the work of today's Navy in daily real-world operations that directly support national security interests around the world, on the question of the continued affordability of such an effective Navy, and on my priorities for the Fiscal Year 1989 Budget. Highlights of the Navy's budget request are attached as an appendix to this statement.

Today's Navy

The Navy today is more ready than ever to fulfill the nation's commitments and to support our long-standing national security strategy of deterrence, forward defense and alliance solidarity. Navy men and women are at sea in ships and aircraft throughout the world, day-in and day-out, every day of the year, communicating impressive military strength and practiced capability to friends and allies as well as to potential adversaries. The distributed presence of those deployed forces -- forward on the world's oceans and in waters adjacent to friends, allies and the Soviet Union, gives tangible evidence that the United States remains committed to freedom of the seas and is able to protect that freedom in ocean areas vital to its national interests.

The American imperative for maritime power begins as

a fundamental requirement for an island nation, dependent on world commerce, to have free use of the world's oceans. It is compounded by the emergence of the United States as a world power, with worldwide interests and alliance commitments to nations which are themselves islands or located in strategically exposed positions. To such a nation and such an alliance, freedom of the seas is a prerequisite for economic and political survival.

The insistent realities of Soviet power require a sustained emphasis on national defense and maritime superiority. The Soviet Union continues to expand its ability to threaten U.S. allies and our extended security through an inexorable growth in military capability, particularly an increasingly capable, globally-positioned Navy. When the world's predominant land power continues to develop an impressive maritime capability, able to contest control of an expanding portion of the world's oceans, we, as an island nation and leader of a maritime coalition, must be concerned and responsive.

In addressing the Soviet threat, the notion of "competitive strategies" has long been a part of the Navy's philosophy. Our maritime strategy for employment of a strong and effective Navy exploits Soviet weaknesses. It strengthens deterrence by forcing the Soviet Union to face a most unpalatable and deterring prospect: that any conventional war they initiate with the West could be protracted, global and fought by a unified maritime alliance in places and ways not of their choosing. Our forward posture is





the most strategically sound concept to ensure that our allies have tangible support, our lines of reinforcement and resupply are not challenged, our own coasts are not threatened, and technological advantages are best exploited. It allows the full weight of Western capability to face the Soviets and removes their preferred option of a short, single front war. The concepts of employment embodied in the maritime strategy fully support the national military strategy. They do not reflect the assertion that the Navy wants to go it alone, or that the Navy has adopted a forward strategy as a rationalization for a large Navy; they do reflect the realities of our global interests and the threat to those interests.

The Soviet Union is our primary adversary; however, we believe the strength of our deterrent capabilities has made global war against that adversary an unlikely possibility. To preserve the effect of that deterrent, we must be fully prepared to fight such a war. In addition -- and of increasing concern -- international violence remains at high levels in the forms of terrorism, political crises and regional conflicts. Our national leadership has called on the Navy to enforce U.S. national security interests more than 200 times since the end of World War II. Naval forces have been the "force of choice" because they enjoy the unique advantage of being able to signal commitment and intent -- and if necessary, menace -- without violating other nations' sovereignty, and once the need is past, depart without signaling retreat.

The focus of attention on U.S. military activity over this past year has been on the Persian Gulf. Military operations in the Gulf region are but the most recent confirmation that a maritime superpower faced with a wide range of global interests and a shortage of overseas basing opportunities must look to its Navy to execute national security policy in peacetime and to be its cutting edge in conflict. It is neither exceptional nor surprising that 97 percent of all U.S. servicemen in the Middle East are aboard ships. The Navy has established effective minesweeping, convoy, escort and freedom of navigation operations in the region as well as a credible air and power projection capability to hold in check attempts by regional belligerents to expand the scope of hostilities. These suc-

cessful operations have not required basing rights or the acquiescence of friends or allies to put our forces in place.

Equally important, while substantial naval forces were in place and operating on both sides of the Strait of Hormuz, routine naval operations were also conducted around the globe -- from the Arctic to Antarctica--off Northern Europe, the Soviet Far East, South America, West Africa, Southeast Asia, and Central America--in the Mediterranean Sea, the Black Sea, throughout the Caribbean and Micronesia. Every operation, from strategic deterrence to drug interdiction, *had a real world purpose*, with most directly supporting vital diplomatic objectives.

These activities point out vividly that there is no substitute in today's world for the flexibility, mobility and capabilities of today's Navy. As overseas base access continues to contract in the future, I expect even greater demands on these relatively self-sufficient forces.

I attribute the sound state of the Navy today to a well considered rebuilding program over the last decade and to our greatest resource--the Navy man and woman.

Improvements in readiness and sustainability have been the most dramatic product of the recent defense revitalization, even though force structure increases seem to receive the greatest attention. For example, the time that surface ships are free of debilitating material casualties has improved 61 percent, and aircraft full mission capable rates improved by 66 percent, from 1981 to 1987. During that same period, overall ship readiness increased 125 percent and overall aircraft squadron readiness increased an impressive 264 percent.

As for our people, their unparalleled performance has been the keystone of the Navy's success. Career professionals, together with young men and women fresh out of high school, demonstrate a standard of character that far exceeds the norm of American society. These Navy personnel routinely evince a selfless dedication to service and strength of character which enables them to meet the challenging requirements of national commitment, including extended at-sea periods, the stress of high risk assignments and duty as representatives of the United States overseas. They have my admiration and complete support.

Can we afford an effective Navy?

The answer to the question of whether we can afford an effective Navy is simple: we can.

The imperatives of the requirement to reduce the federal deficit are universally understood. A strong economy is an important element in a strong national security posture, and we in the military appreciate the importance of social and other domestic programs--particularly education. However, the irreducible need for a strong defense is agreed to by all responsible Americans as the bedrock upon which our ability to support other national programs rests.

So much rhetoric has been advanced in the name of cutting the defense budget to redress the federal deficit that the real facts about the relationship between the defense budget and the federal deficit have been obscured. Many people, even some who are ostensibly well-informed, have accepted the argument that defense spending in this decade has all but bankrupted the Treasury, and that the Navy has absorbed far too much of the defense appropriation to build a 600-ship fleet. Regretfully, those arguments have been so widely advanced that assertions to the contrary are now greeted with ridicule.

But the facts, if viewed without emotion, tell another

story. They indicate that we can afford a strong defense and that if a service's budget were to be determined based on utility in the real world, the Navy budget should be allowed the moderate growth necessary over the long-term to sustain an effective Navy.

The most common method of determining a nation's commitment to its defenses is the proportion of its gross national product devoted to defense spending. Today, the U.S. defense budget is about 6.0 percent of the GNP. In 1969, the last year of a balanced budget, defense spending accounted for nearly 9 percent of the GNP. During the past 20 years, the period over which most of our national deficit was amassed, there was a seven dollar increase in non-defense programs for every one dollar of growth realized in the defense budget. Given these facts, it is difficult to support an argument that the recovery of our defense strength in this decade is responsible for the budget deficit.

While the investment in capital required to rebuild the Navy has been considerable, the Navy's share of the defense budget before and during the period of the buildup, far from increasing as some critics have contended, has remained essentially steady. That fact, in combination with the central reality that the Navy has continued, year-in and year-out, to carry the preponderant burden of national security commitments in forward areas, would indicate that continued Congressional support of an effective Navy is a sound investment.

