

*Office of Budget
Department of the Navy*

*Highlights of the
Department of the Navy*

FY 2005 Budget



February 2004

**Department of the Navy
FY 2005 Budget
Table of Contents**

Section I - Introduction

Overview.....1-1
Naval Power 21 - A Naval Vision1-2
Sea Power 21.....1-3
Marine Corps Strategy 211-4
Balanced Scorecard1-5
Resource Trends1-6
Appropriation Summary FY 2003 - 20051-8
Derivation of FY 2004 Estimates1-9
Contingency Operations 1-10
Performance Measurement..... 1-12

Section II – Combat Capability

Combat Capability.....2-1
Ship Operations2-3
 Battle Force Ships.....2-3
 Active Forces2-4
 Reserve Forces2-5
 Mobilization2-5
 Ship Maintenance2-6
Air Operations2-8
 Active Tactical Air Forces2-8
 Reserve Air Forces2-8
 Aircraft OPTEMPO2-9
 Aircraft Depot Maintenance2-11
Marine Corps Operations 2-14
 Active Operations.....2-14
 Reserve Operations2-15
 Ground Depot Maintenance.....2-15

Section III - People

People	3-1
Military Personnel	3-2
Active Navy Personnel	3-2
Reserve Navy Personnel	3-4
Active Marine Corps Personnel	3-6
Reserve Marine Corps Personnel.....	3-8
Civilian Personnel	3-9
Transforming the Workforce	3-9

Section IV – Technology Insertion

Technology Insertion	4-1
Ship Programs	4-1
Surface Programs	4-1
Submarine Programs	4-3
Ship Weapons Programs	4-4
Aviation Programs	4-5
Aircraft Programs.....	4-5
Aircraft Weapons Programs.....	4-8
Mine Warfare	4-9
C4I Programs	4-10
Marine Corps Ground Equipment	4-12
Research and Development Support	4-14
Processes for Innovation	4-14
Science and Technology.....	4-15
Management and Support	4-15

Section V – Improved Business Practices

Improved Business Practices	5-1
Military Construction	5-2
Family Housing	5-3
Facility Sustainment, Restoration & Modernization	5-5
Base Realignment and Closure III&IV	5-7
Navy Working Capital Fund	5-8
Other Business Initiatives	5-11
Navy Marine Corps Intranet.....	5-11
Enterprise Resource Planning	5-12
eBusiness.....	5-13
Managing Risk - Performance Metrics	5-14
Other Performance Metrics.....	5-18

Section VI – Financial Summary

Financial Summary6-1

Appendix A- Appropriation Tables

Military Personnel, NavyA-1
Military Personnel, Marine CorpsA-2
Reserve, Personnel NavyA-3
Reserve, Personnel Marine CorpsA-4
Operation and Maintenance, NavyA-5
Operation and Maintenance, Marine CorpsA-6
Operation and Maintenance, Navy ReserveA-7
Operation and Maintenance, Marine Corps ReserveA-8
Environmental Restoration, NavyA-9a
Kaho’olawe IslandA-9b
Aircraft Procurement, NavyA-10
Weapons Procurement, NavyA-11
Shipbuilding and Conversion, NavyA-12
Other Procurement, NavyA-13
Procurement, Marine CorpsA-14
Procurement of Ammunition, Navy and Marine CorpsA-15
Research, Development, Test, and Evaluation, NavyA-16
National Defense Sealift FundA-17
Military Construction, Navy and Naval ReserveA-18
Family Housing, Navy and Marine CorpsA-19
Base Realignment and Closure AccountsA-20
Navy Working Capital FundA-21

Listing of Supporting Charts

1	Department of the Navy Topline FY 2003 – FY 2005	1-6
2	Trendlines FY 2003 – FY 2005	1-7
3	Depart of the Navy FY 2004 Supplemental	1-11
4	Performance Scorecard	1-13
5	Navy/Marine Corps Today	2-2
6	Active Force Ship OPTEMPO	2-4
7	Flying Hour Program Hours	2-10
8	Active Navy Personnel End Strength	3-3
9	Reserve Navy Personnel End Strength	3-5
10	Active Marine Corps Personnel End Strength	3-7
11	Reserve Marine Corps Personnel End Strength	3-8
12	Civilian Personnel FTEs	3-9
13	Shipbuilding Programs	4-3
14	Aircraft Programs	4-7
15	Family Housing End of Year Inventories	5-4

Listing of Supporting Tables		
1	Appropriation Summary FY 2003–FY 2005	1-8
2	Derivation of FY 2004 Estimates	1-9
3	Battle Force Ships	2-3
4	Significant Naval Reserve Force Factors	2-5
5	Strategic Sealift (# of ships)	2-6
6a	Active Forces Ship Maintenance	2-7
6b	Reserve Forces Ship Maintenance	2-7
7	Aircraft Force Structure	2-9
8	Flying Hour Program	2-11
9a	Active Forces Aircraft Depot Maintenance	2-12
9b	Reserve Forces Aircraft Depot Maintenance	2-13
10	Marine Corps Land Forces	2-15
11a	Marine Corps Active Forces Ground Depot Maintenance	2-16
11b	Marine Corps Reserve Forces Ground Depot Maintenance	2-16
12	Active Navy Personnel	3-4
13	Reserve Navy Personnel	3-5
14	Active Marine Corps Personnel	3-7
15	Reserve Marine Corps Personnel	3-9
16	Civilian Manpower Full-time Equivalent	3-11
17	Research, Development, Test and Evaluation	4-17
18	Facility Sustainment, Restoration and Modernization	5-6
19	Summary of NWCF Costs	5-10
20	Summary of Direct Budget Plan (TOA), Budget Authority and Outlays	6-3

SECTION I - INTRODUCTION

OVERVIEW

The FY 2005 budget builds upon the foundation laid in the FY 2004 President's Budget, guided by Naval Power 21, the September 2001 Quadrennial Defense Review, and emergent challenges of the past several years, and continues to both respond to current demands and build a force relevant to the threats and opportunities of the 21st century.



The September 2001 Quadrennial Defense Review calls on us to give "... priority to investments that improve the ability to swiftly defeat an adversary from a forward deterrence posture." That desire is consistent with the inherent characteristics of naval forces, and that priority has been a guiding principle in the Department of the Navy program and budget for FY 2005. *Naval Power 21 – A Naval Vision*, provides the conceptual framework for the maritime contribution to meeting joint capabilities. The FY 2004 President's Budget took the first significant steps to give form to that framework, identifying the resource planning commitments to realize them and the FY 2005 budget continues that approach.

The FY 2005 budget will deliver the right readiness at the right cost to prosecute the Global War on Terrorism and broadly support the nation's warfighting needs; shape our 21st century workforce; continue to recapitalize and transform our force; and improve productivity.

Winning the Global War on Terrorism is our number one priority. Our naval forces will play a leading role both in this historic struggle and in preparedness for future threats to our national security by contributing precise, persistent, and responsive striking power to the joint force, strengthening deterrence with advanced defensive technologies, and increasing operational independence through sea basing. This is the *Naval Power 21* vision.



NAVAL POWER 21 – A NAVAL VISION

As part of a joint warfighting team, the United States Navy and United States Marine Corps will control the sea and project power, defense, and influence beyond the sea. Our forces will use the sovereignty of the sea and enhanced networked sea basing to operate without restriction. Our forward expeditionary nature will provide persistent warfighting capabilities and sustained American influence wherever we may be called to deploy. We will assure our friends and allies, and together with the U.S. Army, U.S. Air Force, and U.S. Coast Guard we will dissuade, deter, and defeat our nation's enemies. Our Sailors, Marines, and civilians will leverage innovative organizations, concepts, technologies, and business practices to achieve order of magnitude increases in warfighting effectiveness. Sea-Air-Land and Space will be our domain.



The Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea, to influence events and advance American interests across the full spectrum of military operations. Above all, we defend our homeland, both through our actions overseas and by our efforts at home. Our vision to achieve this, is based on three fundamental pillars:

- I. *We assure access.* Assuring sea based access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts. Our nation counts on us to do this.
- II. *We fight and win.* Projecting power to influence events at sea and ashore both at home and overseas. We project both offensive power and defensive capability. It defines who we are.
- III. *We are continually transforming to improve.* Transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education, and our approach to people. The ability to continuously transform is at the heart of America's competitive advantage and a foundation of our strength.

Refining the Way Ahead: Navy and Marine Corps Strategies

The Navy and Marine Corps have defined their respective Service strategies in *Sea Power 21* and *Marine Corps Strategy 21*. These documents define their advance into the future as part of a joint force, and through their implementing capstone concepts focus efforts and resources within each Service.

SEA POWER 21

Sea Power 21 is the Navy's vision to align, organize, integrate, and transform our navy to meet the challenges that lie ahead. It requires us to continually and aggressively reach. It is global in scope, fully joint in execution, and dedicated to transformation. It reinforces and expands concepts being pursued by the other services – long-range strike; global intelligence, surveillance, and reconnaissance; expeditionary maneuver warfare; and light, agile ground forces – to generate maximum combat power from the joint team.

Sea Power 21 will employ current capabilities in new ways, introduce innovative capabilities as quickly as possible, and achieve unprecedented maritime power. Decisive warfighting capabilities from the sea will be built around:

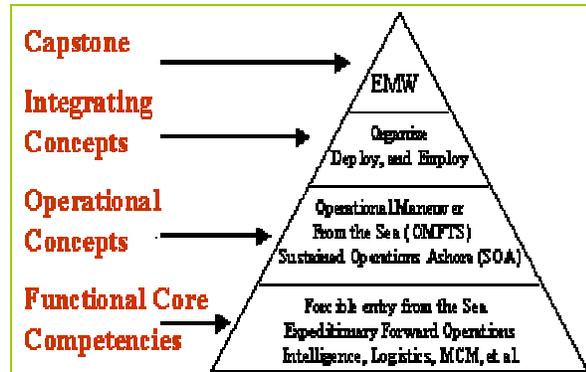
- *Sea Strike* – expanded power projection that employs networked sensors, combat systems, and warriors to amplify the offensive impact of sea-based forces
- *Sea Shield* – global defensive assurance produced by extended homeland defense, sustained access to littorals, and the projection of defensive power deep overland
- *Sea Basing* – enhanced operational independence and support for joint forces provided by networked, mobile, and secure sovereign platforms operating in the maritime domain.



The powerful warfighting capabilities of *Sea Power 21* will ensure our joint force dominates the unified battlespace of the 21st century, strengthening America's ability to assure friends, deter adversaries, and triumph over enemies – anywhere, anytime.

MARINE CORPS STRATEGY 21

This strategy defines a Marine Corps tailored to answer the Nation's call at home or abroad. It provides the vision, goals, and aims that support the development of enhanced strategic agility, operational reach, and tactical flexibility that enable joint, allied, and coalition operations. These capabilities will continue to provide the Combatant Commanders with scalable, interoperable, combined arms Marine Air-Ground Task Forces that shape the international environment, respond quickly across the complex spectrum of crises and conflicts, and assure access or prosecute forcible entry where and when required. Fundamental to the Marine Corps vision is:



- Making Marines to win the Nation's battles and create quality citizens
- Optimizing the Corps' operating forces, support, and sustainment base, and unique capabilities
- Sustaining the enduring Navy-Marine Corps relationship
- Reinforcing the Marine Corps' strategic partnership with the Army, Air Force, and U.S. Special Operations Command
- Contributing to the development of joint, allied, coalition, and interagency capabilities
- Capitalizing on innovation, experimentation, and technology

To advance along this axis, the Marine Corps follows *Expeditionary Maneuver Warfare*, a capstone concept that is the union of the Marine Corps' core competencies; maneuver warfare philosophy; expeditionary heritage; sea basing; and integrating operational and functional concepts by which the Marine Corps will organize, deploy, and employ forces today and in the future.

BALANCED SCORECARD

The FY 2005 budget emphasizes the Department of the Navy’s commitment in the areas of combat capability, people, technology insertion, and improved business practices. These focus areas are aligned with the Department of Defense’s risk management framework. Regarding combat capability, the primary purpose of the Navy and Marine Corps is to defend our homeland, both through our actions overseas and by our efforts at home. The men and women of the Navy and Marine Corps team are our most valued resource. We continue to strive to achieve a higher quality workplace and higher quality of life for our Sailors, Marines, and civilians. The application of technology insertion is central to the continuation of our Nation’s military strength. As demonstrated in the Global War on Terrorism, we have the most technologically advanced naval force and we must continue to sustain a robust transformation and recapitalization effort to ensure technology proliferation does not diminish future capability. The Department is continuously working to revitalize business practices and achieve business transformation.

<p style="text-align: center;">Combat Capability</p> <ul style="list-style-type: none"> ◆ Execute Global War on Terrorism ◆ Execute Fleet Response Plan ◆ Maintain forward seabasing 	<p style="text-align: center;">People</p> <ul style="list-style-type: none"> ◆ Shape the 21st century workforce ◆ Improve training and personnel development ◆ Streamline and align manpower
<p style="text-align: center;">Technology Insertion</p> <ul style="list-style-type: none"> ◆ Accelerate investment to recapitalize ◆ Emphasize system survivability ◆ Sustain a robust and balanced R&D effort 	<p style="text-align: center;">Improved Business Practices</p> <ul style="list-style-type: none"> ◆ Improve productivity ◆ Support BRAC process ◆ Achieve facility support goals

Remain Ready While Developing Future Capabilities

RESOURCE TRENDS

The FY 2005 budget continues our focus to “buy down” future risk by pursuing much needed recapitalization. The budget provides resources necessary to recapitalize and invest in transformational capabilities while at the same time, maintaining readiness, and enriching the lives of our people.

