

REPORT OF THE SECRETARY OF THE NAVY

Introduction

At the dawn of the 21st century, the Navy and Marine Corps are uniquely positioned and configured to respond to the challenges the nation faces. Steeped in a tradition of operating deployed, Naval Expeditionary Forces assure access, swiftly responding to threats to U.S. interests often in areas where access may be restricted by friends, withheld by neutrals, or denied by adversaries. Naval Forces fight and win; they are capable of initiating and sustaining nearly unlimited combat operations on the sea, on land, and in the air without the burden or liability of a logistics tail or host nation support. Once again, in Operation Enduring Freedom and the Global War on Terrorism, on station Naval Forces were first to respond, first to fight, and first to secure U.S. interests. Naval Forces are continually transforming. We are building on a winning team, leveraging both current and transformational capabilities. The ability to transform is at the heart of the Navy's and America's warfighting advantage.

As a nation joined to its major trading partners by the sea, open access to the world's oceans is vital to our national prosperity. Protection of this access, along with defense of the U.S. homeland, power projection and forcible entry are traditional missions of the Navy and Marine Corps. By "being there" around the world, around the clock, with potent combat-ready forces, our forward-deployed Naval presence provides military and political options across a wide range of contingencies, enabling the United States to respond rapidly to crises worldwide.

Meeting Current and Future Challenges

Inherent Characteristics, Enduring Attributes

Sea-based, self-contained, and self-sustaining, the Active and Reserve Total Force Navy and Marine Corps Team embodies the fundamental qualities of decisiveness, sustainability, responsiveness, and agility. Our Naval Forces

are continuously ready to execute a broad range of missions largely unconstrained by regional infrastructure or other restrictions. They project U.S. power and influence from the sea to directly shape events ashore and ensure uninterrupted commerce and critical resource flows while remaining immediately available to provide humanitarian assistance, disaster relief, or maritime intercepts. As a critical component of the joint force, on-station Navy and Marine Corps forces also provide a timely and powerful expeditionary response through the full range of combat operations, as well as provide operating platforms for follow-on forces in both small- and large-scale conflict, as they did for Special Operations Forces in Operation Enduring Freedom.

Homeland Defense

The Marine Corps and Navy are a critical force in the defense of the nation and its interests, both overseas and in the United States. We are better preparing to defend our homeland against asymmetric attacks to our critical physical and information infrastructure, the threat of terrorism and attacks on our way of life. Naval Forces can contribute to defeating these threats at the source, long before they reach our shores and provide layered defense back to and including our ports. New missions brought about in response to a changing strategic environment today include responding to potential chemical and biological attacks at home, developing threat intelligence dissemination networks, coordinating with the Federal Emergency Management Agency (FEMA) for consequence management, and joining with the Coast Guard for port and waterway security.

Maritime Power Projection and Joint Force Multiplier

In many cases, because of their range of capabilities, Naval Forces are the decisive force for small-scale contingencies. However, should crisis become war, the ability of forward deployed Naval Forces to control the seas, while simultaneously projecting offensive and defensive combat power over air and land, assures access for joint and coalition warfighters as they flow forward. Precision engagement and volume of fire coupled with the flexibility of Expeditionary Maneuver Warfare provides a critical force multiplier for the regional commander-in-chief throughout the full spectrum of any conflict.

Force Protection

Even before the events of September 11, the earlier terrorist attack on *USS COLE* starkly defined the need for increased situational awareness (both at home and overseas), enhanced and realistic Anti-Terrorism/Force Protection training, and innovative force structures. Initiatives such as the 4th Marine Expeditionary Brigade (Anti-Terrorism/Force Protection), Navy/Marine Corps Force Protection Working Groups, and specific physical security measures have been established to counter the asymmetric threat of terrorist attacks. The end state of these initiatives is to instill throughout the force a determined and realistic mindset about safety, the environment, and physical security to augment new equipment and methods of security.

Training Readiness Issues

While an increasing amount of training and testing can be accomplished using computer simulations and other technologies, activity at sea and on both training and testing ranges, including in some cases live fire, remains central to continued military readiness. Range use is increasingly impacted by a variety of issues including growing urban sprawl, obligations of environmental stewardship, concerns over noise, and competition for airspace and spectrum use. It is also apparent that as the speed, range, and lethality of weapons systems increase, alternative training techniques will need to be developed. Additionally, we face challenges in training at sea, on and off established ranges, where we are constrained to comply with requirements to protect endangered species and marine mammals. Though we have been successful in protecting endangered species on our ranges, we are being confronted with greater restrictions, tough procedural requirements, and increasing friction in the legal arena, in our attempt to balance national defense and environmental protection. The Department is working to find better ways to carry out its critical national defense mission while still protecting the environment, but legislative or regulatory change may be required to reduce the encroachment that threatens our readiness. At the same time, the Department of the Navy is working to identify alternatives that will provide realistic training independent of any particular range or site.