At the beginning of this decade, the administration and Congress made a significant commitment to support a well thought out and strategically sound building plan, designed to meet the military threat of the Free World's major adversary. The military capability represented by the currently funded Navy force level -- a balanced, ready and modern force centered on 15 aircraft carrier battle-groups, 4 battleship battle groups, 100 attack submarines, and adequate amphibious and support forces -- is the *minimum* capability necessary to meet the threat. It comprises the best possible mix of offensive and defensive naval forces ever assembled. In building that military capability, the American people, through Congressional action, amassed a significant capital investment in a strengthened and ready Navy. Yet, historical examples show us that after every successful rebuilding program, there has followed a major reduction in funding which would not sustain the readiness attained by that effort. Recoupment from these retrenchment periods, unfortunately, required even greater expenditures. The costs of resuscitating a declining Navy only nine years ago should give sufficient pause to consider the consequences of allowing such a decline ever to occur again. Should we fail to protect our investment in people, equipment and readiness, the results may not be immediately apparent, but we should not deceive ourselves about the inevitable consequences. National interests, responsibilities and tasking will continue to require timely, responsive and positive action by ready Navy forces. The Navy does not establish these national commitments, but as has been noted previously, it is the force that has been historically relied upon to meet them. A lack of sufficient funding to sustain a ready Navy will impact on our ability to meet such taskings and properly support national interests.

With diminishing Congressional support of the recent defense recovery, the ability of the Navy to sustain or afford a balanced, ready, and modern force is being increasingly questioned by defense critics. Given that Navy force levels currently funded represent the *minimum* ca-

pability based on military requirements that is necessary if we are to meet the wartime threat, and given that the Navy is to do the "peacetime" job that is asked of it -- and has been repeatedly asked of it over time -- the Navy must be *made* affordable.

Simply put, if we want a credible and effective way to continue to be able to operate across the entire spectrum of conflict, from violent peace -- as we are today -- to war, it is our shared responsibility to make the measured intelligent choices that will provide the support necessary to maintain the value of the investment that the nation, through Congress, has made in an effective Navy.

In the long-term, a prudent and minimal level of real program growth is required to support the capability attendant to an effective Navy. In the short-term, negative growth for three of the last five years has been overcome through continued innovative approaches and efficiencies. We are fast reaching the limits of those techniques. Long-term zero or negative growth will result in retrenchment leading to a smaller Navy with diminished capacity to support the national strategy in peace or war. In such a clearly undesirable eventuality, we would have to reconsider our national security objectives and forward military strategy or find another, and heretofore elusive, way to protect our forward interests.

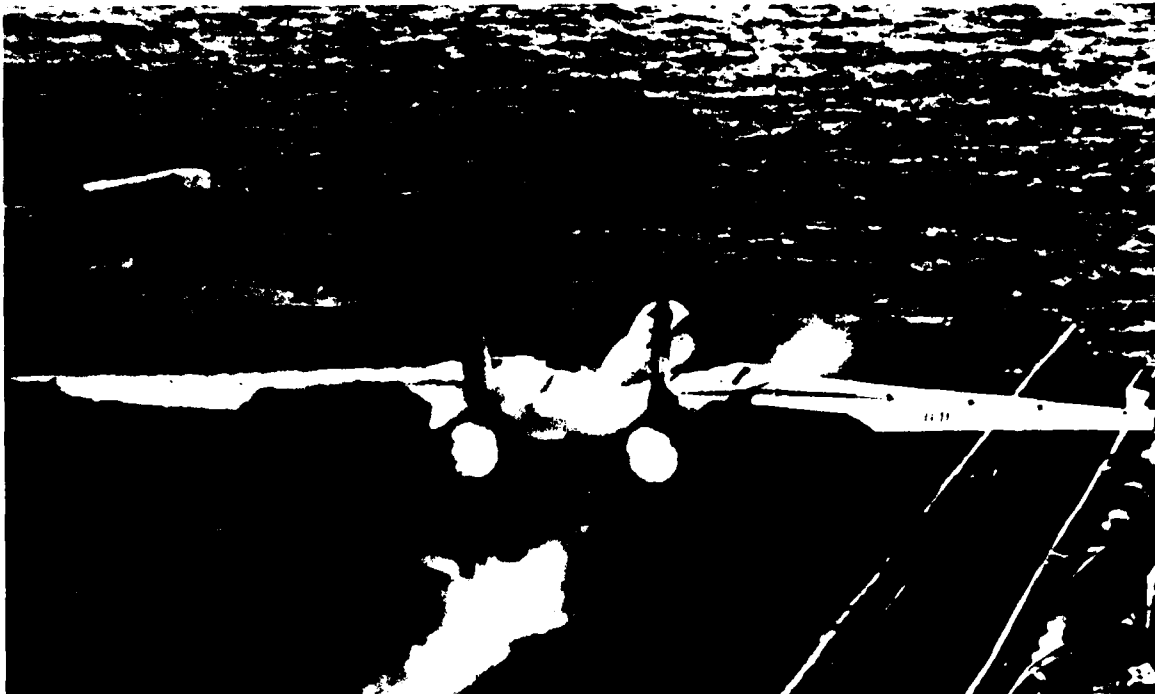
The Navy's overall annual growth rate from 1980 to 1989 is 3.1 percent; included in that figure are the levels of capital investment necessary to restore the depleted condition of our maritime forces. And despite what some defense critics might assert, the Navy has achieved balanced growth over the period. Force structure has seen the lowest annual growth over the period (1.6 percent), a rate virtually half of overall growth; sustainability grew at an annual rate of over 5.7 percent and peacetime ordnance levels have never been higher. In fact, the Navy has had less real program growth during the 1980-89 Defense recovery than the other services:

COMPARISON OF REAL PROGRAM GROWTH AND SHARE OF DOD RESOURCES (FY 80-89)

	Annual Real Program Growth	Change in share of DoD Resources
Army	3.3%	+ .6%
Air Force	4.8%	+ 2.1%
Navy	3.1%	- 3.1%

With this lower growth rate, we are still proceeding toward our goal of a 600-ship Navy and will have fielded well over one-half of DoD's new systems in the eighties. Notably, the money invested in the Navy has gone directly into warfighting capability to meet our national military requirements.

With the buildup to minimum required force levels essentially behind us, the Navy has shifted to a sustaining mode, with a greater share of resources programmed for readiness and sustainability for the next five years than for the last five. We plan to maintain capability and current high levels of readiness, while continuing to improve sustainability levels. To accomplish this dual path will require some real growth over the long-term. Studies have identified a desirable range of 1.4 to 3 percent annual long-term real program growth to sustain the Navy that has been built. Those figures are in line with the average of 2.5 percent per year the Navy's budget has grown since



World War II. Over the same period, GNP has grown roughly 3 percent per year on average. Whatever the required number, it is clear that a minimal and prudent level of real growth is required to support the capability represented by a thoughtfully designed and effective Navy while pacing the threat over the long term.

As I have noted earlier, *in four of the last six years, the Navy has suffered declines in program growth*. In this austere environment, we have managed not only to keep our shipbuilding goals on target but to maintain the readiness levels of our forces and to vastly improve their sustainability. By any historical standard, our ships and aircraft are battle ready for sustained conflict. Our ammunition bins average nearly 100 percent more ordnance than just five years ago, and our sailors are confident that they can use their weapons to fight and win. These accomplishments have been achieved through innovative business strategies as well as management economies including competitive contracting, organizational streamlining, and strict controls to eliminate gold plating. We operate the fleet more efficiently today with expanded use of shore-based trainers and stricter requirements governing the operating schedules of fleets. These efficiencies have been largely implemented; further efforts in these areas, though still being aggressively pursued, are producing diminishing returns.

In summary, the Navy has managed to remain on course with our sails trimmed for several years, but there is a limit to our ability to continue on that tack. We are not going to field a "hollow" Navy. The balanced fleet that you have built is the right fleet for our national strategy. It is clear that our ability to sustain that fleet's capability over the long-term will require a reasonable level of sustained real program growth from the Congress. When key decisions were made to rebuild the fleet, Congressional support was present and necessary. Now that the rebuilding effort is largely complete, I urge you to support the reasonable growth required to keep your magnificent Navy ready to fully support and defend U.S. interests on the world's oceans -- in peace and war. We must

not permit the value of a wise and foresighted investment to diminish as we work together to meet the challenge of maintaining a strong defense in a constrained fiscal environment.