Chart 1 – Department of the Navy Topline FY 2003 – FY 2005

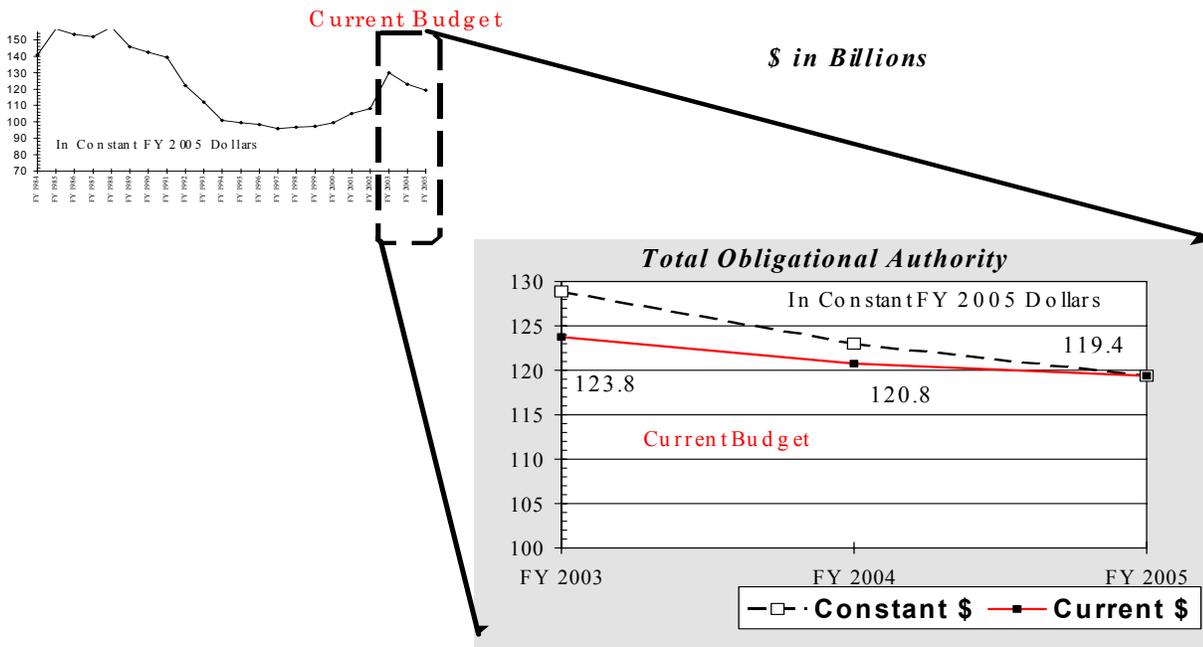


Chart 1 reflects Department of the Navy resources in both current and constant.

As indicated in chart 1, the budget decreases by 1.1% in FY 2005 over FY 2004 levels. While the overall net decrease to the topline is \$1.3 billion, Congress provided \$5.3 billion of supplemental appropriations in FY 2004 for contingency operations. Our investment and development accounts concentrate on minimizing future risk by devoting resources to provide new warfighting assets.

Among the critical challenges we face is finding and allocating resources to recapitalize our Navy and Marine Corps forces. We achieved a projected cost avoidance over \$45 billion over the future years plan by improving business and infrastructure processes; divesting of legacy force structure and programs; and improving acquisition processes through the use of multi-year procurement contracts. This will help

- ✓ **Optimized, supportable future force structure**
e.g., Accelerated decommissionings of older platforms/systems
- ✓ **Stable, healthy industrial base**
e.g., Shipbuilding MYP/EOQ procurements
- ✓ **Technologically enabled, interoperable enterprise**
e.g., Navy Marine Corps Intranet operating seamlessly with joint forces within Global Information Grid
- ✓ **Optimized workforce**
e.g., Workload validation to focus best blend of military, civilian, and private sector support on core work requirements
- ✓ **Efficient and appropriately sized infrastructure**
e.g., BRAC/EFI complemented by Regionalization

provide for much needed recapitalization of our force structure. The progress made over the past few years in manpower and current readiness makes it possible to reduce future risk by placing more emphasis on future readiness to transform our Department for the challenges ahead.

Chart 2 - Trendlines FY 2003 - FY 2005

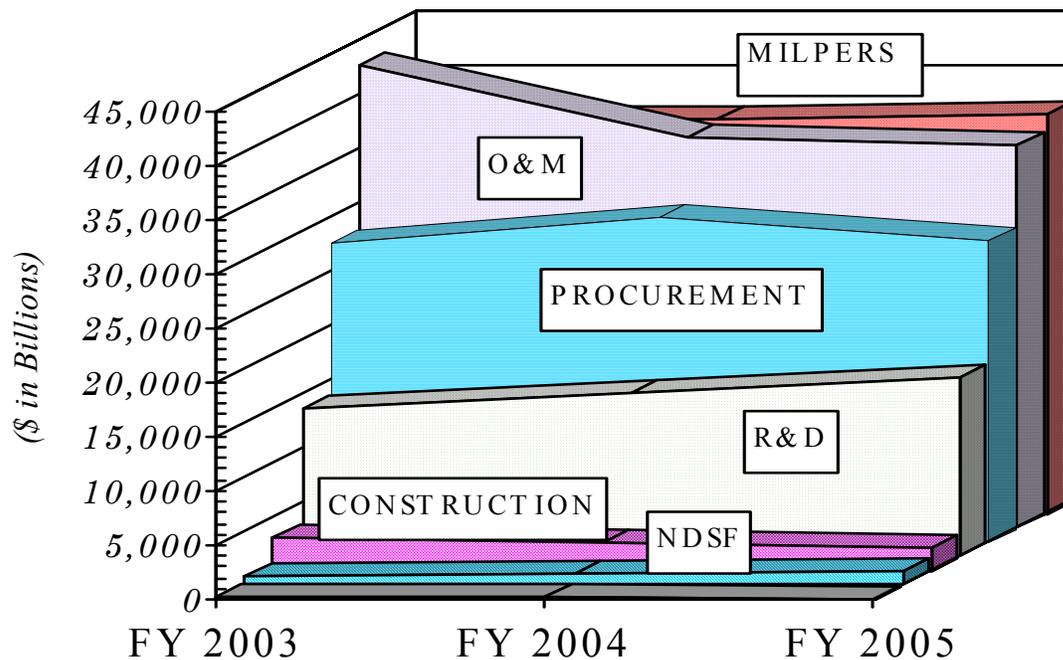


Chart 2 and Table 1 display Department of the Navy appropriations for FY 2003 through FY 2005.

As shown in Chart 2 and Table 1, military personnel and research and development (R&D) accounts are increasing in FY 2005. The military personnel accounts are increasing due to pricing adjustments for pay raises, basic allowance for housing rates, and accrual rates for retired pay and defense health programs. This pricing increase partially masks reduced end strength as we continue to size the force to match current and future requirements. The R&D account increases include funding for ships (i.e., DDX, LCS), aircraft (i.e., VXX) and transformational capabilities (i.e., CVN21, JSF). The procurement account decreases are partially offset by the R&D increases.

APPROPRIATION SUMMARY FY 2003 - 2005

Table 1**Department of the Navy****Total Obligational Authority Summary FY 2003 – 2005***(In Millions of Dollars)*

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Military Personnel, Navy	23,820	24,055	24,460
Military Personnel, Marine Corps	9,988	9,736	9,596
Reserve Personnel, Navy	1,861	2,004	2,172
Reserve Personnel, Marine Corps	514	572	655
Operation & Maintenance, Navy	35,555	29,615	29,789
Operation & Maintenance, Marine Corps	5,525	4,608	3,632
Operation & Maintenance, Navy Reserve	1,239	1,167	1,240
Operation & Maintenance, Marine Corps Reserve	218	189	189
Environmental Restoration, Navy	-	255	267
Kaho'olawe Island	86	18	-
Aircraft Procurement, Navy	8,711	9,165	8,768
Weapons Procurement, Navy	2,081	2,080	2,102
Shipbuilding & Conversion, Navy	9,108	11,402	9,962
Other Procurement, Navy	4,608	4,969	4,834
Procurement, Marine Corps	1,522	1,279	1,190
Procurement of Ammunition, Navy & Marine Corps	1,421	928	859
Research, Development, Test & Evaluation, Navy	13,700	14,970	16,346
National Defense Sealift Fund	852	1,091	1,269
Military Construction, Navy	1,327	1,284	1,060
Military Construction, Naval Reserve	76	45	25
Family Housing Construction, Navy & Marine Corps	296	172	139
Family Housing Operations, Navy & Marine Corps	865	841	705
Navy Working Capital Fund	40	130	65
Base Realignment and Closure	474	181	115
TOTAL	\$123,887	\$120,756	\$119,439

Note: Totals may not add due to rounding.

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2004, beginning with the FY 2004 President's Budget request. The major changes are due to incorporation of congressional action and receipt of supplemental appropriations. Transfers reflect known reprogramming requirements, based on fact of life program changes. These include transfers for active and reserve health care costs, to modernize information technology capabilities, force protection, and other internal realignments needed to execute programs in accordance with congressional intent.

DERIVATION OF FY 2004 ESTIMATES

Table 2

Department of the Navy

Derivation of FY 2004 Estimates

(In Millions of Dollars)

	FY 2004 President's Budget	Congressional Action	Supplemental Appropriations	Transfers	Available Prior Year Balances	FY 2004 Current Estimate
Military Personnel, Navy	25,292	-2,075	816	22	-	24,055
Military Personnel, Marine Corps	9,559	-587	753	11	-	9,736
Reserve Personnel, Navy	-	2,003	-	1	-	2,004
Reserve Personnel, Marine Corps	-	572	-	-	-	572
Operation & Maintenance, Navy	28,288	-509	2,044	-223	15	29,615
Operation & Maintenance, Marine Corps	3,407	13	1,205	-18	1	4,608
Operation & Maintenance, Navy Reserve	1,172	-5	-	-	-	1,167
Operation & Maintenance, MC Reserve	174	-1	16	-	-	189
Environmental Restoration, Navy	256	-1	-	-	-	255
Kaho'olawe Island	-	18	-	-	-	18
Aircraft Procurement, Navy	8,788	255	159	-37	-	9,165
Weapons Procurement, Navy	1,992	88	-	-	-	2,080
Shipbuilding & Conversion, Navy	11,439	-56	-	19	-	11,402
Other Procurement, Navy	4,679	225	76	-11	-	4,969
Procurement, Marine Corps	1,071	86	123	-1	-	1,279
Procurement of Ammunition, Navy/MC	922	6	-	-	-	928
Research, Development, Test & Eval, Navy	14,107	864	34	-35	-	14,970
National Defense Sealift Fund	1,063	4	24	-	-	1,091
Military Construction, Navy	1,133	106	45	-	-	1,284
Military Construction, Naval Reserve	28	17	-	-	-	45
Family Housing, Navy	1,039	-20	6	-12	-	1,013
Navy Working Capital Fund	130	-	-	-	-	130
Base Realignment and Closure	181	-	-	-	-	181
TOTAL	\$114,720	\$1,003	\$5,301*	-\$284	\$16	\$120,756

Note 1: Totals may not add due to rounding; * total includes \$146.1M for Hurricane Isabel damage.

CONTINGENCY OPERATIONS

Additional FY 2004 funds have been appropriated to the Department of the Navy to support the continuing Global War on Terrorism. The purpose of this funding is to (a) sustain higher operating tempos resulting from contingency operations, (b) reconstitute Fleet and Marine Corps operating forces for future near-term contingencies, and (c) constitute Navy and Marine Corps units and support elements to be prepared for future threats.



The FY 2005 budget request supports normal operating tempos for training, operational proficiency, and deployment. Major contingency operations, such as the Global War on Terrorism, require additional or incremental resources to maintain higher operating tempos. That includes activation of Reserve personnel and units, increased fuel consumption and spare parts, additional maintenance resulting from higher usage of equipment, deployment of medical capabilities (hospital ships and deployable fleet hospitals), enhanced communications and intelligence support, and related transportation costs.



Additionally, investment items lost, damaged or in need of replacement due to increased “wear and tear” from the higher operating tempos are also included as contingency costs. These contingency or wartime costs are normally funded through supplemental appropriations.

Funds for contingency operations appropriated in the FY 2004 Supplemental are reported in categories, highlighted in Chart 3, for Operation Noble Eagle (ONE) (Homeland Defense), Operation Enduring Freedom (OEF) (Afghanistan and related areas), and Operation Iraqi Freedom (OIF).

Chart 3 – Department of the Navy FY 2004 Supplemental

FY 2004 Contingency Operations Funding Summary by Cost Breakdown Structure (CBS)				
Navy				
\$ (M)	ONE	OEF	OIF	TOTAL
1.0 Personnel	11	662	143	816
2.0 Personnel Support	-	25	67	92
3.0 Operating Support	92	794	852	1,738
4.0 Transportation	1	6	119	126
6.0 Investment	-	-	293	293
Navy Total	\$104	\$1,487	\$1,474	\$3,065
Marine Corps				
1.0 Personnel	10	360	383	753
2.0 Personnel Support	7	148	187	343
3.0 Operating Support	11	169	411	591
4.0 Transportation	-	46	235	281
6.0 Investment	-	-	123	123
Marine Corps Total	\$28	\$723	\$1,339	\$2,091
Department of the Navy				
Grand Total DON	\$132	\$2,210	\$2,813	\$5,156
* Totals exclude \$146M for Navy and Marine Corps Hurricane Isabel damage, highlighted below.				

The FY 2004 Supplemental also included funding for Hurricane Isabel clean-up and repair costs as follows:

Hurricane Isabel Damage				
\$M	O&MN	Milcon	Fam Hsg	Total
Navy Installations (Virginia, District of Columbia, Maryland)	\$87	\$41	\$4	\$132
Marine Corps Installations (North Carolina, Virginia)	\$7	\$5	\$2	\$14
Total	\$94	\$46	\$6	\$146

These amounts include construction of a replacement chiller and electrical plant for the U.S. Naval Academy and an administrative building at Quantico Marine Corps Base.

PERFORMANCE MEASUREMENT

The Department of the Navy, with one of the largest workforces in our nation, is also one of the most visible to the public. With military members and employees in multiple countries, at sea and ashore, in every time zone and in every climactic region, the spotlight never leaves our emblem. Our charter to defend our nation and its interests at home and abroad makes it essential that every military member and employee take an active role in using resources wisely and ensuring success in each endeavor.

The President has stated that this Administration is “dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used.” To achieve this, the President’s Management Agenda focuses on five basic objectives: (1) Budget and Performance Integration, (2) Strategic Management of Human Capital, (3) Competitive Sourcing, (4) Financial Management Improvement, and (5) Expanding E-Government. Improving programs by focusing on results is an integral component of the Department’s budget and performance integration initiative. The most recent Executive Scorecard grades the Department of Defense as “yellow” on current status for budget and performance integration and “green” for progress. The FY 2005 budget for the Department of the Navy associates performance metrics for sixty percent of requested resources. In an effort to incorporate performance metrics into the budget process, the Office of Management and Budget has instituted Program Performance Assessments which identify programs that will be measured in “getting to green” through a rating system that is consistent, objective, credible, and transparent. The initial Department of the Navy programs reviewed in FY 2004 are outlined in Chart 4, as well as one new program “Military Force Management” in FY 2005. Programs were assessed and evaluated across a wide range of issues related to performance. Amplifying metric information related to these programs can be found in detailed justification materials supporting the budget request.