Current Operations

During Operation Enduring Freedom, carrier-based Navy and Marine aircraft provided the preponderance of combat sorties over Afghanistan while Tomahawk cruise missiles fired from surface ships and submarines initiated the engagement by striking communications and air defense sites. Naval Air Forces provided critical and lethal firepower to enable the early employment of small Special Operations Forces units on the ground. Marines from Navy amphibious ships provided the first large U.S. ground presence in Afghanistan. Navy Seabees provided support from a forward deployed Naval Mobile Construction Battalion which rapidly improved expeditionary runway capabilities, enhanced the conditions of forward operating bases far inland, and established detainee camps. Naval operations and power projection extended far deeper into the heartland than the traditional littoral and our enemies were stunned by the lethality and reach of our forces from the sea deep into their sanctuaries.

In addition to combat operations in Afghanistan, 2001 saw our nation's Naval Forces "on station and on call" worldwide, supporting joint operations and theater engagement efforts, continually ready to respond to the needs of the nation. Sailors and marines from U.S. bases manned a rotational deployment force which included Aircraft Carrier Battle Groups (CVBGs), Amphibious Ready Groups (ARGs), Marine Expeditionary Units (Special Operations Capable) (MEU(SOCs)), strategic deterrence patrols, and maritime patrol aircraft detachments. Additional personnel deployed from our overseas bases.

Continuous worldwide Naval Force presence provides regional stability and is a strong symbol of support for our allies. Naval presence also signals the resolve of the U.S. to those who would threaten our regional interests. We maintained a continuous carrier presence in the Arabian Gulf throughout 2001. Every CVBG deployed to the Arabian Gulf conducted combat operations in support of Operation Southern Watch over Iraq, frequently encountering hostile action and striking numerous targets in response while enforcing "No Fly" zones. In addition to new Arabian Sea surveillance and interdiction tasking to stop the movement of terrorists, Fifth Fleet surface combatants continued Maritime Interdiction Operations (MIO) in support

of United Nations economic sanctions against Iraq for the tenth straight year. Marines participated in training and exercises with allies and friends building foundations of support throughout Southwest Asia while also providing force protection to U.S. embassies and international meetings.

While meeting all missions in Afghanistan, our forward-deployed Naval Forces from bases in Japan, Hawaii, and on the West Coast continued to provide visible overseas presence in Asia. The Navy-Marine Corps team performed humanitarian assistance and other missions in support of the International Force in East Timor (INTERFET). Navy ships operated in the Mediterranean Sea, representing U.S. interests and building mutual understanding and interoperability with allies and friends. Marines deployed in MEUs assigned to the Sixth Fleet operated ashore in Kosovo and served as the Joint Task Force Commander's ready reserve. Marine Fleet Anti-Terrorism Security Teams (FAST) deployed to Cuba, Yemen, Bahrain, and the Republic of the Philippines, providing enhanced force protection to forward deployed forces during high threat periods. Marine elements deployed to several South American countries, participating in riverine and small unit training with host nations. Three Navy ships, manned by over 3,200 sailors and marines, participated in the annual UNITAS deployment to South America, promoting multi-lateral security cooperation and interoperability with our regional partners. Additionally, forward deployed submarines enhanced worldwide situational awareness through Intelligence, Surveillance, and Reconnaissance (ISR) operations in support of national, joint, and service collection requirements. All of these operations enhance the ability of our forces and those of our friends to combat worldwide terrorism and address other threats.

Total Force: One Team One Fight

Navy and Marine Corps Reserves provided more than two million man-days in support of the active force in 2001, including aviation and special operations units that participated in counterdrug operations and major exercises throughout the world. In response to the events of September 11, Reserves also provided Navy and Marine Emergency Preparedness Liaison Officers (NEPLO/MEPLO) in support of the efforts of the Federal Emergency Management Agency. Mobilization of Navy and Marine Corps Reserves for the war on terrorism is ongoing with over 10,000 Navy and

Marine Reservists activated in support of Operations Noble Eagle and Enduring Freedom, providing critical force protection, intelligence support, and unit augmentation.

Strategy

U.S. military access to overseas bases, a given during the Cold War, may decline in coming years. Lack of immediate land access during the early stages of the war on terrorism highlighted the critical necessity and value of forward deployed Naval Forces. Naval Forces can be on station and engaged when other forces are still negotiating base access and determining how to move forces forward. If and when land-based access decreases, the reliance on Naval Forces by regional CINCs increases. Naval Forces will be an increasingly active participant in Joint SOF efforts and Theater Missile Defense. These, as well as new missions, some emerging even before the war on terrorism, have placed additional demands on Naval Forces.