Budgetary Priorities

The Fiscal Year 1989 budget requests the minimum level of resources necessary to maintain the Navy's momentum. It reflects two overriding priorities:

- Safeguarding total Navy capability, readiness and performance.
- Ensuring that we continue to attract and retain those quality people so necessary to our continuing success.

There is nothing more critical to the state of the Navy than the recruitment and retention of quality people. Their superb dedication and matchless character are on display, underway and on foreign shores, every day. My top budgetary priority reflects the need for adequate enlisted and officer end-strength, fair pay and benefits, a judiciously applied selective re-enlistment bonus, sufficient PCS funds, aggressive recruiting programs, and a reasonable quality of life for our people.

For several years, end-strength was not allowed to increase commensurate with force structure growth. We have mortgaged the shore and support establishment to keep our fleet fully manned. Continued failure to provide the necessary manpower to effectively man, operate and support the Fleet will inevitably result in adverse impact on the sea-shore rotation of our sailors, a majority of whom now can expect to spend more than 55 percent of their Navy careers on sea duty -- a percentage growing annually. A separate but related issue is the adequacy of PCS funds. Without an appropriate level of PCS funding, an adverse impact on tour lengths, and thus on sea-shore rotation, is likely. The consequence of an increasingly arduous sea-shore rotation pattern and lack of PCS funds may well be, as it has been in the past, a delayed deleterious impact on retention.

Even more critically, an already lean officer corps, just beginning to recover from the ravages of the 1970s, is

simply unable to absorb reductions coincident with the growth in afloat operational billets. Sustained, reasonable levels of Navy officer end-strength are essential if we are to maintain the readiness and capabilities of our operating forces.

As a related and pressing issue, I am concerned about the impact on our officer distribution of Title IV of the DoD Reorganization Act of 1986. As I testified at hearings on the subject last May, at a time when our officer strength is already very lean, we are constrained in our ability to fully implement the provisions of Title IV. As I noted during those hearings, I fully understand the temptation to defer consideration of changes in the law on the presumption that we ought to try it for a while and see if it works. We will do that, of course, where legislative relief is not provided -- but I feel compelled to state unequivocally that we do have the experience and professional basis *now* to know that there are some aspects of the law in the area of joint duty requirements that need to be changed *now* or their effects in even one or two years will be such that the cost of recovery will far outweigh the "benefit" of having demonstrated those effects.

Diverting warfighters to staff duty in the numbers required by Title IV will unquestionably have an adverse effect on our operations at sea. Through some form of legislative relief, I believe we can achieve without delay the reasonable goal of enhancing the joint qualifications of our uniformed leadership while maintaining our operational excellence at sea.

One warfare mission area of vital importance, in which the challenge of the future is particularly intense, is ASW.

The Soviet submarine force now includes several classes of nuclear submarines incorporating major gains in acoustic quieting and combat systems sophistication. Continued advances in the quality of that force lead me to rank ASW as my central warfighting concern. The U.S. lead in ASW is substantial, but narrowing more rapidly than earlier estimates. We must give increased priority to programs which improve our ability to detect and successfully prosecute a more sophisticated adversary.

The physical condition of the Navy's shore support facilities has deteriorated as a result of budget and funding constraints thus resulting in lower shore support facility readiness and declining support for a more sophisticated fleet. The primary cause of the decline has been the underfunding of military construction. We can no longer afford to defer replacement and maintenance of essential support facilities. Similarly, we must replace aging family housing, particularly for junior enlisted personnel stationed in high cost areas. I urge you to consider most carefully what we must do to correct the existing critical backlog of building construction and renovation, crucial to train personnel, sustain reasonable quality of life, and support fleet readiness.

The outlay character of research and development funding has made that area particularly vulnerable to significant budgetary cuts over the past several years. I am concerned, given the imperative that we maintain our competitive technological advantage, that we not mortgage the future for fiscal expediency. We must preserve fiscal support for fundamental research and the development of those enabling technologies with the greatest promise for future leverage.

Appendix

Maintaining the Edge: FY 89 Navy Budget Request

International realities and the fundamental requirements of U.S. national security strategy demand a consistent commitment to maritime power. The nation's investment in its Navy over the past few years has demonstrably strengthened our maritime posture and produced concrete improvements in all aspects of naval capabilities. The American people have gotten their money's worth in a Navy that is ready and able to respond promptly and professionally, in conflict, crisis, or peace.

Because the state of the Navy today is sound, we can sustain recent accomplishments and meet future challenges with very modest growth. The Navy budget, I believe, requests the minimum level of resources necessary to maintain our momentum and meet those challenges.

The Navy budget requests a Total Obligational Authority of 87.6 Billion for FY 89, representing a decline of 9.5 percent in real terms from FY 88 appropriations. This budget reflects my two overriding priorities: safeguarding material gains in total naval capability, readiness, and performance; and as the most important factor in this, ensuring that we continue to attract and retain those quality people so necessary to our continuing success. Consequently, the budget stresses readiness and sustainability, although as Figure 1 shows, we continue to strike an appropriate balance among all four pillars of naval capability.

Readiness funding comprises 56.7 percent of TOA, reflecting our commitment to provide a force able to respond promptly and effectively to national needs despite

tight budgets. *Sustainability*, at 8.6 percent of TOA, has shown the most growth since 1980 of all the pillars, and reflects our determination to support operational commanders requirements for adequate numbers and quality of weapons and other material. Requested *modernization* funding, at nearly 17.5 percent of TOA, is sufficient to achieve a balanced program of systems and hardware improvements. Lastly, force structure funding continues to decline as a percentage of TOA as reflected in Figure 2. We have made considerable progress in recovering from the *force structure* deficit of the late seventies, and the force structure pillars 17.2 percent share of TOA reflects an ability to sustain force levels with a modest investment.

Readiness

Readiness funding includes the costs of training, operating, and manning naval forces to carry out their assigned missions. It encompasses military personnel and their salaries, fuel, maintenance and repair for ships and aircraft, training costs, spare parts and other support items. In short, readiness is the day-to-day cost of operating the Navy.

Approximately one-third of this request is for military personnel. I place my highest priority on programs that support people -- our most perishable asset. The Navy's growth in ships and aircraft has already placed a strain on our available manpower. Large numbers of good sailors must be recruited and retained in an ever more competitive environment. This budget emphasizes the im-