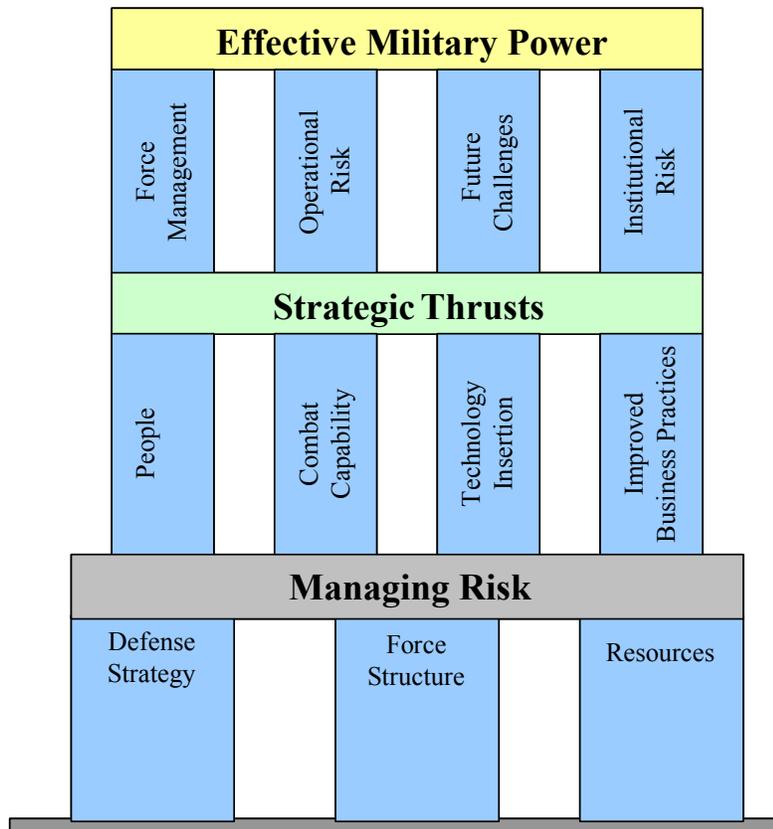
Chart 4 - Performance Scorecard

1. Budget and Performance Integration										
	Program Purpose & Design	Strategic Planning	Program Mgmt	Program Results	Weighted Score	Overall Rating	DON Funding			
							FY03	FY04	FY05	Programs Included
Air Combat	100%	100%	72%	67%	88%	Moderately Effective	5,245	5,564	5,663	F/A-18 E/F, JSF
Shipbuilding	80%	90%	73%	47%	64%	Adequate	9,418	12,124	10,730	New construction
Basic Research	100%	89%	84%	80%	86%	Effective	406	484	477	6.1
Housing	100%	100%	71%	67%	78%	Moderately Effective	5,181	5,086	5,165	FH, BAH
Communications Infrastructure	80%	78%	40%	44%	54%	Results Not Demonstrated	1,198	1,896	1,994	NMCI, Base level comm
Recruiting	80%	100%	71%	75%	78%	Moderately Effective	852	853	307	O&M
Facilities SRM/Demolition	80%	100%	14%	60%	59%	Adequate	2,555	2,130	1,939	O&M
Military Force Management	100%	100%	71%	93%	91%	Effective	36,183	36,367	36,883	MilPers
Total Funding							61,038	64,504	63,158	

- 2. Strategic Management of Human Capital**
 - > Implement NSPS (DoD-wide)
 - > Transform Naval Military Personnel Force
 - > Military/Civilian Conversions
- 3. Competitive Sourcing**
 - > Commitment to study 63,420 positions under A-76 or OMB approved alternatives
- 4. Financial Management Improvement**
 - > FM Modernization Program (DoD-wide)
 - > Enterprise Resource Planning
- 5. Expanding Electronic Government**
 - > Dedicated eBusiness Operations Office
 - > Mandated Reverse Auctions

The September 2001 Quadrennial Defense Review (QDR) established a risk framework that will ensure the Nation’s military is properly prepared to carry out the strategy. Within the framework there are four tenets of risk management: force management, operational risk, future challenges, and institutional risk. Measuring this risk in terms of meaningful metrics and then managing risk is the stated challenge. The Government Performance and Results Act (GPRA) (P.L. 103-62) of 1993 requires federal agencies to submit a comprehensive plan that identifies major goals and objectives. The assessment tools within GPRA will be one of the prime enablers for risk management associated with the tradeoffs in balancing defense strategy, force structure, and resources. Once these risk tenets have been fully assessed, taking action to mitigate potential vulnerabilities will further shape the application of our resources to force structure ensuring that our strategy is viable.

We are in a crucial time of transition for this Department with a strategy that will ensure America’s freedoms through our safety at home and abroad. As we tackle the challenge of the Global War on Terrorism, we must embrace the transformation of our National defense. Transformation is not a goal for the future, rather, a commitment here and now. The performance measures represent the strategic direction of the Department, and were designed to ensure that we are sized, shaped, postured, committed, and managed to achieve key goals. These goals include maintaining a ready and sustainable force to meet today’s challenge, investing in tomorrow’s capabilities, and establishing processes and organizations that make effective and efficient use of our scarce resources. Detailed metrics and goals are included throughout this publication and a summary by each of the four QDR goals is included in Section V.



SECTION II – COMBAT CAPABILITY

As stated in Naval Power 21, the Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea to influence events and advance American interests. Our battle force ships, aviation units, and Marine forces provide the foundation for the National Military Strategy of shaping the international environment and responding to the full spectrum of crises. Our budget provides for operational levels that will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. The success of our Fleet in the Global War on Terrorism attests to progress made in current readiness.



The Global War on Terrorism requires that we operate differently, to be more ready and responsive. The Fleet Response Plan (FRP) has been designed to accomplish these objectives. The FRP aims to transform the Fleet into a more responsive force by creating a culture of readiness; meeting new readiness and surge thresholds; changing manning, maintenance and training processes to support surge and deployment; and lengthening inter-deployment cycles. The focus is to enable the Fleet to be both forward deployed and also capable of surging substantial forces. More specifically, the FRP aims to have a “6 plus 2”



surge force; i.e., 6 carrier strike groups deployed/deployable with an additional 2 to follow shortly. In order to attain this substantial surge force, the FRP modifies current ship and air wing operating cycles to extend the Inter-Deployment Readiness Cycle from 24 months to 27 months. In addition, the FRP modifies training and manpower processes that increase the time each ship and squadron is available to surge. Achieving the goals of the FRP requires the ability to sustain readiness through the longer cycle. The FY 2005 budget request includes marginal realignments in the operating accounts to sustain FRP, now being implemented in FY 2004.

The role of the Navy and Marine Corps on the world stage is evident throughout the budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Naval requirements are often met through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs. Joint/international exercises planned for FY 2005 include Cooperation from the Sea, Talisman Saber and Ulchi Focus Lens.

Operational activities include drug interdiction, joint maneuvers, multi-national training exercises, humanitarian assistance (including natural disaster, medical, salvage, and search and rescue) and when called upon, contingency operations, such as in the Persian Gulf, the Balkans and Afghanistan/Northern Arabian Sea as part of Operation Enduring Freedom and Iraq as part of Operation Iraqi Freedom. On any given day, nearly 40,000 Sailors and 32,000 Marines on over 90 ships and bases are deployed to locations around the world. At times of heightened operations, including the Global War on Terrorism, these numbers surge to higher levels.

Chart 5 – Navy/Marine Corps Today

Navy

- ◆ 90 ships deployed (31% of total)
 - 154 ships underway (52% of total)
- ◆ 1,918 activated reserves
- ◆ Active end strength 379,337



**Navy-Marine Corps Team
forward-deployed and ready**

Marine Corps

- ◆ First Marine Expeditionary Force (I MEF) deploying
- ◆ III MEF forward deployed WESTPAC
- ◆ Second Marine Expeditionary Units forward deployed
- ◆ 6,790 activated reserves
- ◆ Active end strength 176,405



Chart 5 – Reflects Navy/Marine Corps operations as of 21 Jan 04.

SHIP OPERATIONS

Battle Force Ships

The budget provides for a deployable Battle Force of 290 ships for FY 2005 as shown in table 3. This level will support 12 aircraft carrier strike groups and 12 expeditionary strike groups.



In FY 2005, 9 ships (three Arleigh Burke Class Guided Missile Destroyers, two San Antonio Class Amphibious Transport Docks, one Virginia Class Fast Attack Submarine, one Seawolf Class Submarine, one T-AKE Support ship, and one T-AO Fleet Oiler ship) will be delivered, while 11 ships (one Amphibious Transport Dock, one Los Angeles Fast Attack Submarine, two Ticonderoga Class Guided Missile Cruisers, three Underway Replenishment ships (AOE's), and four Spruance Class Destroyers) will be inactivated.

Table 3
Department of the Navy
Battle Force Ships

	FY 2003	FY 2004	FY 2005
Aircraft Carriers	12	12	12
Fleet Ballistic Missile Submarines	16	14	14
Guided Missile (SSGN) Submarines	2	4	4
Surface Combatants	106	103	100
Nuclear Attack Submarines	54	54	55
Amphibious Warfare Ships	36	35	36
Combat Logistics Ships	34	34	33
Mine Warfare Ships	17	17	17
Support Ships	19	19	19
Battle Force Ships	296	292	290



Active Forces

For FY 2005, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy. The FY 2005 budget request implements the Fleet Response Plan extending the Inter - Deployment Readiness Cycle from 24 months to 27 months enabling ships to surge and reconstitute rapidly. In addition, the budget provides funds necessary to achieve the operational tempo (OPTEMPO) goal of 51 underway days per quarter for deployed forces and 24 underway days per quarter for non-deployed forces. The current deployed OPTEMPO goal has been reduced from 54 underway days per quarter as war-related contingency operations in Southwest Asia are no longer included in baseline funding. The funding level supports the Global Naval Forces Presence Plan in terms of carrier strike group and expeditionary strike group requirements, as required by national security policy.



Non-deployed OPTEMPO provides primarily for the training of Fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training exercises. The extension of the training period allows for a reduction in non-deployed OPTEMPO while maintaining a combat ready and rapidly deployable force.

Chart 6 - Active Force Ship OPTEMPO

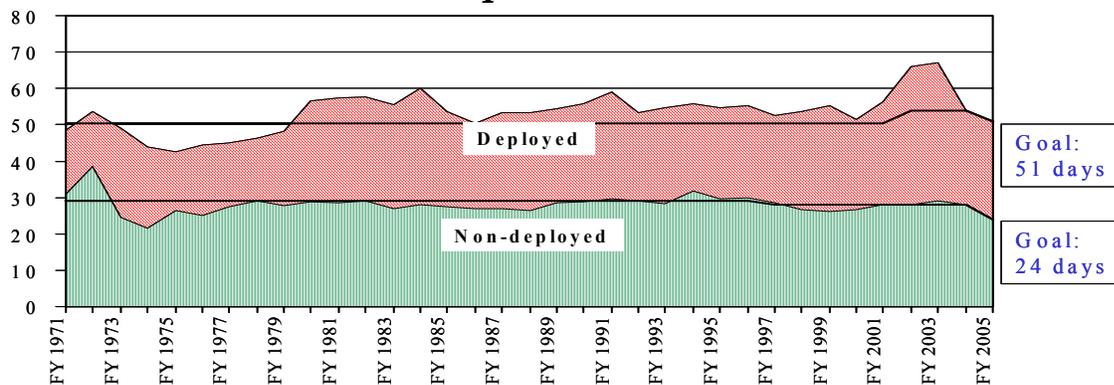


Chart 6 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations.

Reserve Forces

The Naval Reserve force continues to integrate with the active force to achieve readiness goals. In FY 2005, the Naval Reserve will consist of 15 Battle Force ships with 9 FFGs, 5 MCMs, and 1 MHC.

In FY 2005, the steaming days per quarter will be reduced from 28 to 18 as an acceptable risk mitigation strategy to align the mine warfare community with the Fleet Response Plan. Table 4 reflects reserve battle force ships and their respective non-deployed steaming days.

Table 4

Department of the Navy

Significant Naval Reserve Force Factors

	FY 2003	FY 2004	FY 2005
Surface Combatants	8	9	9
Mine Warfare	6	6	6
Reserve Battle Force Ships*	14	15	15
<u>Steaming Days Per Quarter</u>			
Surface Combatants	18	18	18
Mine Warfare	28	28	18

* Also included in Table 3

Mobilization

Mobilization forces provide rapid response to contingencies throughout the world. Sealift assets include prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5. Department of the Navy operation and maintenance appropriations reimburse the biennial exercise costs of the Hospital Ships and the Aviation Maintenance Ships, and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of three MPS squadrons supports a Marine Expeditionary Brigade for 30 days.

Table 5 displays the composition of Navy mobilization forces.

Table 5
Department of the Navy
Strategic Sealift (# of ships)

	FY 2003	FY 2004	FY 2005
Prepositioning Ships:			
Maritime Prepo Ships (O&M,N)	16	16	16
CENTCOM Ammo Prepo (O&M,N)	1	1	1
Army Prepo Ships (O&M,A)	13	10	10
Air Force Prepo Ships (O&M,AF)	4	4	4
DLA Prepo Ships (DWCF)	2	2	2
Surge Ships:			
Aviation Logistics Support (NDSF)	2	2	2
Hospital Ships (NDSF)	2	2	2
Fast Sealift Ships (NDSF)	8	8	8
Ready Reserve Force Ships (NDSF)	68	68	68
Large Medium-Speed RORO Ships (NDSF)	11	11	11
Prepositioning Capacity (millions of square feet)	5.8	5.7	5.7
Surge Capacity (millions of square feet)	9.3	9.3	9.3
Total Sealift Capacity (millions of square feet)	15.0	15.0	15.0

Ship Maintenance

The Department’s active ship maintenance budget supports 97% of the notional O&M maintenance projection and 100% of the SCN refueling overhaul estimates in FY 2005. The ship maintenance budget reflects the new Fleet Response Plan (FRP), which lengthens periods between shipyard availabilities, yet creates a more employment-capable and responsive fleet that is able to surge and reconstitute rapidly. Implementation of the FRP and focus on continuous maintenance for surface ships should help ease the stress of maintaining current OPTEMPO on an aging force. We have adjusted budgeted notional availabilities to reflect the recent experience of increasing depot maintenance requirements.