Ensuring future readiness requires appropriate and sustained investment, even as we remain ready today. Twenty-first century technology offers enormous opportunities to ensure and expand future warfighting capabilities. Seizing these opportunities at a reasonable cost requires efficient organizational alignment, resolution of difficult interoperability and integration problems, systematic innovation using improved business practices, and the steady pursuit of promising scientific and technological initiatives.

Robust experimentation involving operational concepts, systems, platforms, organizations, and tactics is essential to transforming and leveraging our current forces while speeding the integration of new capabilities and new technologies. We are not waiting for the future. We are transforming how we fight today. Extensive use of simulations, modeling, joint test facilities, and actual forces is necessary to maintain our edge and continued command of the seas.

Forward deployed Naval Forces take sovereign presence and credible combat power around the globe, making them ideally suited as an instrument of national power. Through bilateral exercises, personnel

exchanges, routine and regular port visits to other countries, sailors and marines engage our partners, friends, and allies at many levels. We readily share and advocate our national values and ideals with those we seek to influence. Our forward presence provides stimulus to economies throughout the world through port visits and overseas bases while portraying America's industrial might and diversity. Through routine patrols and interactions abroad, Naval Forces gather, process, and disseminate information vital to identifying potential adversaries so they may be confronted as far from the U.S. homeland and interests as possible. Adequate numbers of technologically capable Naval Forces are essential to ensure success.

People

Personnel Readiness

Recruiting, training, and retaining quality people are keys to the continued success of the Naval Services now and will be in the future. We must constantly seek and retain the best and brightest people our country has to offer, create an environment for them to succeed, and provide them with the most advanced equipment and training that technology has to offer. We need to provide robust and realistic training so we can train the way we fight. We owe our sailors and marines nothing less.

The tempo and complexity of operations will continue to test the ability of our sailors and marines to innovate, adapt, and apply their knowledge and experience. We support a career-long emphasis on education, training, and professional development. Continuous learning, including an increased reliance on advanced distance learning systems, is needed to keep our sailors and marines on the cutting edge.

Unit Manning

The manning of our operational units has continued to improve with the number of gapped billets decreasing significantly from the 1990s. A combination of increased retention, more effective recruiting, a reduction in support and headquarters staffs, combined with better utilization of the talents of Reservists, has made more personnel available to the operating

forces. This leveling has helped to reduce the workload on individual Sailors and Marines while improving their quality of life and service.

Marine Corps Recruiting and Retention. The Marine Corps has met or exceeded its accession goals since June 1995 and is confident about meeting its recruiting mission for the next year. Retention was very encouraging in FY 2001. Twenty-six percent of eligible first-term marines reenlisted, enabling the Marine Corps to meet its goal for transition of first-termers into the enlisted career force. Highly successful retention programs such as the Selective Reenlistment Bonus (SRB), Subsequent Term Alignment Plan (STAP), and Aviation Continuation Pay (ACP) are addressing shortages in specialty areas.

Navy Recruiting and Retention. The Navy has met its overall recruiting and end-strength goals since 1998. These results came through a combination of the exceptional efforts of the recruiting force and the additional resources invested last year. The Navy is currently reenlisting nearly 57 percent of eligible sailors who reach the end of their first enlistment, compared with 43 percent in FY 1999.

Reserves. Some 88,000 Navy Reservists and 39,558 Marine Corps Reservists serve the nation today. The effective integration of Reserve and Active Components is indispensable as demands on military forces increase while active force size has stabilized. The Navy Reserve came within two percent of its authorized end strength in FY 2001. The assignment of additional enlisted and officer reserve recruiters in FY 2002 will help to ensure that future recruiting and end strength goals are met. The Marine Corps continues to meet its authorized reserve end strength, although the challenge to recruit company grade officers for service with the Selected Marine Corps Reserve (SMCR) is increasing.

Recapitalization

Material Readiness

Naval Forces continue to routinely deploy and operate ready for immediate combat operations, but we face challenges in maintaining material readiness. Aging equipment and infrastructure along with current policies

and procedures contribute to lower readiness of non-deployed forces. The Navy is examining various maintenance approaches to improve readiness.

Naval aviation, in particular, poses daunting challenges. Our aviation force now contains the oldest mix of type/model/series aircraft in Naval history. For the first time, our average aircraft age exceeds the average age of combatant ships. Age with the high OPTEMPO of combat operations makes it difficult to control operations and maintenance costs.