NAVY TOA BY PILLAR FY 89

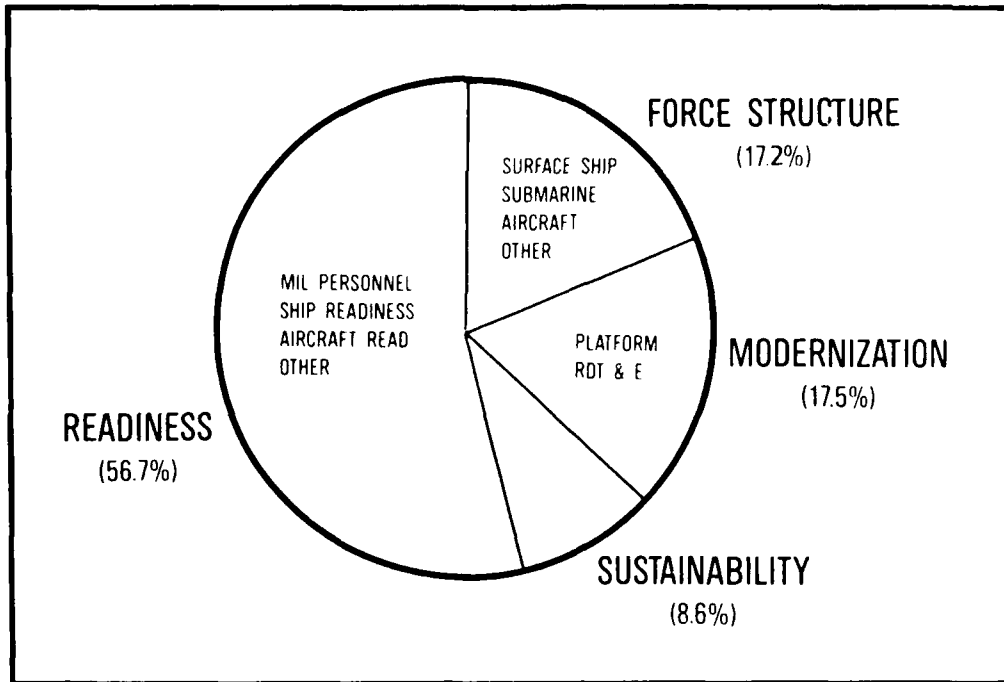


FIGURE 1

FOUR PILLAR TRENDS CONSTANT DOLLARS

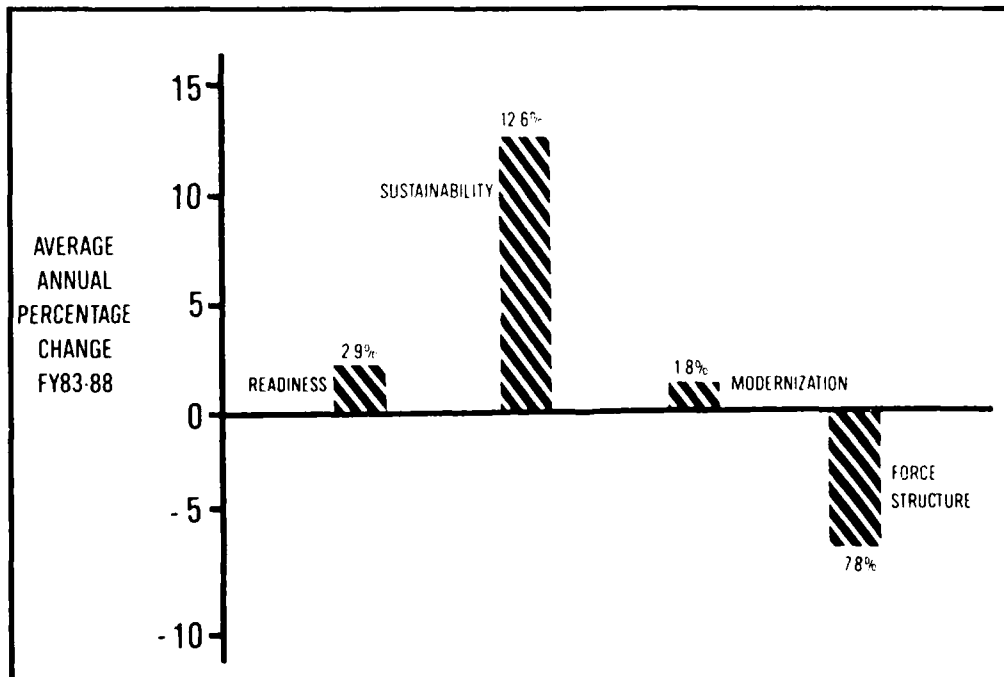


FIGURE 2

portance of proper manning and the stability of our benefit program as essential to the sustenance of maritime power. Although current fiscal constraints have forced us to accept zero growth in this budget, over the long term, measured and minimal growth in Navy end-strength is essential if we are to maintain the readiness and capabilities of our operating forces.

Officer manning in the 600-ship Navy is at the very heart of our capabilities. Without sufficient numbers of first-rate officers, we cannot effectively operate our ships and aircraft. We are a lean, well managed force. The Department of the Navy officer-to-enlisted ratios are the lowest in the Department of Defense. We have long since trimmed the fat from our officer manning. The Navy has consistently planned for growth in the officer corps in 1987-1989, in order to man the ships scheduled to enter the fleet during that time. To mandate any further cuts in Navy officer end strength will destabilize the Fleet and ultimately jeopardize the substantial national investment we have all made in a capable 600-ship Navy.

We face a declining pool of eligible and qualified young people from which to recruit, a result of extraordinary competition in the recruiting market -- from colleges and universities as well as other services -- and a declining propensity among eligible youths to serve in the Navy. The recruiting and advertising budget in our request is especially critical if we are to keep pace with the changing market of eligible manpower.

Retention is of equal importance to recruiting in keeping the current amount of experience in our manning structure. In this regard the Selected Reenlistment Bonus (SRB) program has resulted in excellent recent improvements in some critically short areas. The retention of enlisted supervisors serving in nuclear power surface ships improved from 35 percent in 1982 to 54 percent in mid-1987 as a direct result of Congressional approval to lift the ceiling on SRB payments for critically short ratings. However, gaps in SRB funding can still jeopardize our excellent progress in retaining experienced sailors serving within critical sea-going ratings. Last October, for example, average retention in certain specialists dropped from a norm of 40 percent to about 10 percent when SRB funding was cut off between approved budgets. SRB remains a critical retention tool.

The Navy's most serious officer shortages are in nuclear-propulsion qualified officers and mid-grade aviators.

Today we have a 20 percent shortage of experienced nuclear-trained officers in the grades of lieutenant commander through captain. These officers are required as commanding officers, executive officers, and department heads at sea as well as for key fleet support billets ashore. For the second consecutive year, submarine officer retention is down. The surface nuclear-qualified officer community faces serious projected shortages. Enhancements to Nuclear Officer Incentive Pay enacted in FY 86 will enable us to increase the pool of nuclear-trained junior officers, and we have requested a two year extension of that vital program.

Due to competition with a strong civilian marketplace, the shortage in junior aviators is now in excess of 1,000 pilots. To date, this shortage has been managed by monitoring officer distribution closely, but it is being felt in shore billets and is beginning to impact negatively on the personal and career needs of individual aviators. Aviation Officer Continuation Pay (AOCP) provided increased compensation and achieved a strong response when introduced in 1981. In FY 87, only half of those eligible ac-

cepted an AOCP contract, due in part to a steady decrease in its net value. To avoid unacceptably high loss rates of experienced aviators, AOCP needs to remain as an effective primary compensation tool.

Another key to the retention of a superbly trained cadre of professional Navy men and women is our wide variety of quality-of-life programs. These include active health and physical fitness training, "zero tolerance" for drug abuse, the personal excellence program with its many educational benefits, equal opportunity efforts, an outstanding health care system, and many other low-cost, high-payoff programs. In particular, the Navy has undertaken a recent series of new initiatives and efforts to improve the quality of medical care. As part of a comprehensive approach to medical needs, we have increased training for our health care professionals, established a number of primary medical care clinics to improve day-to-day access to care, and are examining better ways to balance care between our own facilities and contracted civilian alternatives.

Finally, our efforts must also include funds for the total force. The main objective behind the management of the Naval Reserve is the logical and efficient strengthening of the Navy's warfighting capacity through a process of horizontal integration. Having determined the extent of the reserve requirements, we then equip them with front line weaponry and integrate these units into fleet operations, tactical training, and war planning. Indeed, today's Naval Reserve has evolved from the rigid concept of training purely for mobilization. Rather, as evidenced by events in the Middle East, the probability that Naval Reserve units will serve worldwide in peacetime contingencies has never been higher. Our reservists are making a vital contribution to the health of today's Fleet, and their efforts in manning front line combatants, including *Oliver Hazard Perry*-class guided missile frigates, is indicative of their commitment and competence.