The Nation’s ship repair base, which includes public and private shipyards, has the capacity to execute the FY 2004 and 2005 ship maintenance as well as deferred maintenance amounts reflected in Tables 6a and 6b. Annual deferred maintenance is maintenance that was not performed when it should have been due to fiscal constraints. This includes items that were not scheduled or not included in an original work package due to fiscal constraints, but excludes items that arose since a ship’s last maintenance period. As the execution year progresses, the workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard

costs and shipyard capacity. While some amount of prior years' deferred maintenance may be executable in following years (depending on deployment schedules and shipyard capacity), the numbers in Tables 6a and 6b reflect only those individual years' deferred maintenance, not a cumulative amount.

The Department's reserve ship maintenance budget supports 97% of the notional maintenance projection in FY 2005. As with the active counterparts, the Department is implementing the same initiatives to reduce maintenance burdens and costs on Naval Reserve Force ships. Tables 6a and 6b display funding for active and reserve ship maintenance.

Table 6a
Department of the Navy
Active Forces Ship Maintenance
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Ship Depot Maintenance ^{1/}	\$4,618	\$4,095	\$3,910
Ship Intermediate Maintenance	427	0	0
Depot Operations Support	1,676	1,087	1,114
Total: Ship Maintenance (O&MN)	\$6,721	\$5,182	\$5,024
Percentage of Projection Funded	99%	95%	97%
CVN Overhauls (SCN)	\$217	\$221	\$333
SSN Refueling Overhauls (SCN)	\$490	\$457	\$19
SSBN Refueling Overhauls (SCN)	0	105	334
% of SCN Estimates Funded	100%	100%	100%
Annual Deferred Maintenance	\$36	\$145	\$117

^{1/} Reflects consolidation of intermediate and depot maintenance beginning in FY04 as a result of regional maintenance initiative.

Table 6b
Department of the Navy
Reserve Forces Ship Maintenance
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Reserve Ship Depot Maintenance ^{1/}	\$79	\$83	\$93
Reserve Ship Intermediate Maintenance	13	0	0
Depot Operations Support	4	3	4
Total: Ship Maintenance (O&MNR)	\$96	\$86	\$97
Percentage of Projection Funded	98%	95%	97%
Annual Deferred Maintenance	\$2	\$4	\$3

^{1/} Reflects consolidation of intermediate and depot maintenance beginning in FY04 as a result of regional maintenance initiative.

AIR OPERATIONS

Active Tactical Air Forces



The budget provides for the operation, maintenance, and training of ten active Navy carrier air wings (CVWs) and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). TACAIR squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the National Military Strategy, and provide long range and local protection against airborne and surface threats. ASW squadrons locate, destroy, and provide force protection against sub-surface threats, and conduct maritime surveillance operations. FAS

squadrons provide vital fleet logistics and intelligence support. In FAT, the Fleet Readiness Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

Reserve Air Forces

Reserve aviation continues to provide vital support to the active force in FY 2005. The Reserves support all of the Department's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Navy Reserve also provides support to the active force through participation in various exercises and mine warfare missions.

Table 7 reflects active and reserve aircraft force structure.

Table 7

Department of the Navy Aircraft Force Structure

	FY 2003	FY 2004	FY 2005
Active Forces	18	18	18
Navy Carrier Air Wings	10	10	10
Marine Air Wings	3	3	3
Patrol Wings	3	3	3
Helicopter Anti-Submarine Light Wings	2	2	2
Reserve Forces	5	5	5
Navy Tactical Air Wing	1	1	1
Patrol Air Wing	1	1	1
Helicopter Air Wing	1	1	1
Logistics Air Wing	1	1	1
Marine Air Wing	1	1	1
Primary Authorized Aircraft (PAA) - Active ^{1/}	2,496	2,441	2,397
Navy	1,487	1,440	1,402
Marine Corps	1,009	1,001	995
^{1/} Does not include trainer or TACAMO aircraft.			
Primary Authorized Aircraft (PAA) - Reserve	408	397	382
Navy	222	218	209
Marine Corps	186	179	173

The FY 2005 reduction in PAA reflects continuation of TACAIR Integration effort started in FY 2004.

Aircraft OPTEMPO



As discussed in previous sections, the Department is transitioning to the FRP. Prior to the FRP, an average T-rating of T-2.2 was sustained. The FRP will allow for a T-2.5 readiness level across the Inter-Deployment Readiness Cycle (T-1.7 while deployed, T-2.0 pre-deployment, and T-2.2 post-deployment).

The flying hour program has been priced using the most recent cost per hour experience, including a higher cost for repair part pricing and usage. This repricing, which adds significantly to the cost per flying hour, is a manifestation of the Department's aging aircraft inventory, which requires more maintenance per hour and has increased failure rates on major components. The FY 2005 budget reflects a more accurate method to forecast Aviation Depot Level

Reparable (AVDLR) cost per hour based on a Center for Naval Analysis study that determined that AVDLR growth could be re-forecasted based on specific type/model/series demand rates.

Although FRS operations are budgeted at 84%, the FRP has reduced prescribed training requirements enabling pilots to complete the training syllabus within budgeted resources. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew personnel rotation rates, and student output from the Undergraduate Pilot/Naval Flight Officer training program. FAS requirements have been re-evaluated to reflect the current FAS mission. Funding now provides sufficient hours to meet 96% of the total hours required. The Navy Reserve is budgeted at 100% of the required hours in FY 2005 as indicated in Table 8. Monthly flying hours per reserve crew remain constant at 11.3.

Chart 7 displays historical flying hours.

Chart 7 - Flying Hour Program Hours

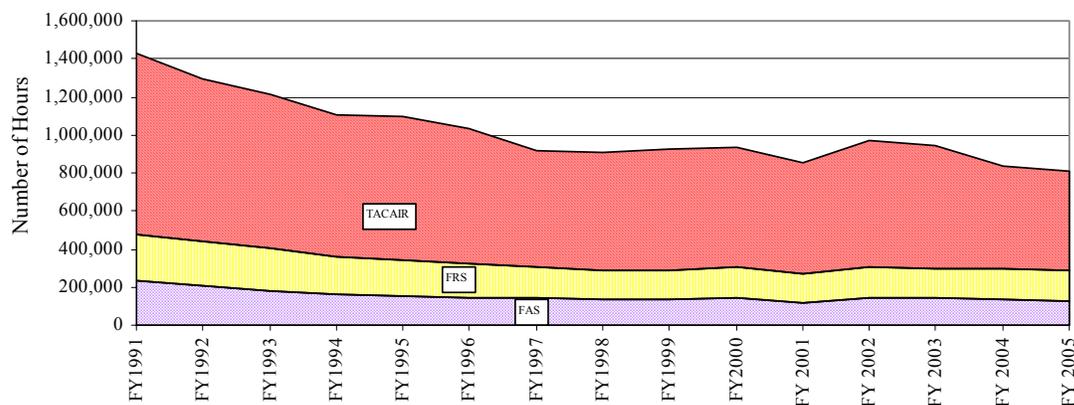


Table 8 displays active and reserve flying hour readiness indicators.

Table 8

**Department of the Navy
Flying Hour Program**

	FY 2003	FY 2004	FY 2005
Active			
TACAIR	T-2.0	T-2.6*	T-2.5
Goal	T-2.2	T-2.6*	T-2.5
Fleet Readiness Squadrons (%)	82%	88%	84%
Goal	92%	88%	84%
Fleet Air Support (%)	95%	92%	96%
Goal	96%	92%	96%
Monthly Flying Hours per Crew (USN & USMC)	22.1	19.3	19.2
* Does not include supplemental			
Reserve			
Reserve Squadrons	T-2.5	T-2.2	T-2.2
Percent of Requirement Funded	89%	100%	100%
Monthly Flying Hours per Crew (USNR & USMCR)	10.1	11.3	11.3

Aircraft Depot Maintenance



The active and reserve aircraft depot maintenance programs fund major repair and overhauls, within available capacity, to ensure that a sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine airframe and engine maintenance requirements is based on squadron inventory authorization necessary to execute assigned missions. The goal of the airframe rework program is to provide enough airframes to meet 100% PAA for deployed squadrons and 90% PAA for non-deployed squadrons. The engine rework program objective is to return depot-repairable engines/modules to Ready-for-Issue (RFI) status, to obtain both zero net bare firewalls and fill 90% of the type/model/series RFI engine spares pools. Other depot maintenance includes the repair of aeronautical components for aircraft systems and equipment under direct contractor logistics support.

The Department's budget for FY 2005 is sufficient to achieve the active and reserve engine and airframe readiness goals for deployed squadrons while active non-deployed squadrons are funded to achieve 99% of goal, and reserve non-deployed squadrons are funded to achieve 95% of the goal. Deployed squadrons have sufficient aircraft to meet Inter-Deployment Readiness Cycle requirements

and Mission Capable (MC) status prior to and during deployment. Non-deployed squadrons also have sufficient aircraft to satisfy post deployment readiness requirements. Post deployment readiness requirements are necessary to ensure that an adequate supply of airframes and engines are available to support squadron and air wing training exercises.

To support a wide range of fleet operations and training, the Navy has targeted a 73% aircraft MC rate and a 56% Full Mission Capable (FMC) rate. This applies to both deployed and non-deployed aircraft availability goals.

Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Goal</u>
MC Aircraft	73	73	73	73
FMC Aircraft	56	56	56	56

Tables 9a and 9b summarize active and reserve Aircraft Depot Maintenance.

Table 9a
Department of the Navy
Active Forces Aircraft Depot Maintenance
(Dollars in Millions)

	<u>FY 2003</u>	<i>% at</i> <i>Goal</i>	<u>FY 2004</u>	<i>% at</i> <i>Goal</i>	<u>FY 2005</u>	<i>% at</i> <i>Goal</i>
Airframes	\$927		\$703		\$610	
Engines	402		321		311	
Other Components	49		71		75	
Total: Active Aircraft Depot Maintenance	\$1,378		\$1,095		\$997	

Airframes

Deployed Squadrons meeting goal of 100% PAA	160	100%	172	100%	162	100%
Non-Deployed Squadrons meeting goal of 90% PAA	173	96%	152	98%	153	99%

Engines

Engine TMS meeting Zero Bare Firewall goal	73	100%	73	100%	71	100%
Engines TMS meeting RFI Spares goal of 90%	73	87%	72	98%	70	99%

Table 9b
Department of the Navy
Reserve Forces Aircraft Depot Maintenance
(Dollars in Millions)

	FY 2003	% at Goal	FY 2004	% at Goal	FY 2005	% at Goal
Airframes	\$95		\$104		\$100	
Engines	37		33		32	
Total: Reserve Aircraft Depot Maintenance	\$132		\$137		\$132	
<u>Airframes</u>						
Non-Deployed Squadrons meeting goal of 90% PAA	64	100%	64	100%	59	95%
<u>Engines</u>						
Engine TMS meeting Zero Bare Firewall goal	35	100%	42	100%	42	100%
Engine TMS meeting RFI spares goal of 90%	35	100%	42	100%	42	100%
<u>Components: Other-Depot Maintenance</u>						
Funded Requirements	N/A		N/A		N/A	

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Operation and Maintenance, Navy	A-5
Operation and Maintenance, Navy Reserve	A-7
National Defense Sealift Fund	A-17

MARINE CORPS OPERATIONS

Active Operations

In FY 2004, the United States is responding to a wide range of challenges across the globe, including fighting the long-term Global War on Terrorism, rebuilding Iraq into a peaceful, productive member of the world community, and preventing the spread of weapons of mass destruction. In this era, the Nation needs forces that are highly mobile, flexible, and adaptable.

These characteristics define the Marine Corps, and they must continue to do so in the future. The operation and maintenance budget supports the Marine Corps Operating Forces, comprised of three active Marine Expeditionary Forces (MEFs). Each MEF consists of a command element, one infantry division, one air wing, and one force service support group. This budget provides training and equipment maintenance funds to Marine Corps Force Commanders so they can provide combat ready forces to the Combatant Commanders.

MEFs provide a highly trained, versatile expeditionary force capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with Maritime Prepositioning Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These forces possess the firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations. Embedded within each MEF is the capability to source a Marine Expeditionary Brigade (MEB).



These funds also support the 4th MEB Anti-Terrorism (AT), whose mission is to detect, deter, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The 4th MEB (AT) is the only MEB that has permanently dedicated structure. The budget also supports the readiness posture of Marine Operating Forces and continues the fielding of improved combat equipment and clothing for the individual Marine.

Table 10 displays Marine Corps land forces.

Table 10

Department of the Navy

Marine Corps Land Forces

	FY 2003	FY 2004	FY 2005
Number of Marine Expeditionary Forces	3	3	3
Number of Marine Expeditionary Brigades	4	4	4
Number of Active Battalions	51	51	51
Number of Reserve Battalions	21	21	21

Reserve Operations

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group, and the Marine Corps Reserve Support Command. The Department's FY 2005 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for the operation and maintenance of newly fielded equipment such as the Unit Operations Center and the Cooperative Tracking Network.

Ground Depot Maintenance

This budget funds depot maintenance of Marine Corps ground equipment as shown in Tables 11a and 11b. Repair/rebuild is accomplished on a scheduled basis to maintain the materiel readiness of the equipment inventory necessary to support operational needs. Items programmed for repair are screened to ensure that a valid stock requirement exists and that the repair or rebuild of the equipment is the most cost effective means of satisfying the requirement. This program is closely coordinated with the Procurement, Marine Corps appropriation to ensure that the combined repair/procurement program provides a balanced level of attainment of inventory objectives for major equipment. Thus, the specified items to be rebuilt, both principal end items and components, are determined by a process which utilizes cost-benefit considerations as a prime factor. The rebuild costs for each item are updated annually on the basis of current applicable cost factors at the performing activities.

Tables 11a and 11b summarize active and reserve Ground Depot Maintenance.

Table 11a

Department of the Navy

Marine Corps Active Forces Ground Depot Maintenance

(Dollars in Millions)

	FY 2003		FY 2004		FY 2005	
	\$	% of Rqmt	\$	% of Rqmt	\$	% of Rqmt
Combat Vehicles	175	99%	22	41%	25	45%
Missiles	4	92%	1	1%	0	100%
Ordnance	15	80%	4	1%	7	100%
Other	56	88%	78	78%	69	74%
Total	250	95%	105	66%	101	65%

Table 11b

Department of the Navy

Marine Corps Reserve Forces Ground Depot Maintenance

(Dollars in Millions)

	FY 2003		FY 2004		FY 2005	
	\$	% of Rqmt	\$	% of Rqmt	\$	% of Rqmt
Combat Vehicles	0	0%	5	37%	8	68%
Missiles	1	95%	1	100%	0	0%
Ordnance	0	0%	0	86%	0	100%
Other	11	88%	5	78%	4	59%
Total	12	89%	10	52%	12	65%

SECTION III – PEOPLE



People who are well led, well trained, and adequately compensated are the most important resource in our readiness equation. Quality of life and quality of work remain a primary focus for the Department. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success. The Department continues to focus on three fronts: recruiting the right people, retaining the right people, and reducing attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force.