We have taken aggressive corrective action to address current readiness shortfalls facing our ships and aircraft. Reprogramming nearly \$6.5 billion from other Navy programs to the current readiness portion of the Navy baseline program for FY 2003–FY 2007, we have provided further funding for the Flying Hour Program; Ship Depot Maintenance; Ship Operations; and Sustainment, Restoration, and Modernization accounts. The FY 2003 defense budget will positively impact these programs with substantial investments to bring material readiness accounts to required levels.

Sustainment, Restoration, and Modernization (SRM), along with military construction accounts suffered in recent years in order to maintain operations and maintenance accounts for forward-deployed forces. This is being addressed in FY 2002. Navy shore infrastructure recapitalization cycle currently exceeds 130 years due to average funding being significantly below that of private industry. However, the Department is programming resources to recapitalize 80 percent of its infrastructure. This will be accomplished through a combination of innovative ways to satisfy infrastructure needs while making a significant increase in SRM. Within the FYDP, the Navy's shore infrastructure recapitalization rate is driven down to 70 years, en route to achieving the DoD goal of 67 years by FY 2010.

The Marine Corps made significant progress in ensuring its 15 major bases and stations maintain solid training facilities while providing an improved quality of service for marines and their families. While Marine Corps military construction funding is below the level necessary to sustain the DoD goal of a 67-year replacement cycle, the Marine Corps has made great strides in funding to a sustainment requirement.

Naval Force Modernization. The current planned shipbuilding rate, 6.5 ships per year over the FYDP, is well below the eight to ten ship annual rate required to sustain current force levels beyond the FYDP. Naval aircraft inventory is also under-invested. Based on earlier studies, maintaining our aircraft inventory could require 180 to 210 new aircraft each year in the FYDP and beyond, which is in sharp contrast to our current build rate of 90 aircraft per year. As we balance our investment priorities, shipbuilding and aircraft replacement rates will receive continued scrutiny by the leadership of the Department to ensure the appropriate trade offs between the four categories of risk outlined in the 2001 Quadrennial Defense Review.

The Marine Corps requires an increased investment sustained for the next eight to ten years in order to achieve its vision and deliver a Marine Corps which, in partnership with the U.S. Navy, will be capable of defending America's global national security interests in the 21st century. Such a sustained increase in investment would allow the Marine Corps to address warfighting readiness requirements, to accelerate the pace of transformation and ground force modernization, and to recapitalize our infrastructure.

Efficiencies and Innovation

Acquisition Improvement and Business Practices

The Department of the Navy is committed to simplifying the acquisition system, streamlining the bureaucratic decision making process, and promoting innovation. However, the Department needs to aggressively implement acquisition reforms to shorten cycle times, leverage commercial products and capabilities, optimize Human Systems Integration, and improve the quality of equipment being provided to our warfighters. We also need to continue to improve the internal business practices of our Department. By improving these practices, we will be able to shift more dollars into combat capability and quality of service.

Innovation and Transformation

Task organized and capabilities based, Naval Forces are transforming today to meet the dynamic operational requirements of the war on terrorism. Not

limited to new hardware and technological innovation alone, naval forces are transforming their capabilities through operational innovation. Vital to this effort is the overarching concept of Network Centric Warfare. The transformation of our platforms to a netted force provides a capabilities multiplier to our operations not previously achieved. Additionally, Network Centric Warfare enables innovation and transformation through open architectures permitting rapid acceptance of both software and modular hardware to accommodate evolving technologies. Focusing on innovative tactics and training methods, as well as integrating new technologies and improved platforms is what transforms the total force on a continuing basis.

The Navy and the Marine Corps strongly support U.S. Joint Forces Command's (USJFCOM's) joint experimentation initiatives and are working to ensure service experimentation efforts are complementary. Further, we have ongoing initiatives to translate the concepts of Network Centric Warfare and Marine Corps' Expeditionary Maneuver Warfare into an overarching Naval Operational Concept (NOC). The NOC and its associated architecture will clearly define how the Naval Forces of the United States will be equipped, trained, educated, organized, and employed both today and in the future. These collaborative efforts within DON will ensure the development of compatible and complementary doctrine and operational concepts that stay ahead of emerging threats.

Conclusion

Today, the forces of the Navy and Marine Corps team remain forward deployed and are protecting America's strategic interests as an essential part of the joint force. We are the finest naval force in the world. While we face the challenges of recruiting and retaining the best people, maintaining adequate force structure, recapitalizing an aging infrastructure, and fighting both symmetrical and asymmetrical threats, we are clear of purpose, focused on the future, and confident in our capabilities. By successfully meeting the challenges outlined above, we will remain ready to assure allies and friends, deter potential adversaries, and defeat enemies while providing the President and the Secretary of Defense the most flexible instrument of military capability.