Sustainability

Sustainability comprises funding for stocks of weapons, reserve forces, and war reserve material that are the Navy's staying power in conflict. Logistics requirements, central drivers of our ability to conduct sustained warfare, include demands for timely delivery of fuel, spares and repair parts. Given that national strategy requires planning for protracted conventional war, this area of the budget is critical and has consistently been a high priority of Navy and Unified commanders.

Navy's sustainability account has risen steadily over the past nine years. Its real growth over the last six years has been 13 percent. However, the account remains susceptible to budget cuts partly because its results are not immediate. Some weapons bought with FY 83 funds are just now arriving in our shipboard magazines. Stocks on hand are 20-60 percent larger today than in 1981, and expected deliveries this year will improve even these percentages.

Navy planning objectives for threat ordnance are predicated on the assumption that Navy platforms will not run out of weapons prior to war termination. Stocks of surface-to-air missiles, air-to-air missiles, cruise missiles, torpedoes, and sonobuoys are beginning to approach these objectives. Stable and sufficient funding in this area will allow attainment of objectives in the early 1990s.

Modernization

Modernization includes all Navy research, development,

testing, and evaluation (RDT&E), fleet modernization or ship alterations, and aircraft and weapons modifications. This funding allows improvements in current platforms and systems as well as research and development for future improvements. Over the past six years, modernization has grown annually 2 percent in real terms. This funding area has, however, suffered from recent budget-tightening action and is now programmed to drop in FY 88-89.

Investment in modernization of ships and aircraft allows us to maintain technological superiority over potential adversaries and threats. Since we are outnumbered by the Soviets at sea, we have maintained a qualitative edge by leveraging American advantages in technology, quality design, innovation, and construction. This advantage is increasingly difficult to retain as the Soviets show a commitment to qualitative as well as quantitative improvements. The Soviet submarine force exemplifies this competition as they improve in quietness and capability. The quality factor on which the Navy depends for superiority in combat can only be preserved through aggressive fleet modernization.

The heart of Navy modernization efforts is a vigorous program of basic research, exploratory development and advanced technology development essential to exploitation of new technologies and ideas contributing to current and future tactical improvements. Our strengthened independent test and evaluation program is fully in consonance with DoD's increased emphasis on the role of operational testing in the acquisition process. The FY 1989 budget request continues this fundamental emphasis on new ideas and systems innovation, and provides funding stability for advanced projects and concepts, particularly in ASW, supported under last year's budget.

Of critical importance in maintaining modern forces at sea is a robust and survivable architecture for overall battle management. We must maintain our lead in space, electronic warfare, and command-control-communications and intelligence (C3I). Without active space systems fully integrated with our forces at sea, we will become hard pressed to effectively control widely dispersed, highly mobile fleets.

Major strategic programs include continued modernization of our sea-based strategic deterrent, notably development of the *Trident II* D-5 submarine-launched ballistic missile with its prompt hard target kill capability. The Navy budget includes funding for 66 D-5 missiles in FY 89. These missiles will outfit the new *Trident* submarines scheduled to operate from Kings Bay, Ga., and support necessary operational tests subsequent to initial operational capability in 1989.

The Fleet Modernization Program calls for continued incorporation of technological and warfighting improvements in existing systems and ship classes. For example, the advanced capability provided by vertical launching systems for new Aegis cruisers will be incorporated in alterations to many *Spruance* class destroyers, giving these proven ASW platforms greatly increased magazine loadouts, flexibility and capability for ASW weapons and cruise missiles. Advances in AAW include an upgraded Navy Tactical Data System aboard cruisers and aircraft carriers, and New Threat Upgrade for major combatants to improve response time and threat-handling capabilities.

Anti-submarine warfare modernization receives emphasis in air and surface development programs. For example, the SQQ-89 Integrated ASW Combat System increases the passive towed array search and processing capability of surface ships and their embarked helicopters by orders

of magnitude over earlier systems. The follow-on SQQ-89 Improvement Program will add an advanced low frequency active sonar, essential to keep pace with the quiet threat projected for the future. Fiber optic technologies are being investigated as a way to achieve major cost reductions compared with conventional fabrication techniques. Improvements are being incorporated in airborne ASW with the Update IV avionics in the P-3 aircraft. For use in the current P-3C and the follow-on maritime patrol aircraft, this update will provide vastly improved non-acoustic radar and electronic detection capabilities along with a significantly improved signal processor. Our ASW weaponry is expected to make great strides in accuracy and lethality with the forthcoming Mark 50 air/surface-launched torpedo and the advanced capability Mark 48 sub-launched torpedo. Both weapons are crucial to keeping the technological edge; they also pose a formidable challenge to the enemy for their depth, quietness, and speed. Besides enhancing unit effectiveness, technological improvements in individual ASW platforms and weapons will add to the aggregate ASW capability of the force. This is the greatest payoff against tougher targets. More than ever, the successful ASW campaign of the future is likely to hinge on the aggressive coordinated application of surface, subsurface, air, and surveillance resources, capabilities, exerting vigorous, steady pressure on the enemy below. Strike and anti-surface warfare capa-



bilities have been significantly upgraded by the marriage of *Tomahawk* Anti-ship Missiles and the Submarine and Surface Ship Vertical Launch System. Equally important for anti-surface warfare is the increase in our over-the-horizon detection, classification, and targeting capabilities through advance technology options including inverse synthetic aperture radar (ISAR). Programs are in place that add ISAR to P-3C and S-3B aircraft. Fusing these assets together has demonstrated a promising capability using off-the-shelf equipment for the management of long range targeting and battle damage assessment.

We are modernizing shipboard damage control and fire-fighting capabilities, including the purchase of additional oxygen breathing apparatus and oxygen canisters, special lanterns, communications gear, power-cutting tools, and flame-resistant clothing. This additional equipment will be particularly valuable for our combatants deployed to front-line potential combat zones.

Force Structure

Force structure includes the construction of new ships, ship conversions and reactivation, and aircraft procurement required to meet an ever increasing threat. The Navy's force structure, as reflected in the ships and aircraft in the fleet, under construction, and planned for the future, is a product of well-thought-through tradeoffs to achieve the best possible mix of capabilities to fulfill all of the Navy's missions. That mix, the result of extensive threat and capability analyses, is critical to the continuing balance and effectiveness of the Navy. Figure 3 shows the ship construction to be made possible by the FY 89 Navy budget.

I stated earlier that ASW is my central warfighting concern. The U.S. margin of technological superiority over the expanding and increasingly modern Soviet submarine force is eroding. Although we remain superior, we must continue to apply priority to programs which improve our ability to detect and successfully prosecute a more sophisticated adversary. A top shipbuilding priority to meet the ASW challenge is to ensure funding for the lead submarine of the *Seawolf* (SSN-21) Class in FY 89. The capabilities provided by this platform are, quite simply, indispensable and crucial to our command of the seas well into the next century. Its superior quieting and tactical speed, coupled with advanced combat systems and greater

weapons capacity, will allow it to prevail in the performance of a host of wartime missions in support of our national military strategy.

The carrier battle group will remain a critical element in our ability to meet U.S. national security requirements well into the next century. The aircraft carrier and the other units in the battle group are designed to control vital sea areas and project power when and where required. In war, the carriers and their embarked aircraft can simultaneously defeat surface ships in anti-surface warfare, kill submarines in anti-submarine warfare, destroy aircraft and cruise missiles in anti-air warfare and attack land targets in strike warfare. Integrated battle group surface combatants enhance these operations in all dimensions, most recently adding increasingly dispersed and potent land-attack cruise missile striking power to the already impressive strike capabilities of the carrier airwing.