Military personnel FY 2005 budget estimates include a basic pay raise of 3.5%. Basic Allowance for Housing programs have been funded to reduce out-of-pocket expenses from 3.5% in FY 2004 to zero in FY 2005. We have funded various bonus programs to ensure success in meeting budgeted end strength levels. The Navy has budgeted for fewer end strength in FY 2005. All assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. Management of the resizing is challenging and may require additional force shaping tools. The Marine Corps end strength remains steady providing scalable and interoperable forces ensuring continued readiness.

Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. To accommodate the demand for this training in a more efficient manner, the Department is transitioning its training concepts and methods from the traditional schoolhouse classroom approach to processes that involve the use of simulators, trainers, computer-based interactive curriculums, and other approaches that are media based. Transformation initiatives are often the result of emerging technologies that permit the creation of a new type of military force and approach to warfare. Training individuals is critical to taking full advantage of advanced technologies.

MILITARY PERSONNEL

Active Navy Personnel

We have invested in recruiting, retaining, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying battle group units at least six months prior to deployment.

Recruiter Productivity (Active and Reserve)			
	FY 2003	FY 2004	FY 2005
# of Recruiters	4,500	4,370	4,200
# of Recruits	41,465	41,200	41,556
# of Recruits per Recruiter	9	9	10
Size of DEP (Beginning of FY)	25,801	26,367	25,167

Recruiting remains strong. Recruiters have made goal for 16 straight months. The quality of our recruits is excellent, with 94% of our recruits being high school graduates in FY 2003 and a continued target of 94% for FY 2005. Nearly 6% of new recruits had some college education. Retention is also strong, as shown in Table 12.



Attrition is being reduced. We will increase the number of E-4 to E-9s (Top 6) from 73.2% in FY 2004 to 74.1% in FY 2005 to retain more of our experienced leaders and maintain advancement opportunities.

The budgeted Navy end strength reflects a commitment to "proper sizing" including:

- Fleet Response Plan transformation
- Decommissioning of older, manpower intensive platforms
- Improved training and employment processes (e.g., Navy/USMC TACAIR integration)
- More efficient infrastructure manning
- Increased reliance on technology to reduce shipboard manning and shorten training pipelines
- Conversion of military to civilian or contractor performance as appropriate, including continued conversion of some billets on Military Sealift Command (MSC) ships, shift of additional ships to MSC, and a substantial number of medical functions.

Sea Warrior is the Navy's initiative to develop 21st century Sailors. This initiative takes into account new platforms, technologies, and rotational crewing concepts that revolutionize crew sizing, and provides interactive web-based tools and training for personal and professional development and career management. Sea Warrior identifies the knowledge, skills, and

abilities needed for mission accomplishment; applies career-long training and education continuum; and employs a responsive, interactive career management system to ensure the right skills are in the right place at the right time.

Chart 8 and Table 12 provide summary personnel end strength, accessions, reenlistment, and attrition data for active Navy personnel.

Chart 8– Active Navy Personnel End Strength

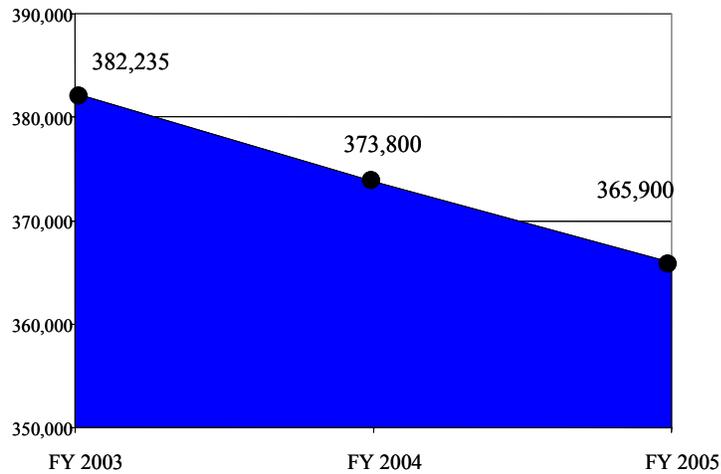


Table 12
Department of the Navy
Active Navy Personnel

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Officers	55,022	53,608	52,870
Enlisted	322,915	316,192	309,030
Midshipmen	4,298	4,000	4,000
Total: End Strength	382,235	373,800	365,900
Enlisted Accessions	41,465	41,200	41,000
Percent High School Diploma Graduates	94%	94%	95%*
Percent above average Armed Forces Qualification Test	62%	67%	67%

Enlisted Reenlistment Rates				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Steady State Goal</u>
Zone A (<6 years)	62%	56%	56%	57%
Zone B (6+ to 10 years)	77%	70%	70%	70%
Zone C (10+ to 14 years)	88%	85%	85%	90%

Enlisted Attrition			
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Zone A (<6 years)	7.9%	8.0%	8.0%
Zone B (6+ to 10 years)	1.9%	1.7%	1.7%
Zone C (10+ to 14 years)	1.3%	0.9%	0.9%

Reserve Navy Personnel

This budget supports reserve Navy personnel end strength of 83,400 in FY 2005, providing pay and allowances for drilling Navy reserve and full time support personnel.

This budget reflects the transfer of the two Naval Coastal Warfare squadrons from reserve to active, initiatives reducing seventy-six JROTC units, and a reduction of end strength based on efficiencies. Additionally, there are reductions in the inactive duty training and annual training participation rates for officers and enlisted to reflect historical data. We continue to dedicate resources to the Funeral Honors program and Inactive Duty for Training Travel based on increasing requirements. To meet Hospital Corpsman manning challenges the Navy Reserve continues the recruitment of non-prior service personnel.

Chart 9 and Table 13 provide summary personnel end strength, for reserve Navy personnel.

Chart 9 – Reserve Navy Personnel End Strength

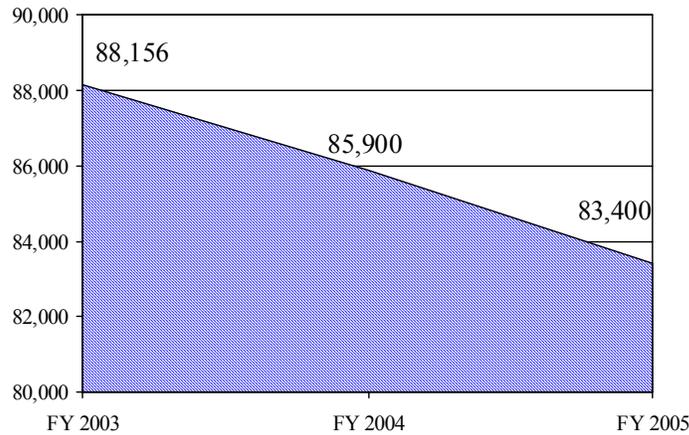


Table 13
Department of the Navy
Reserve Navy Personnel

	FY 2003	FY 2004	FY 2005
Drilling Reserve	73,578	71,516	69,248
Full Time Support	14,578	14,384	14,152
Total: End Strength	88,156	85,900	83,400

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Military Personnel, Navy	A-1
Reserve Personnel, Navy	A-3

Active Marine Corps Personnel

This budget supports an end strength of 175,000. The Marine Corps is realigning existing end strength to ensure continuing readiness and sustained combat capabilities. Because of increased demands, we are relying on Selected Marine Corps Reserve unit activations and individual augmentees as necessary to provide essential wartime capability. Approximately 1,300 military to civilian conversions allow the Marine Corps to return Marines who were required for use in supporting establishment billets to be reassigned to deployable forces, effectively increasing the number of “trigger pullers” with no increase in end strength.



The Marine Corps anticipates continued success in meeting recruiting and retention goals to maintain the planned force level. Additionally, this budget supports requirements for initial skill training, and follow-on training courses; provides for a martial arts program that provides combat skills for all members; and supports continued success in meeting recruit accession goals. This budget request also continues distance-learning program in effort to reduce the training pipeline, thereby increasing manning levels of the operating forces.

Recruiter Productivity (Active and Reserve)			
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
# of Recruiters	2,650	2,650	2,650
# of Recruits	43,050	39,394	41,307
# of Recruits per Recruiter	16	15	16

Chart 10 and Table 14 provide summary personnel end strength, accessions, and retention data for active Marine Corps personnel.

Chart 10 – Active Marine Corps Personnel End Strength

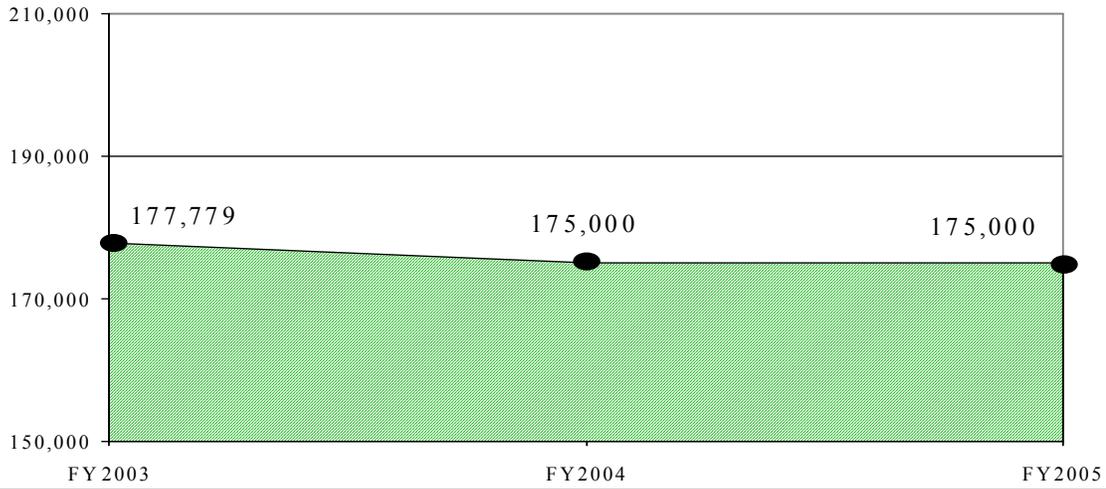


Table 14
Department of the Navy
Active Marine Corps Personnel

	FY 2003	FY 2004	FY 2005
Officers	18,746	18,567	18,288
Enlisted	159,033	156,433	156,712
Total: End Strength	177,779	175,000	175,000
Enlisted Accessions	38,679	37,062	41,031
Percent High School Diploma Graduates	97%	97%	97%
Percent above average Armed Forces Qualification Test	69%	70%	70%
Reenlistments	13,893	14,511	15,200

Enlisted Retention Rates				Steady
	FY 2003	FY 2004	FY 2005	State Goal
Zone A (<6 years)	26.0%	26.0%	26.0%	26.0%
Zone B (6+ to 10 years)	61.0%	61.0%	61.0%	61.0%
Zone C (10+ to 14 years)	95.6%	95.6%	95.6%	95.6%



Reserve Marine Corps Personnel

The FY 2005 budget request supports a Marine Corps Reserve end strength of 39,600. This end strength ensures the availability of trained units augmenting and reinforcing the active forces, as well as providing manpower for a Marine Air Ground Task Force headquarters and Marine Forces Reserve. The budget provides pay and allowances for drilling reservists attached to specific units, Individual Mobilization Augmentees, personnel in the training pipeline, and full-time active Reserve personnel. Consistent with the active component, the Marine Corps funds bonus programs at levels required to meet recruiting and retention goals.

The Marine Corps continually reviews its reserve requirements to fully support the National Military Strategy. The Department remains committed to reserve support enhancing and complementing the active force while maintaining unit readiness to meet crisis and security requirements.

Chart 11 and Table 15 provide summary personnel end strength for reserve Marine Corps personnel.

Chart 11 – Reserve Marine Corps Personnel End Strength

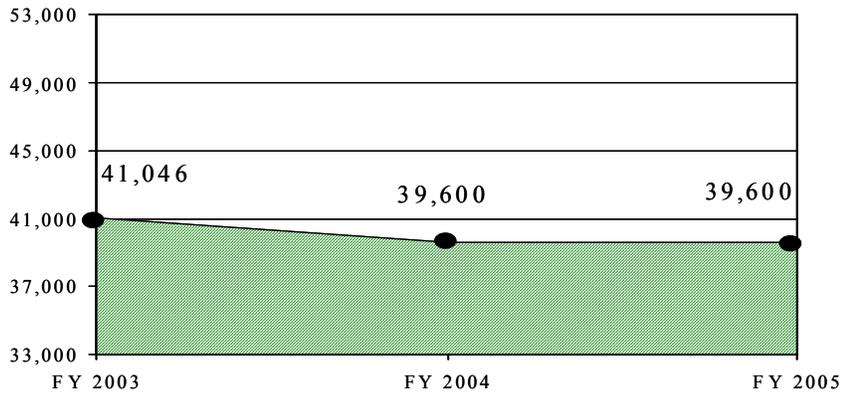


Table 15

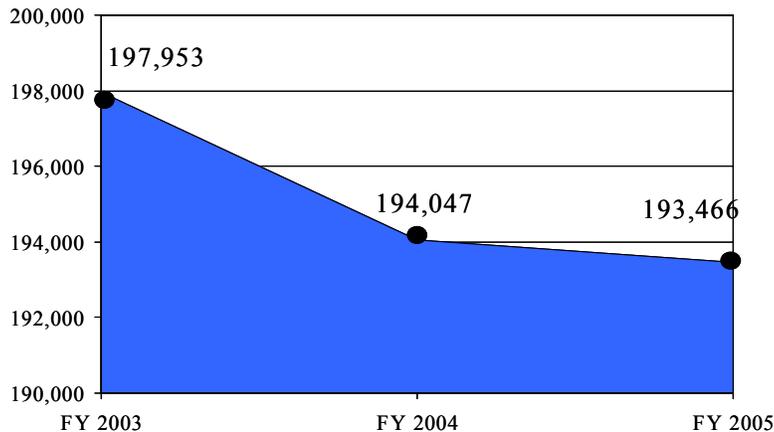
***Department of the Navy
Reserve Marine Corps Personnel***

	FY 2003	FY 2004	FY 2005
Drilling Reserve	38,790	37,339	37,339
Full Time Support	2,256	2,261	2,261
Total: End Strength	41,046	39,600	39,600

CIVILIAN PERSONNEL

A majority of the Department's civilian personnel are funded directly by operating appropriations and provide direct support at Navy and Marine Corps bases and stations; the engineering, development, acquisition, and life cycle support of weapon systems, as well as Navy Fleet/Marine Corps operations support. In addition, a significant portion of civilian personnel work at Navy Working Capital Fund activities supporting depot level maintenance and repair, development of enhanced warfighting capabilities at warfare centers, and direct fleet transportation, supply, and public works support.

Chart 12 – Civilian Personnel FTEs



Transforming the Workforce

National Security Personnel System (NSPS)

The FY 2004 National Defense Authorization Act authorized the Department of Defense (DoD) to establish a new human resources management system for the DoD civilians known as the National Security Personnel System (NSPS). This legislation enables the DoD to replace outdated and rigid civil service rules, and to recognize the critical role of our dedicated civilian workforce in the National security mission. NSPS will provide managers flexibility to place civilian workers where they are needed most, speeding up the hiring process, and introducing pay for performance bonuses. The NSPS system better utilizes the active duty force by making it easier to place civilian employees in jobs currently filled by uniformed military personnel. The

Department of the Navy has volunteered to be in the first wave of NSPS conversions during FY 2004.

Workforce Balancing

The Department continues its efforts to provide the most effective and efficient workload balance among its military, civilian, and supporting contractor components. As part of its on-going Strategic Sourcing program, the Department's budget reflects steady state savings in excess of \$1 billion by FY 2005. In particular, A-76 studies of over 30,000 civilian and military positions involving work that is commercial in nature have been completed or are currently underway, with the Department planning to study a total of over 63,000 positions by FY 2008. The Department has also emphasized the review of work currently performed by military personnel that is not "military essential" in nature and which could be performed by civilian or contractor personnel in a more efficient and cost effective manner. The Department's budget request reflects military to civilian conversions of over 3,000 Sailors and Marines in FY 2005.

Civilian Community Management

The Navy and Marine Corps have well-established career management and training programs in place for its uniformed members. The Department intends to leverage this expertise and where appropriate develop similar career programs for civilian personnel via the Civilian Community Management (CCM) program. CCM will include development of career paths covering a wide range of functions to support the integrated force concept.

The Department of the Navy continues to strive towards a leaner, more efficient organization so that it can best address its warfighting and recapitalization requirements. Chart 12 displays planned civilian personnel full-time equivalents and Table 16 displays total civilian personnel resources.

Table 16
Department of the Navy
Civilian Manpower
Full-time Equivalent

	FY 2003	FY 2004	FY 2005
Total — Department of the Navy	197,953	194,047	193,466
Component			
Departmental	9,708	9,612	9,618
Navy	170,324	167,712	166,480
Marine Corps	17,921	16,723	17,368
By Type Of Hire			
Direct	185,672	182,416	181,827
Indirect Hire, Foreign National	12,281	11,631	11,639
By Appropriation			
Operation and Maintenance, Navy	82,096	89,377	88,782
Operation and Maintenance, Navy Reserve	1,568	1,538	1,488
Operation and Maintenance, Marine Corps	16,381	15,040	15,846
Operation and Maintenance, Marine Corps Reserve	156	155	158
Total — Operation and Maintenance	100,201	106,110	106,274
Total — Working Capital Funds*	92,952	82,862	82,234
Military Construction, Navy	2,330	2,347	2,344
Research, Development, Test & Evaluation, Navy	1,337	1,369	1,364
Military Assistance	62	62	63
Family Housing (N/MC)	1,071	1,297	1,187
Total — Other	4,800	5,075	4,958
Special Interest Areas			
Fleet Activities	36,029	25,828	25,284
Shipyards*	19,247	11,474	11,396
Aviation Depots	10,789	10,989	11,062
Supply/Distribution/Logistics Centers	6,108	5,782	5,501
Warfare Centers	37,980	34,462	34,507
Engineering/Acquisition Commands	16,417	14,732	14,220
Medical	10,722	10,519	10,519
Installation Management	**	25,888	26,290

*Puget Sound Shipyard is mission funded in FY 2004 and FY 2005

**Installation Management devolved from other areas beginning in FY 2004

This page intentionally left blank.

SECTION IV - TECHNOLOGY INSERTION

The Department's program to recapitalize and transform naval forces is improving in this budget. We have 2 more new construction ships and 1 additional aircraft than in the FY 2004 budget as well as funding for transformational initiatives consistent with our focus to buy down future risk.

SHIP PROGRAMS

Surface Programs

The Department's FY 2005 budget continues to address the requirement for the acquisition, modernization, and recapitalization of the world's preeminent surface fleet. Continuing to integrate emerging technologies, the Navy will ensure that tomorrow's fleet will remain on the cutting edge.



CVN-21 will be a transformational 21st century ship and the future centerpiece of the Carrier Strike Group. It will have a new electrical generation and distribution system, an electro-magnetic aircraft launching system, a new/enlarged flight deck, weapons and material handling improvements, and a smaller crew (by at least 500). Construction of CVN-21 remains on track to start in FY 2007.

DD(X), a transformational 21st century surface combatant, will play a key role in the *Sea Power 21* strategic concept. Winning the fight requires the ability to assure access and maneuver warfare. DD(X) will be a multi-mission surface combatant and will be the precision strike and volume fires provider within the family of surface combatants. It will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces. Armed with an array of land attack weapons, DD(X) will provide offensive, distributed, and precision firepower at long ranges in support of forces ashore. DD(X) lead ship construction is planned to start in FY 2005, commencing with the detailed design.



A critical component of *Sea Power 21* is the Littoral Combat Ship (LCS). LCS is envisioned to be a fast, agile, stealthy, relatively small and affordable surface combatant capable of operating against anti-access, asymmetric threats in the littorals. The primary mission areas of LCS are small boat prosecution, mine countermeasures, shallow water anti-submarine warfare, and intelligence, surveillance, and reconnaissance. Secondary missions include homeland defense, maritime intercept, and special operation forces support. It will operate in environments where it is impractical to employ larger multi-mission ships. Detailed design and construction of the first LCS Flight 0 ship is planned in FY 2005.

FY 2005 marks the last procurement of the DDG-51 under the FY 2002-2005 multi-year contract. The Ticonderoga class (CG-47) cruiser modernization



program will continue in FY 2005. The modernization will replace obsolete combat systems, reduce combat system and computer maintenance costs, and extend mission relevant service life. The first shipyard availability begins in FY 2006.

Building on LPD-17 advanced procurement funding provided by the Congress in FY 2004, the FY 2005 budget provides the residual funding to construct LPD-23. The FY 2005 budget includes incremental funding needed in FY 2005 and FY 2006 to complete LHD-8. The Landing Craft Air Cushioned modernization program continues with a service life extension for five craft in FY 2005. The Landing Craft Utility (LCU) replacement program is a new start in FY 2005 and will build the first LCU(R) for testing and evaluation. The budget request continues research and development efforts in support of Landing Helicopter Assault Replacement procurement in FY 2008.

The FY 2005 budget also provides for procurement of two Auxiliary Cargo and Ammunition Ships in the National Defense Sealift Fund (NDSF). These will be the seventh and eighth ships of the class. The NDSF budget also includes funding for the development of mission variants for the FY 2007 MPF(Future) and the FY 2009 MPF(Aviation). The FY 2005 budget continues to provide advanced procurement funds for the CVN 70 Refueling Complex Overhaul, now scheduled to begin in FY 2006.

Chart 13 displays shipbuilding quantities for FY 2004 to FY 2009.

Chart 13 - Shipbuilding Programs

	FY04		FY05		FY06	FY07	FY08	FY09	FYDP
	PB04	Current	PB04	PB05					
CVN-21	-	-	-	-	-	1	-	-	1
SSN-774	1	1	1	1	1	1	1	2	6
DDG-51	3	3	3	3	-	-	-	-	3
DDX	-	-	1	1	-	2	2	3	8
LPD-17	1	1	1	1	1	1	1	1	5
LHA (R)	-	-	-	-	-	-	1	-	1
LCS	-	-	1	1	1 + 1	1	3	6	13
T-AKE (NDSF)	2	2	2	2	2	1	-	-	5
T-AOE(X) (NDSF)	-	-	-	-	-	-	-	2	2
MPF(Future) (NDSF)	-	-	-	-	-	1	-	2	3
MPF(Aviation) (NDSF)	-	-	-	-	-	-	-	1	1
Total New Construction	7	7	8	9	6	8	8	17	48
CVN RCOH	-	-	1	-	1	-	-	-	1
SSN Refueling	1	2	1	-	-	3	1	-	4
SSBN Refueling	-	-	1	1	1	1	1	1	5
SSGN Conversion	1	1	1	1	-	-	-	-	1
PY Completion \$M		\$636		\$484	\$46	-	-	-	
Color Legend:	Funded in RD TEN		Transformational						

Submarine Programs

The Navy will covertly project power with its fleet of modern SSN-688, SSGN, Seawolf, Virginia class, and Trident submarines. Their firepower, stealth sensors, and communications equipment will enable submarines to act as force multipliers in every conceivable scenario. This budget also includes the ongoing effort to modernize the existing submarine fleet with the latest technology ensuring the viability of these critical ships while, at the same time, continuing to replace aging fast attack submarines with the new Virginia class submarine. Construction of Virginia class submarines is performed under a teaming arrangement with General Dynamics and Northrop Grumman Newport News Shipbuilding Company. FY 2004 funded the first of five submarines under a multi-year procurement (MYP) contract awarded in January. The second submarine of the MYP contract is funded in FY 2005. Approximately \$240 million in economic order quantity advanced procurement is also funded in FY 2005 in support of this contract.



FY 2005 also includes funding to continue the SSGN program, providing covert conventional strike platforms capable of carrying 150 Tomahawk

missiles. The FY 2005 budget request will convert the third of four Trident SSBNs to SSGNs and refuel the fourth submarine. Conversion of the fourth is planned for FY 2006.

Ship Weapons Programs



The Standard Missile program replaces ineffective, obsolete inventories with the more capable Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved Guided Missile Launching System and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air, and surface mode. In addition to Standard Missile and RAM, the FY 2005 budget provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM) and will support a production contract award of 71 missiles. Additionally, the Tactical Tomahawk missile continues full rate production in FY 2005 via multi-year procurement.

Major Weapons Quantities						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Tactical Tomahawk	350	293	419	434	485	424
Standard Missile	75	75	75	75	94	110
RAM	90	90	90	90	90	156
ESSM	82	71	116	108	137	112

Several land attack research and development efforts critical to future littoral warfare continue in FY 2005, including an extended range munition, the 5”/62 gun, the Advance Gun System (AGS), the Naval Fires Control System (NFCS), and the Naval Fires Network (NFN). The AGS will provide the next generation of surface combatants with a modular large caliber gun system including an automated magazine handling system. The NFCS and NFN will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.



<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Shipbuilding and Conversion, Navy	A-12
Research, Development, Test and Evaluation, Navy	A-16
Weapon Procurement, Navy	A-11
National Defense Sealift Fund	A-17
Procurement of Ammunition, Navy and Marine Corps	A-15

AVIATION PROGRAMS

Aircraft Programs



The Department's FY 2005 budget is structured to maintain the continued superiority of Navy and Marine Corps aviation for the next generation. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement contracts for the F/A-18E/F and EA-18G (both airframe and engine), E2-C, MH-60S, and KC-130J. The Department continues to implement the TACAIR integration plan to reduce the number of new aircraft needed. Robust development funding is also provided for Joint Strike Fighter (JSF), MV-22, EA-18G, Multi-Mission Maritime Aircraft (MMA), Aerial Common Sensor (ACS), and Executive Transport Helicopter (VXX).

The F/A-18E/F continues to be the centerpiece of Navy combat aviation and entered into a five-year multi-year procurement contract commencing in FY 2004. Additionally, the FY 2005 budget for this aircraft increases funding for ancillary equipment, weapons integration, and Active Electronically Scanned Array, which are critical to the success of the F/A-18 program. With significant commonality with the F/A-18 E/F, the Department has selected the EA-18G as its follow-on Airborne Electronic Attack aircraft to replace the aging EA-6B fleet.



The Department will continue to procure AH-1Z/UH-1Y. These aircraft will provide numerous capability improvements for the Marine Corps, including increased payload, range, and time on station, improved sensors and lethality, and 85% component commonality. Both aircraft will also incorporate common, modernized and fully integrated cockpits/avionics that will reduce operator workload, and improve situational awareness and safety.

The Department made significant changes to the P-3 and MMA programs to ensure future maritime patrol requirements are met. The Department has added funding for the Special Structural Inspection Kit program, which

provides pre-emptive replacement of P-3 wing components and extends aircraft service life a minimum of 5,000 flight hours. Additionally, FY 2005 funding for MMA will help ensure the Initial Operating Capability of FY 2012 will be met.

Joint aircraft programs continue to be an important component of the naval acquisition strategy, with the JSF continuing in the Systems Development and Demonstration phase. The program has been restructured, with a delay in procurement, to ensure time to address key technology challenges. In FY 2005 the Department will join the Army ACS program to provide a common solution to signal intelligence requirements and to replace the Navy's EP-3s. The joint V-22 program continues with the procurement of MV-22s, coupled with CV-22s, at the minimum sustaining rate. The V-22 program is designed to meet the amphibious/vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and supplement USSOCOM special mission aircraft.

Continuing the emphasis on transformational systems, the Department has budgeted research and development funding through the FYDP for several aviation programs. The Advanced Hawkeye (E-2 Radar Modernization Program) is funded through the FYDP with the first production in FY 2008. A fully automated digital engine control and improved generators have been incorporated into the aircraft to improve performance and reliability. Additionally, the Department has included funding to support procurement of required capabilities in the fleet, such as Advanced Targeting Forward Looking Infra-Red and Joint Helmet Mounted Cueing Systems. The development of the VXX, the replacement for the legacy Presidential helicopter fleet, continues in FY 2005 to attain an IOC of FY 2008.

The FY 2005 budget continues to demonstrate the Department's commitment to developing, acquiring, and fielding transformational Unmanned Aerial Vehicle (UAV) technologies for intelligence, surveillance, and reconnaissance and tactical missions. The budget includes funding for the Broad Area Maritime Surveillance UAV and the vertical take off and landing UAV.

Chart 14 displays the Department's new production and remanufactured aircraft programs for FY 2004 - FY 2009.