National commitments are stressing available aircraft carrier assets as we build to achieve a level of 15 deployable units. It is not likely that these commitments will decrease, and with the loss of overseas bases and access, the demands on aircraft carrier battle groups will surely increase. Military requirements are the central determinant in shaping force structure. The Joint Chiefs of Staff and Unified combatant commanders have repeatedly validated an aircraft carrier requirement exceeding 20 carriers. Fifteen deployable carriers are the *minimum* required to provide a reasonable assurance of success in sequential wartime operations and a balanced force structure that takes into account geographic realities, alliance commitments and national dependencies. USS *Abraham Lincoln* and USS *George Washington*, currently under construction, will allow us to achieve and maintain this required level. Several of our aging carriers are now in their fifth decade of proud national service, and must be replaced soon. These older ships, limited by age and size, can no longer be modernized and repaired to effectively match the Soviet threat of the twenty-first century. We are moving forward on procurement and initial construction of two carriers, CVN 74 and CVN 75, to replace the oldest of these aging units. The acquisition plan for these two new carriers was designed to eliminate unnecessary waste and take full advantage of production efficiencies while ensuring a cost-effective employment of the nation's shipbuilding resources.

The anti-air warfare posture of our forces at sea will be built around the highly capable *Aegis* cruiser and destroyer force. Both the *Arleigh Burke* (DDG-51) class and the *Ticonderoga* (CG-47) class will be operating with the fleet in growing numbers in the next decade. Both carry the most advanced combat systems afloat today and are integral parts of both offensive and defensive missions for the battlegroup.

The *Arleigh Burke* (DDG 51) class guided missile destroyer is the top surface shipbuilding priority. The most powerful class of destroyer ever to go to sea, *Arleigh Burke* will combine the *Aegis* AAW and SQQ-89 ASW combat system with an impressive array of weaponry: vertically launched SM-2 surface-to-air missiles, the 5"/54 caliber lightweight gun, and the close-in weapon system for anti-missile defense. It also features major advancements in countermeasures protection system (CPS) for nuclear, biological, and chemical warfighting. The first ship of this class was funded in FY 85, and two more were appropriated in the FY 87 budget. We are requesting three in FY 89, planning for at least 29 ships of this class.

Ballistic missile submarines contribute about 50 per-

SHIP CONSTRUCTION PROGRAM

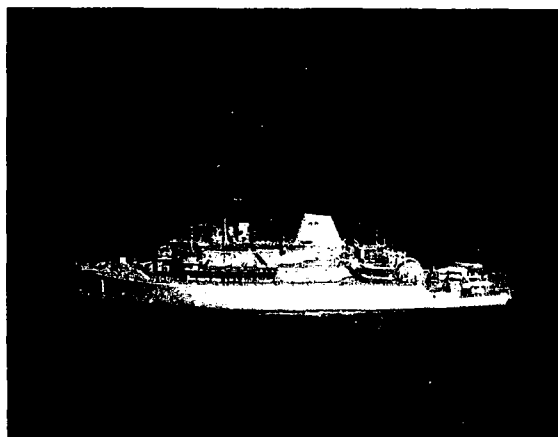
NEW CONSTRUCTION	FY88	FY89
Trident (Ballistic Missile Submarine)	1	1
CVN (Aircraft Carrier)	2	-
SSN-688 (Attack Submarine)	3	2
SSN-21 (Attack Submarine)	-	1
CG-47 (Guided Missile Cruiser)	5	-
DDG-51 (Guided Missile Destroyer)	-	3
LHD-1 (Amphibious Ship)	1	1
LSD (CV) (Landing Ship Dock-Cargo Variant)	1	-
MHC-1 (Coastal Minehunter)	-	2
TOA-187 (Fleet Oiler)	2	2
TAGOS (Surveillance Ship)	-	3
AOE-6 (Fast Combat Support Ship)	-	1
AGOR (Research Ship)	-	1
SUB TOTAL	15	17
CONVERSIONS		
CV (Aircraft Carrier) SLEP	1	-
AO (Oiler) Conversion	1	2
TACS (Crane Ship) Conversion	2	-

FIGURE 3

cent of the warheads in the U.S. nuclear strategic arsenal, providing an invulnerable retaliatory capability essential to the nation's power. One additional *Trident* submarine per year capable of accommodating the range and accuracy improvements of the *Trident II/D-5* system has been included in the Navy Five Year shipbuilding plan. This program continues on or ahead of schedule with the early D-5 missile test launches a success and operational deployment scheduled for 1989.

The first of the Improved 688 *Los Angeles* class nuclear-powered submarine was launched in December 1986, adding quieter and more capable ships to our fleet of attack submarines. Construction continues through our request for two additional SSNs in FY 89.

The Navy's shipbuilding plan includes construction of superb, new classes of minesweeping and minehunting ships. By 1997, the Navy will have 14 new oceangoing minesweepers and 17 new river and harbor minesweepers.



As the battle force striking arm grows in size and capability, the mobile combat logistics force must expand and modernize. Our primary logistics imperative is replacement of aging fleet oilers by continued procurement of two new TAO-187 class oilers in FY 89. The first of four AOE-6 Class fast combat support ships, designed to accommodate the needs of a complete battle group on station, was funded in FY 87, and one additional ship is requested in FY 89. These ships have the highest operating tempo of any of our assets. To not plan now for their timely replacement is to risk serious curtailment of oper-

ational flexibility in future.

Figure 4 is the Navy aircraft procurement plan. The mix of aircraft in the plan continues to support a force level requirement of 15 deployable carriers, 13 active and two reserve carrier air wings, 24 active and 13 reserve patrol squadrons, and three active and one reserve Marine air wings. This procurement program is built upon a foundation of a balance between requirements, available funding and optimal acquisition strategies.

Our objective is to ensure that we put to sea a modern and effective force capable of meeting all commitments. No other aircraft more clearly represents progress toward our goal than the F/A-18 *Hornet*, a true force multiplier providing operational commanders with flexibility to employ it in either the fighter or attack role. The F/A-18 is the nation's first strike-fighter, designed for such traditional strike applications as interdiction and close air support without compromising fighter capabilities. The result is an aircraft with excellent fighter and self-defense capabilities that increases strike mission survivability and supplements the F-14 in fleet air defense.

Looking to the future, the Advanced Tactical Aircraft (ATA) will maintain our comparative advantages in high technology aircraft systems. This vital tactical air platform will ensure effective penetration and successful attack in even the most heavily defended enemy areas.

In order to improve the vital A6E all-weather attack aircraft, we intend to undertake a digitalized remanufacturing program to upgrade the avionics package. Doing so will ensure that the *Intruder* is capable of meeting the enhanced threat from defensive systems through the turn of the century, and will take full advantage of the advanced research and development conducted for the A6F without incurring the cost of building any new aircraft.

The V-22A *Osprey*, a joint service development program, combines the best features of helicopters and fixed wing turboprop aircraft. *Osprey* will be capable of flying over 2,000 nautical miles without refueling, providing Navy a dramatically improved combat search and rescue capability. Its first flight is scheduled in June 1988.

The Long Range Air ASW Capable Aircraft (LRAACA) represents a significant improvement in both range and payload over the current P3C *Orion*. This platform will be a key system in our priority program to maintain our tactical advantage over an increasingly capable Soviet submarine threat.

The SH-60F is under development to replace the SH-3H as our carrier inner-zone ASW helicopter. A firm-fixed price contract has been signed for development of the SH-60F including firm fixed price options for the first five production lots. The SH-60F will employ a new longer range active dipping sonar in addition to sonobuoys to track and attack submarines. This helicopter will incorporate significant improvements in reliability and maintainability as well as vastly improved tactical capabilities.

The F-14A+, with its new GE F110 engines, will be more than a match for threat fighters in the close-in, air combat arena. The follow-on program, the F-14D, will close emerging gaps in the carrier battle groups outer air defenses against new-generation Soviet bombers and cruise missiles.