Chart 14 - Aircraft Programs

	FY04		FY05		FY06	FY07	FY08	FY09	FYDP
	PB04	Current	PB04	PB05					
JSF	-	-	-	-	-	2	16	40	58
F/A-18 E/F	42	42	42	42	38	30	24	20	154
EA-18G	-	-	-	-	4	12	18	22	56
MV-22	9	9	8	8	15	29	30	33	115
UH-1Y/AH-1Z	9	9	7	9	12	19	21	21	82
CH-53E	-	-	-	-	-	-	3	5	8
MH-60S	13	13	15	15	26	30	30	40	141
MH-60R	6	6	10	8	15	21	31	31	106
VXX	-	-	-	5	-	3	4	-	12
E-2C	2	2	2	2	2	2	4	4	14
UC-35	2	4	-	-	-	-	-	-	0
C-40	1	1	1	1	3	3	-	-	7
C-37	-	1	1	1	-	-	-	2	3
T-48	1	-	2	1	3	3	7	-	14
T-45	15	14	8	8	5	-	-	-	13
JPATS	-	2	-	-	-	24	48	48	120
KC-130J	-	-	4	4	4	4	4	5	21
BAMS UAV	-	-	-	-	-	2	4	4	10
ACS	-	-	-	-	-	-	2	2	4
MMA	-	-	-	-	-	-	-	8	8
TOTAL	100	103	100	104	127	184	246	285	946

Color Legend: Funded In RDTEN Transformational

Within our aircraft modifications program, we continue emphasis on safety modifications as well as key operational improvements. The FY 2005 budget requests funding for procurement of the AV-8B Open System Core Avionics Requirements program to update obsolete avionics, the F/A-18 Radar Upgrade, and various structural and safety improvements. Funding is also provided for Anti-Surface Warfare Improvement Program efforts, the EP-3 Update III Common Configuration program, and upgrades to tactical aircraft electronic warfare countermeasures capabilities. The Department continues to procure the EA-6B Improved Capability III. This upgrade will provide the Prowler with a new selective re-active receiver with integrated communications, jamming, and connectivity capabilities. This increased capability will be a welcome addition for an aircraft that experienced extremely high OPTEMPO during Operations Enduring Freedom/Noble Eagle and Operation Iraqi Freedom.

Aircraft Weapons Programs

The employment of Precision-Guided Munitions during Operation Enduring Freedom and Operation Iraqi Freedom demonstrated all weather, day and night, precision strike, capable of being delivered well inland on demand. The budget continues to procure M82 and M83 variants of the Joint Direct Attack Munition (JDAM) and includes procurement of unguided bombs to support deliveries of JDAM and Laser Guided Bomb precision guidance kits. The Joint Standoff Weapon (JSOW) Unitary (penetrator variant) enters full rate production in FY 2005, while production of the JSOW Baseline (dispenser variant) continues.

Major Aviation Weapons Quantities						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
JSOW	328	389	412	380	422	444
SLAM-ER	77	0	0	0	0	0
AIM-9X	102	157	170	226	211	181
JDAM	12,326	6,620	4,250	3,430	2,850	4,380
AMRAAM	42	46	101	150	140	150
JASSM	0	0	0	0	28	106
Common Missile	0	0	0	0	22	88

The AIM-9X Sidewinder air-to-air missile enters full rate production in FY 2005, providing a significantly increased capability required to defeat existing threats. The Department continues the procurement of the Advanced Medium Range Air-to-Air Missile (AMRAAM), the next generation, all weather, all environment, radar guided missile for air defense.

The FY 2005 budget continues the integration of the Joint Air-To-Surface Standoff Missile (JASSM) on the F/A-18E/F. Finally, the Department will enter into a Common Missile research and development program with the Army to replace the aging inventory of TOW, Maverick, and HELLFIRE missiles.

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Aircraft Procurement, Navy	A-10
Weapon Procurement, Navy	A-11
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16

MINE WARFARE



In keeping with the Department's goal to achieve an organic mine warfare capability in FY 2005, the budget includes funding to meet scheduled battle group deployments while maintaining funding for a potent and dedicated Mine Countermeasure force. The FY 2005 budget continues the development and integration of two key organic systems: the AQS-20A Minehunting System (IOC of Nov 2005) and the Airborne Laser Mine Detection System LCS module (IOC of FY 2006) on the MH-60S platform. The budget also continues the development of the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the Organic Airborne and Surface Influence Sweep (OASIS) system, with IOC planned in FY 2007 for AMNS and RAMICS, and FY 2008 for OASIS. Funding is also included for the development of a single common console for all Airborne Mine Counter Measures systems to establish a fully integrated mid-term organic mine warfare capability on the MH-60 helicopter.

The FY 2005 budget continues the development of the Long-Range Mine Reconnaissance System (LMRS). LMRS will provide a clandestine reconnaissance capability for mine and mine-like objects. The FY 2005 budget includes funding for the development and acquisition of the Remote Minehunting System, with an FY 2005 IOC and planned fielding on DDG 91-96. Lastly, funding is requested for the Assault Breaching System to add mine and obstacle clearance capability in the beach and surf zones.

Also refer to Appendix A for more information:

Weapons Procurement, Navy

Other Procurement, Navy

Research, Development, Test and Evaluation, Navy

Table

A-11

A-13

A-16

C4I PROGRAMS



The Navy's Command, Control, Communication, Computers, and Intelligence (C4I) programs represent the backbone of the combat capability of Naval forces. The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a "Sensor-to-Shooter" emphasis; and information/command and control warfare.

A central theme continuing to shape the Navy's budget for C4I programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 provides the common backbone for command, control, communications, computers, and intelligence systems to be linked afloat, ashore, and to the Internet. The Integrated Shipboard Network Systems (ISNS) afloat and local and regional networks ashore integrated under the Navy/Marine Corps Intranet serve as the principal element of this effort. The networks integrate afloat tactical and tactical support applications with enhanced satellite systems and ashore networks. FY 2005 funding continues to accelerate ISNS procurement and installation to achieve a Full Operational Capability (FOC) for all platforms by FY 2007. IT-21 connectivity is critical because it provides the managed bandwidth for timely transmission of information. The Satellite Communications Systems program continues expansion of available bandwidth to the warfighter.



FY 2005 reflects the procurement of the first of nine Advanced Narrowband System/Mobile User Objective System (ANS/MUOS), leading to an Initial Operational Capability (IOC) in FY 2009 and FOC in FY 2013. ANS/MUOS will provide the DoD's Ultra High Frequency satellite communication capability for the 21st century.

FY 2005 continues the development of Advanced EHF (AEHF) terminals that support the synchronization with the Air Force's Advanced Wideband System (AWS/AEHF) satellite program to meet an IOC in FY 2010 and FOC in FY 2014. FY 2005 continues the System Development and Demonstration Phase of the Joint Tactical Radio System Maritime/Fixed Cluster. The joint radio system is a single family of radios that will replace and integrate various incompatible Service radios.

Funding in FY 2005 also continues the procurement and installation of Global Broadcast System, Super High Frequency, and Extra High Frequency terminals and provides for upgraded power distribution and enhanced connectivity “drops” accomplished during equipment installations.

The “Sensor-to-Shooter” concept, which is increasingly critical in the Joint arena, focuses on the process of putting a weapon on target using all available sensor data. Funding continues in FY 2005 for the Advanced Tactical Data Links system, ensuring timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks. FY 2005 continues development of FORCEnet. FORCEnet is a cornerstone Command, Control, Communication, Computers, Surveillance, and Reconnaissance architecture which will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare spectrums.

Information Warfare/Command and Control Warfare is the integrated use of operations security, military deception, psychological operations, electronic warfare, and physical destruction to deny information to, influence, degrade, or destroy an adversary’s C2 capabilities against such actions. FY 2005 funding provides for the procurement of Common Data Link – Navy systems and continues funding for the Maritime Cryptologic Systems for the 21st Century. In the Information Systems Security Program, FY 2005 funds the procurement of Mission Critical Secure Terminal Equipment. FY 2005 funding continues to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, and the Marine Corps.

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Other Procurement, Navy	A-13
Procurement, Marine Corps	A-14

MARINE CORPS GROUND EQUIPMENT



This category of our budget supports the development and subsequent fielding of all equipment used by Marine Corps ground forces. These programs represent the modernization of existing capabilities and some of them will help provide truly transformational methods the Marine Corps will bring to future conflicts.

Modernization efforts contained within the FY 2005 budget reflect several major replacements and upgrade programs, both new and continuing. Included are the High Mobility Multi-Purpose Wheeled Vehicle (HMMWVA2) program and the Light Armored Vehicle Product Improvement Program (LAV PIP). The LAV PIP ensures that LAV combat capabilities will be preserved through FY 2015.

This budget continues the procurement of the transformational Expeditionary Fighting Vehicle (EFV), formerly known as the Advanced Amphibious Assault Vehicle, through the purchase of special tooling in FY 2005. The EFV will allow immediate high-speed surface maneuver by Marine infantry units as they are off-loaded by ships located beyond the enemy's visual horizon. Production representative vehicle procurement occurred in FY 2003 and will deliver in FY 2005. Initial Operational Capability will be reached in FY 2008 and Full Operational Capability in 2018.



Critical to Marine Corps transformation efforts, the Lightweight 155mm Howitzer (LW-155) will provide significant improvements over the current M198 system. Its lighter weight and increased lethality will allow for rapid deployment and improved accuracy. The LW-155 is compatible with all U.S. and NATO 155mm rounds, and its smaller footprint reduces the strategic sealift required.

Another transformational component of the FY 2005 budget, the High Mobility Artillery Rocket System (HIMARS), will continue Low Rate Production. HIMARS is a C-130 transportable, wheeled, indirect fire weapon system with a range of 30 to 60 km, thus providing a major improvement in area fire support.

The FY 2005 budget includes 34 Unit Operations Centers that offer centralized facilities to host C2 functionality for the Marine Air Ground Task Force Command Element, Ground Combat Element, Aviation Combat Element, and Combat Service Support Element. They will provide tentage, power, cabling, local area network, and processing systems while remaining scalable to support command echelons at the battalion level and above.

Procurement of Assault Breaching Vehicles (ABVs) begins in FY 2005 with initial quantity of 2. The ABV provides the ability to breach minefields and clear complex obstacles while keeping pace with the maneuver force and providing exceptional crew protection and survivability. Additionally, the ABV consists of a rebuilt and upgraded M1 tank chassis affording the economic advantages of commonality with the M1A1 tank fleet.

Major Marine Corps Ground Equipment Procurement Quantities						
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
HMMWV2	1,839	1,830	1,947	1,827	1,774	486
EFV	-	-	18	24	54	90
LW155	60	97	93	33	-	-
HIMARS	1	1	15	19	-	-
Unit Ops Ctr	31	34	41	95	89	133
ABV	-	2	13	15	-	-



Also refer to Appendix A for more information:	Table
Procurement, Marine Corps	A-14
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16

RESEARCH AND DEVELOPMENT SUPPORT

Processes for Innovation

Sea Trial is the Navy process of integrating emergent concepts and technologies, leading to continuous improvements in warfighting effectiveness and a sustained commitment to innovation. It is based on the mutually reinforcing mechanisms of technology push, concept pull, and spiral development. It puts the Fleet at the heart of innovation and provides a mechanism to more readily capture the fruits of their operational excellence and experimentation.

Led by the Naval Warfare Development Command (NWDC), Sea Trial is designed to constantly survey the changing frontier of technological development, identifying those candidates with the greatest potential to provide dramatic increases in warfighting capability. The result is a process that discovers and aligns emergent technologies to deliver next-generation equipment into the hands of the warfighters. Following the warfighter's lead, supporting centers for concept development propose innovative operational concepts to address emergent conditions. A basic premise is that new capabilities must be delivered to the Fleet quickly and efficiently. To retain technological superiority, we are shifting to spiral development. Under the spiral development philosophy, systems are designed to receive technological updates at regular intervals without disrupting production or performance. A primary goal of Sea Trial is to more fully integrate the technological and conceptual centers of excellence in the Systems Commands and elsewhere, along with testing and evaluation centers, so that their combined efforts result in significant advancements in deployed combat capability. Working closely with the Fleet, technology development centers, Systems Commands, warfare centers, and academic resources, NWDC will continue to align wargaming, experimentation, and exercise events so that they optimally support the development of transformational concepts and technologies.



The FY 2005 budget continues to finance Marine Corps led experimentation with future tactics, concepts, and innovations involving both Marine and Navy forces. The Marine Corps Warfighting Laboratory is the centerpiece for operational reform in the Marine Corps, investigating new and potentially

valuable technologies, and evaluating their impact on how the Marine Corps organizes, equips, and trains to fight in the future. Examples of such efforts include work on Command Post Systems, Command and Control shared data environments, landing force technologies, and assault vehicles. In addition, the budget continues to finance Non-Lethal Weapons research and development – a program for which the Marine Corps serves as the Executive Agent. In the FY 2005 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare, giving the Marine Corps the versatility to tackle any mission it may confront in an ever-changing world environment.



Science and Technology

The Department continues to refocus how it transitions Science and Technology (S&T) to the acquisition community and the warfighter. This focus will maintain a broad base of S&T fed into the research and development transition process while ensuring adequate coverage for military superiority against technological surprise. The focus is on advanced Future Naval Capabilities to the warfighter and technological innovation to support the National Military Strategy. These desired future capabilities are approved by the Department of the Navy Science and Technology Corporate Board. Technology products resulting from the investment in future naval capabilities are transitioning to acquisition programs throughout the FYDP. Such programs include, but are not limited to: next generation warships (especially those with all-electric systems, advanced propulsion, and reduced manning), advanced combat systems for the Marine Corps, and advanced tactical aircraft and weapons.

Management and Support

Research, Development, Test, and Evaluation Management Support funds installations required for general research and development use. These efforts include the test and evaluation support programs required to operate the Navy's test range sites; research and development aircraft and ship funding, target and threat simulator development efforts. This funding level reflects required infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Seventy-three percent of this funding, or about \$476.5 million in FY 2005, supports the Major Range and Test Facilities Base, necessary to conduct independent test

and evaluation assessments for all Navy ship, submarine, aircraft, weapons, combat systems and other development, acquisition, and operational system improvements.

The remaining categories of research are platform-related and have been discussed as applicable in the previous sections. Table 17 provides Research, Development, Test, and Evaluation, Navy summary data at the budget activity level and the major platform efforts.