This aircraft procurement plan, which includes Marine Corps aviation as well, provides modest growth to properly complement fleet force structure. Support for this plan will help check the aging trend of our aircraft, and achieve our goal to put to sea a modern and efficient force able to meet all commitments.

AIRCRAFT PROCUREMENT PLAN

AIRCRAFT	FY 88	FY 89	FY 90	FY 91	FY 92
A-6E Intruder	10	10	10	10	10
F-14A (Program)	10	10	10	10	10
F-14A (Maintenance)	24	24	24	24	24
F-14A (Total)	34	34	34	34	34
F/A-18 Hornet	10	10	10	10	10
MH-60E (Super Stallion)	10	10	10	10	10
AT-19 (Sea Crusader)	10	10	10	10	10
SH-60F (Seahawk)	10	10	10	10	10
SH-60F (CV ASW Helicopter)	10	10	10	10	10
LRAACA	10	10	10	10	10
V-22 (Osprey)	10	10	10	10	10
F-100 (Thunderbolt)	10	10	10	10	10
F-100A	10	10	10	10	10
F-100 (Thunderbolt)	10	10	10	10	10
F-100A	10	10	10	10	10
F-100 (Thunderbolt)	10	10	10	10	10
TOTAL	144	144	144	144	144

FIGURE 4



General A.M. Gray, USMC

A.M. Gray, born in Point Pleasant Beach, N.J., enlisted in the Marine Corps in 1950. He served overseas with FMF, Pacific, attaining the rank of sergeant before being commissioned a second lieutenant in April 1952. Early tours included service with the 11th and 7th Marines, 1st Marine Division in Korea, the 8th Marines, 2nd Marine Division at Camp Lejeune, N.C., and Headquarters Marine Corps, Washington, D.C. During this early period he also saw overseas service in Guantanamo Bay and Vietnam.

As a major, General Gray joined the 12th Marines, 3rd Marine Division, Vietnam, in October 1965, serving concurrently as regimental communications officer, regimental training officer, and artillery aerial observer. He took command of the Composite Artillery Battalion and U.S. Free World Forces at Gio Linh in April 1967. In September 1967, General Gray was reassigned to the III Marine Amphibious Force in Da Nang where he commanded the 1st Radio Battalion elements throughout I Corps until February 1968. Following a brief tour in the United States, he returned to Vietnam from June to September 1969 in conjunction with surveillance and reconnaissance matters in the I Corps area.

After his Vietnam tour, General Gray served as commanding officer of the 1st Battalion, 2nd Marines; Battalion Landing Team 1/2; the 2nd Marines; the 4th Marines; and Camp Commander of Camp Hansen, Okinawa, Japan. While commanding the 33rd Marine Amphibious Unit and Regimental Landing Team-4, and concurrently serving as deputy commander, 9th Marine Amphibious Brigade, General Gray directed the Southeast Asia evacuation operations in 1975.

Advanced to brigadier general in March 1976, General Gray served commanding general, Landing Force Training Command, Atlantic, and the 4th Marine Amphibious Brigade. Promoted to major general in February 1980, he assumed command of the 2nd Marine Division, FMF, Atlantic, Camp Lejeune, N.C., in June 1981. Following his promotion to lieutenant general on Aug. 29, 1984, he was reassigned as commanding general, FMF Atlantic/commanding general, II MAF, and commanding general, FMF, Europe. General Gray was promoted to general and became Commandant of the Marine Corps on July 1, 1987.

He is married to the former Jan Goss of Burlington, Vt.

A report by General A.M. Gray Commandant of the Marine Corps on the Posture and Fiscal Year 1989 Budget of the U.S. Marine Corps

Mr. Chairman, Members of the Committee:

This is my first report to Congress and the nation. With your permission I would like to share with you my assessment of the current state of the Corps and, more importantly, my vision of its future.

The Corps is sound and fit for service. During the defense build-up over the last seven years, the American people made a major investment in the Marine Corps. As directed by Congress and the Secretary of Defense, we devoted our efforts to making improvements in four areas: readiness, sustainability, modernization, and force structure. We have improved logistics sustainability and enhanced our tactical mobility. We are completing the modernization of our command and control equipment, aviation and infantry weapons.

As we move into an era of constrained federal spending, it is important to remember that, in terms of equipment, the Marine Corps is a modern force. We appreciate the help of Congress, and particularly of this committee, in bringing this modernization about. We are counting on your continued support in order to ensure that our capabilities and equipment will not be permitted to atrophy. The public investment in our total force capability over the past years more than justifies this requirement.

Our people complement the high quality of our equipment. In accordance with the will of each Congress since the Ninety-third Congress, the Marine Corps has scrupulously adhered to the highest recruiting standards possible. Ninety-eight percent of our recruits are high school

graduates, our officer programs are full, and our Marines, officer and enlisted, want to stay in the Corps. In short, the Corps is ready to face the difficult challenges of the approaching turn of the century.

I would like to devote the remainder of this statement to my vision of the future for the Marine Corps. In order to bring this view into reality the Marine Corps will reaffirm its historical relationship with Congress. We invite your thoughts and continuing involvement.

There are three areas I want to discuss with you today: our purpose in supporting the nation's security, the way we intend to fight, and our view of ourselves as Marines. Each is central to what the Marine Corps is all about: the ability to win in combat when we are called upon by the nation to fight. Everything we do must derive from that focus. Anything that does not relate to it is something we probably shouldn't be doing. We will continue to eliminate anything that works against our ability to win. That includes too much reporting and paperwork in our combat units. We will complete the streamlining of our headquarters and create conditions which develop the initiative of our junior leaders.

The Marine Corps responds to the needs of the nation. However, there have been periodic examinations of our utility, particularly during the past decade. The question has often been asked: do we primarily fight in Europe or Korea, or are we primarily an expeditionary force? My view is clear: we have a contribution to make in each. That is to say, we are a naval expeditionary force. We do have a mission in Europe and Korea, in supporting





a naval campaign. Our commitment to the defense of both the northern and southern flanks of NATO illustrates the aggregate usefulness of our maritime forces. The battle of the North Atlantic can be lost in the North Norwegian Sea by failing to establish advanced amphibious naval bases to deny the Soviets access to Norwegian air bases necessary to achieve their goal. Additionally, sea lines of communication cannot be guaranteed without amphibious forces. This is operationally significant to the fleet, and reflects the value of the Marine Corps as a sustainable landward extension of naval power. Let it be clearly stated that the Marine Corps is prepared for general war should that eventuality arise. As such, these are appropriate missions for us.

While we are fully prepared for the most *challenging* conflict, your Marine Corps must also stand ready for the most *likely* conflict — and that is in the Third World. The reason the nation has a Marine Corps is to project power into areas where we do not have forces stationed in peacetime. Our amphibious capability, our seaborne mobility, and our expeditionary nature make us uniquely suited for the task; this is the major contribution we provide the nation.

In those areas of likely conflict we can protect American interests through the deterrent value of naval forces, and if deterrence fails, we can launch and win an expeditionary campaign. For this purpose, we maintain forward deployed Marine Air-Ground Task Forces with a wide range of special operations capabilities. The availability of amphibious forces and their capability to respond across the spectrum of conflict make them the forces of choice in crisis response. These forces complement our national military strategy, provide on-scene assets in fast developing crises, and are fully inter-operable with the Army, Navy, and Air Force. The interservice cooperation in developing a needed response to a very real threat has been a success story of significant proportions. The Marine Corps' capability gives the nation another option

when faced with complex developments, such as terrorist incidents, and when time-distance and clearance factors complicate the employment of other specialized forces. Likewise, our forward deployed special operations capable MAGTFs are trained and equipped to supplement or even reinforce these specialized units when they are committed. The continuing forward deployment of these forces as freedom's front line contributes to deterring our adversaries while providing a visible warning of our ability to respond across a broad spectrum of conflict.

The Marine Corps' contributions to national security depend greatly upon amphibious shipping. I do not believe that we have enough amphibious ships to accomplish all that is required. Amphibious warfare is crucial to the striking fleet's ability to carry out all its tasks within the context of the Maritime Strategy. Without this capability, the Navy cannot protect the sea lines of communication or project credible and sustainable power ashore. The needs of the nation require that we have amphibious lift for two Marine Expeditionary Forces, one from each coast.

It will come as no surprise to this committee to know that we have spent considerable time examining our Marine Security Guard commitment to our embassies around the world. I have spoken personally with the Secretary of State on this subject and your Marine Corps and the Department of State are working together to meet existing challenges. I hold myself accountable for the performance of our Marines in their sensitive assignments. We have restructured the selection process with modern evaluation techniques. We are providing our Marines with additional cultural and language training. We are also redoubling our training efforts to ensure that they can take care of themselves and their demanding duties. The Marine Corps and the State Department are adopting joint inspection techniques, thereby working more closely together than ever before to identify and rectify problem areas as early as possible. I meet with all ambassadors before they assume their duties to discuss issues of mutual concern regarding their Marines. Finally, when possible on my trips abroad, I inspect my Marines personally and report my findings to the Secretary of State. We have a new and vigorous program with regard to this mission, and I am optimistic as to its probability for success.

The Marine Corps provides another security function for the Navy which we are also improving: the protection of selected ships and installations by the Marine Corps Security Force Battalions. We have reorganized the existing forces reducing administrative overhead, and provided a larger, better trained, and more effective force. We believe that this measure contributes materially to enhanced security in the fleet and, in particular, has given the fleet Commanders-in-Chief a more responsive force.

The second area where I want to share my thoughts with you is how we fight. I want to make my view clear. The Marine Corps of the future will fight a high tempo, fluid, combined-arms, maneuver-oriented conflict. Our goal will be to collapse our opponent, destroying his ability to fight as a cohesive, organized force; this is the way to obtain quicker results with fewer casualties. In battle, our principal advantage will be our ability to fight in such a way as to disrupt our opponent's decision process. That is to say, our advantage will be due less to equipment than to our excellence at tactics and the operational art.

Let me tell you frankly that we need some improvements before we can claim tactical and operational excellence on the level of my expectations. Accordingly, we

are raising standards. It is essential that the entire Marine Corps, active and reserve, train the way it will fight. Military forces use campaign plans in wartime to conduct operations and engage the enemy. We need to bring the same cohesive thrust to our peacetime training actions. Therefore, we are creating a Marine Corps Campaign Plan which gives the necessary impetus to our training and exercise. These actions will assist all our operating forces and the supporting establishment in preparing for combat by focusing our efforts on selected operational situations and objectives throughout the Corps during the fixed period of time. We will ensure that all elements of our Corps progress together. Our effectiveness depends on being able to task organize forces from both the Atlantic and Pacific. We will create "one Marine Corps" with uniform warfighting doctrine and common operating procedure.

We will continue to emphasize increased opportunity for live fire training. The focus of our training for combat will be on free play and force-on-force exercises that replicate the uncertainty and rapid change of the battlefield.

Our training is going back to basics to emphasize battlefield orientation. In today's environment, there are no rear areas; every Marine must know how to fight as a rifleman. All Marine training will be based on that concept. The length of recruit training won't change; content will. We are incorporating "Basic Warrior Training" which will develop and hone combat skills in all Marines. Our leaders will be trained to be self-reliant and capable of independent decisions on the battlefield. Our overall training will stress physical and mental toughness. Whenever

you see a Marine, there is one thing of which you can be certain; he'll be ready to fight, right then and there, if necessary. He also may be an outstanding mechanic, administrator, driver, or cook, but first and foremost, he'll be a Marine.

We are turning on the brain power to ensure we are using what we've got to our fullest potential. We have established the Marine Corps Combat Development Command at Quantico to teach Marines how to think in, and about war. We are resurrecting Quantico as the intellectual center of the Corps, where innovative and conceptual study will ensure proper attention to the conduct of military operation. At the heart of our intellectual preparation lies military history, which we will use as our laboratory for combat, drawing on the positive and negative experiences of a variety of nations and forces at war. Military history will form an integral part of the education and continuing development of our officer corps. Innovative thought will stand above normal bureaucratic lobbies that often interfere with clear vision.

A major effort is being dedicated to studying our force structure. We want to put more Marines into infantry battalions, light armor units, and aviation squadrons. Those assets which are used mostly in general war, such as some of our heavy armor and certain engineer and logistics functions, may be considered for transfer to the reserves. We want to combine reconnaissance, surveillance, remotely piloted vehicles, and selected intelligence functions into a single unit. Because of the electronic and information revolutions, we must achieve a new level of technical excellence in a field known as Command, Control,





Communications, Computers, Information, and Intelligence. Only in this way can we turn enemy miscues into tactical actions on our part to achieve operational success. A Headquarters Marine Corps publication, *Concepts and Issues*, also provides some insight into how we are planning for the future.

In order to put more "fight" into our combat units as well as in meeting fiscal constraints, we are streamlining and reorganizing our supporting establishment. Marine Corps Headquarters is being reduced, and unnecessary levels of bureaucracy are being eliminated. At Quantico, we are combining critical functions previously divided among a number of locations. The new Marine Corps Combat Development Command will link our doctrine, combat development, and training. For the time being, we have accommodated this reorganization in existing facilities, with little or no increase in personnel. Acquisition is also being consolidated under the Marine Corps Research, Development and Acquisition Command. This reorganization is intended to reduce the time and cost of fielding combat equipment.

The third area I would like to talk about is our view of ourselves as Marines. Our strength is that we see ourselves first and foremost as Marines, not as members of some sub-group or specialty. We put first, in all situations, the Marine Corps' main goal: the ability to win if called upon to fight. If that means that our particular area of expertise—aviation, infantry, logistics, whatever—has to take a back seat to some other element in a situation, or has to do with fewer resources, then we'll adapt. Our concern is for the Marine Corps as a whole. I intend to build on our strength, to make it something all Marines share, without exception. Battles and wars are won by people more than by equipment. I intend to make a number of changes in our policies toward people. In a number of cases I shall need your help.

First, I intend to fill Marine Corps ranks from the bottom up, with the first priority going to specific combat units. In the future, when I visit operational commands, I will expect to see those units fully manned.

Second, I intend to have cohesive, stable units. In my view, our level of personnel turbulence and turnover undermines combat effectiveness. It shatters small unit cohesion and makes effective training impossible. I have personally charged our Force Structure Study Group with

addressing this problem and providing solutions. I may need your assistance in achieving this goal.

Finally, I need your help with a specific problem of great importance to our Marines and their families having to do with adequate medical care. Specifically, there are too few doctors and corpsmen. I know this problem is not new to this committee, but it has not been resolved adequately. The Secretary of the Navy has made this problem one of his top priorities. I urge your support of his efforts in this critical area. The impact on our combat readiness and the quality of care we provide our families in peacetime is significant.

The Marine Corps' direction is clear. We will be prepared to do whatever has to be done to protect and ensure national interest globally, where permanent defenses cannot be maintained. And, in the lean times to come, we'll take what you give us, do what is required - and more.

Our requests are as follows:

Appropriation Table (\$ millions)

	FY87	FY88	FY89
Military Personnel Marine Corps	5438.8	5542.8	5716.2
Reserve Personnel Marine Corps	277.3	295.4	315.7
Operations and Maintenance Marine Corps	1841.4	1795.3	1792.0
Operations and Maintenance Marine Corps Reserve	64.0	69.5	77.5
Procurement, Marine Corps	1438.5	1295.6	1157.3
Total	9060.0	8998.6	9058.7

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