<p><u>Also refer to Appendix A for more information:</u> Research, Development, Test and Evaluation, Navy</p>	<p><u>Table</u> A-16</p>
--	-------------------------------------

Table 17**Department of the Navy****Research, Development, Test and Evaluation***(In Millions of Dollars)*

	FY 2003	FY 2004	FY 2005
Significant RDT&E,N Activities			
Science and Technology	1,998	2,217	1,718
<i>Basic Research</i>	406	484	477
<i>Applied Research</i>	778	724	564
<i>Advanced Technology Development</i>	814	1,009	677
Advanced Component Development and Prototypes	2,661	2,807	2,804
System Development and Demonstration	5,185	6,360	8,009
R&D Management Support	939	687	654
Operational Systems Development	2,917	2,898	3,162
Total R&D	13,700	14,969	16,346

Major Platform Efforts:

Joint Strike Fighter	1,662	2,159	2,265
DD(X)	668	1,052	1,432
C4I	563	753	1,020
VXX	27	195	777
Advanced Hawkeye	172	343	597
MMA	66	71	496
EA-18G	18	215	358
CVN-21	362	335	353
LCS	35	166	352
V-22	387	402	304
EFV	263	238	237
Unmanned Aerial Vehicles (UAV)	256	188	173
Virginia Class SSN	235	145	143
F/A-18	193	173	135
LHA(R)	39	64	44
Deployable Joint Command and Control (DJC2)	32	64	42

This page intentionally left blank.

SECTION IV - TECHNOLOGY INSERTION

The Department's program to recapitalize and transform naval forces is improving in this budget. We have 2 more new construction ships and 1 additional aircraft than in the FY 2004 budget as well as funding for transformational initiatives consistent with our focus to buy down future risk.

SHIP PROGRAMS

Surface Programs

The Department's FY 2005 budget continues to address the requirement for the acquisition, modernization, and recapitalization of the world's preeminent surface fleet. Continuing to integrate emerging technologies, the Navy will ensure that tomorrow's fleet will remain on the cutting edge.



CVN-21 will be a transformational 21st century ship and the future centerpiece of the Carrier Strike Group. It will have a new electrical generation and distribution system, an electro-magnetic aircraft launching system, a new/enlarged flight deck, weapons and material handling improvements, and a smaller crew (by at least 500). Construction of CVN-21 remains on track to start in FY 2007.

DD(X), a transformational 21st century surface combatant, will play a key role in the *Sea Power 21* strategic concept. Winning the fight requires the ability to assure access and maneuver warfare. DD(X) will be a multi-mission surface combatant and will be the precision strike and volume fires provider within the family of surface combatants. It will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces. Armed with an array of land attack weapons, DD(X) will provide offensive, distributed, and precision firepower at long ranges in support of forces ashore. DD(X) lead ship construction is planned to start in FY 2005, commencing with the detailed design.



A critical component of *Sea Power 21* is the Littoral Combat Ship (LCS). LCS is envisioned to be a fast, agile, stealthy, relatively small and affordable surface combatant capable of operating against anti-access, asymmetric threats in the littorals. The primary mission areas of LCS are small boat prosecution, mine countermeasures, shallow water anti-submarine warfare, and intelligence, surveillance, and reconnaissance. Secondary missions include homeland defense, maritime intercept, and special operation forces support. It will operate in environments where it is impractical to employ larger multi-mission ships. Detailed design and construction of the first LCS Flight 0 ship is planned in FY 2005.

FY 2005 marks the last procurement of the DDG-51 under the FY 2002-2005 multi-year contract. The Ticonderoga class (CG-47) cruiser modernization



program will continue in FY 2005. The modernization will replace obsolete combat systems, reduce combat system and computer maintenance costs, and extend mission relevant service life. The first shipyard availability begins in FY 2006.

Building on LPD-17 advanced procurement funding provided by the Congress in FY 2004, the FY 2005 budget provides the residual funding to construct LPD-23. The FY 2005 budget includes incremental funding needed in FY 2005 and FY 2006 to complete LHD-8. The Landing Craft Air Cushioned modernization program continues with a service life extension for five craft in FY 2005. The Landing Craft Utility (LCU) replacement program is a new start in FY 2005 and will build the first LCU(R) for testing and evaluation. The budget request continues research and development efforts in support of Landing Helicopter Assault Replacement procurement in FY 2008.

The FY 2005 budget also provides for procurement of two Auxiliary Cargo and Ammunition Ships in the National Defense Sealift Fund (NDSF). These will be the seventh and eighth ships of the class. The NDSF budget also includes funding for the development of mission variants for the FY 2007 MPF(Future) and the FY 2009 MPF(Aviation). The FY 2005 budget continues to provide advanced procurement funds for the CVN 70 Refueling Complex Overhaul, now scheduled to begin in FY 2006.

Chart 13 displays shipbuilding quantities for FY 2004 to FY 2009.

Chart 13 - Shipbuilding Programs

	FY04		FY05		FY06	FY07	FY08	FY09	FYDP
	PB04	Current	PB04	PB05					
CVN-21	-	-	-	-	-	1	-	-	1
SSN-774	1	1	1	1	1	1	1	2	6
DDG-51	3	3	3	3	-	-	-	-	3
DDX	-	-	1	1	-	2	2	3	8
LPD-17	1	1	1	1	1	1	1	1	5
LHA (R)	-	-	-	-	-	-	1	-	1
LCS	-	-	1	1	1 + 1	1	3	6	13
T-AKE (NDSF)	2	2	2	2	2	1	-	-	5
T-AOE(X) (NDSF)	-	-	-	-	-	-	-	2	2
MPF(Future) (NDSF)	-	-	-	-	-	1	-	2	3
MPF(Aviation) (NDSF)	-	-	-	-	-	-	-	1	1
Total New Construction	7	7	8	9	6	8	8	17	48
CVN RCOH	-	-	1	-	1	-	-	-	1
SSN Refueling	1	2	1	-	-	3	1	-	4
SSBN Refueling	-	-	1	1	1	1	1	1	5
SSGN Conversion	1	1	1	1	-	-	-	-	1
PY Completion \$M		\$636		\$484	\$46	-	-	-	
Color Legend:	Funded in RD TEN		Transformational						

Submarine Programs

The Navy will covertly project power with its fleet of modern SSN-688, SSGN, Seawolf, Virginia class, and Trident submarines. Their firepower, stealth sensors, and communications equipment will enable submarines to act as force multipliers in every conceivable scenario. This budget also includes the ongoing effort to modernize the existing submarine fleet with the latest technology ensuring the viability of these critical ships while, at the same time, continuing to replace aging fast attack submarines with the new Virginia class submarine. Construction of Virginia class submarines is performed under a teaming arrangement with General Dynamics and Northrop Grumman Newport News Shipbuilding Company. FY 2004 funded the first of five submarines under a multi-year procurement (MYP) contract awarded in January. The second submarine of the MYP contract is funded in FY 2005. Approximately \$240 million in economic order quantity advanced procurement is also funded in FY 2005 in support of this contract.



FY 2005 also includes funding to continue the SSGN program, providing covert conventional strike platforms capable of carrying 150 Tomahawk

missiles. The FY 2005 budget request will convert the third of four Trident SSBNs to SSGNs and refuel the fourth submarine. Conversion of the fourth is planned for FY 2006.

Ship Weapons Programs



The Standard Missile program replaces ineffective, obsolete inventories with the more capable Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved Guided Missile Launching System and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air, and surface mode. In addition to Standard Missile and RAM, the FY 2005 budget provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM) and will support a production contract award of 71 missiles. Additionally, the Tactical Tomahawk missile continues full rate production in FY 2005 via multi-year procurement.

Major Weapons Quantities						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Tactical Tomahawk	350	293	419	434	485	424
Standard Missile	75	75	75	75	94	110
RAM	90	90	90	90	90	156
ESSM	82	71	116	108	137	112

Several land attack research and development efforts critical to future littoral warfare continue in FY 2005, including an extended range munition, the 5”/62 gun, the Advance Gun System (AGS), the Naval Fires Control System (NFCS), and the Naval Fires Network (NFN). The AGS will provide the next generation of surface combatants with a modular large caliber gun system including an automated magazine handling system. The NFCS and NFN will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.



<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Shipbuilding and Conversion, Navy	A-12
Research, Development, Test and Evaluation, Navy	A-16
Weapon Procurement, Navy	A-11
National Defense Sealift Fund	A-17
Procurement of Ammunition, Navy and Marine Corps	A-15

AVIATION PROGRAMS

Aircraft Programs



The Department's FY 2005 budget is structured to maintain the continued superiority of Navy and Marine Corps aviation for the next generation. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement contracts for the F/A-18E/F and EA-18G (both airframe and engine), E2-C, MH-60S, and KC-130J. The Department continues to implement the TACAIR integration plan to reduce the number of new aircraft needed. Robust development funding is also provided for Joint Strike Fighter (JSF), MV-22, EA-18G, Multi-Mission Maritime Aircraft (MMA), Aerial Common Sensor (ACS), and Executive Transport Helicopter (VXX).

The F/A-18E/F continues to be the centerpiece of Navy combat aviation and entered into a five-year multi-year procurement contract commencing in FY 2004. Additionally, the FY 2005 budget for this aircraft increases funding for ancillary equipment, weapons integration, and Active Electronically Scanned Array, which are critical to the success of the F/A-18 program. With significant commonality with the F/A-18 E/F, the Department has selected the EA-18G as its follow-on Airborne Electronic Attack aircraft to replace the aging EA-6B fleet.



The Department will continue to procure AH-1Z/UH-1Y. These aircraft will provide numerous capability improvements for the Marine Corps, including increased payload, range, and time on station, improved sensors and lethality, and 85% component commonality. Both aircraft will also incorporate common, modernized and fully integrated cockpits/avionics that will reduce operator workload, and improve situational awareness and safety.

The Department made significant changes to the P-3 and MMA programs to ensure future maritime patrol requirements are met. The Department has added funding for the Special Structural Inspection Kit program, which

provides pre-emptive replacement of P-3 wing components and extends aircraft service life a minimum of 5,000 flight hours. Additionally, FY 2005 funding for MMA will help ensure the Initial Operating Capability of FY 2012 will be met.

Joint aircraft programs continue to be an important component of the naval acquisition strategy, with the JSF continuing in the Systems Development and Demonstration phase. The program has been restructured, with a delay in procurement, to ensure time to address key technology challenges. In FY 2005 the Department will join the Army ACS program to provide a common solution to signal intelligence requirements and to replace the Navy's EP-3s. The joint V-22 program continues with the procurement of MV-22s, coupled with CV-22s, at the minimum sustaining rate. The V-22 program is designed to meet the amphibious/vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and supplement USSOCOM special mission aircraft.

Continuing the emphasis on transformational systems, the Department has budgeted research and development funding through the FYDP for several aviation programs. The Advanced Hawkeye (E-2 Radar Modernization Program) is funded through the FYDP with the first production in FY 2008. A fully automated digital engine control and improved generators have been incorporated into the aircraft to improve performance and reliability. Additionally, the Department has included funding to support procurement of required capabilities in the fleet, such as Advanced Targeting Forward Looking Infra-Red and Joint Helmet Mounted Cueing Systems. The development of the VXX, the replacement for the legacy Presidential helicopter fleet, continues in FY 2005 to attain an IOC of FY 2008.

The FY 2005 budget continues to demonstrate the Department's commitment to developing, acquiring, and fielding transformational Unmanned Aerial Vehicle (UAV) technologies for intelligence, surveillance, and reconnaissance and tactical missions. The budget includes funding for the Broad Area Maritime Surveillance UAV and the vertical take off and landing UAV.

Chart 14 displays the Department's new production and remanufactured aircraft programs for FY 2004 - FY 2009.

Chart 14 - Aircraft Programs

	FY04		FY05		FY06	FY07	FY08	FY09	FYDP
	PB04	Current	PB04	PB05					
JSF	-	-	-	-	-	2	16	40	58
F/A-18 E/F	42	42	42	42	38	30	24	20	154
EA-18G	-	-	-	-	4	12	18	22	56
MV-22	9	9	8	8	15	29	30	33	115
UH-1Y/AH-1Z	9	9	7	9	12	19	21	21	82
CH-53E	-	-	-	-	-	-	3	5	8
MH-60S	13	13	15	15	26	30	30	40	141
MH-60R	6	6	10	8	15	21	31	31	106
VXX	-	-	-	5	-	3	4	-	12
E-2C	2	2	2	2	2	2	4	4	14
UC-35	2	4	-	-	-	-	-	-	0
C-40	1	1	1	1	3	3	-	-	7
C-37	-	1	1	1	-	-	-	2	3
T-48	1	-	2	1	3	3	7	-	14
T-45	15	14	8	8	5	-	-	-	13
JPATS	-	2	-	-	-	24	48	48	120
KC-130J	-	-	4	4	4	4	4	5	21
BAMS UAV	-	-	-	-	-	2	4	4	10
ACS	-	-	-	-	-	-	2	2	4
MMA	-	-	-	-	-	-	-	8	8
TOTAL	100	103	100	104	127	184	246	285	946

Color Legend: Funded In RDTEN Transformational

Within our aircraft modifications program, we continue emphasis on safety modifications as well as key operational improvements. The FY 2005 budget requests funding for procurement of the AV-8B Open System Core Avionics Requirements program to update obsolete avionics, the F/A-18 Radar Upgrade, and various structural and safety improvements. Funding is also provided for Anti-Surface Warfare Improvement Program efforts, the EP-3 Update III Common Configuration program, and upgrades to tactical aircraft electronic warfare countermeasures capabilities. The Department continues to procure the EA-6B Improved Capability III. This upgrade will provide the Prowler with a new selective re-active receiver with integrated communications, jamming, and connectivity capabilities. This increased capability will be a welcome addition for an aircraft that experienced extremely high OPTEMPO during Operations Enduring Freedom/Noble Eagle and Operation Iraqi Freedom.

Aircraft Weapons Programs

The employment of Precision-Guided Munitions during Operation Enduring Freedom and Operation Iraqi Freedom demonstrated all weather, day and night, precision strike, capable of being delivered well inland on demand. The budget continues to procure M82 and M83 variants of the Joint Direct Attack Munition (JDAM) and includes procurement of unguided bombs to support deliveries of JDAM and Laser Guided Bomb precision guidance kits. The Joint Standoff Weapon (JSOW) Unitary (penetrator variant) enters full rate production in FY 2005, while production of the JSOW Baseline (dispenser variant) continues.

Major Aviation Weapons Quantities						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
JSOW	328	389	412	380	422	444
SLAM-ER	77	0	0	0	0	0
AIM-9X	102	157	170	226	211	181
JDAM	12,326	6,620	4,250	3,430	2,850	4,380
AMRAAM	42	46	101	150	140	150
JASSM	0	0	0	0	28	106
Common Missile	0	0	0	0	22	88

The AIM-9X Sidewinder air-to-air missile enters full rate production in FY 2005, providing a significantly increased capability required to defeat existing threats. The Department continues the procurement of the Advanced Medium Range Air-to-Air Missile (AMRAAM), the next generation, all weather, all environment, radar guided missile for air defense.

The FY 2005 budget continues the integration of the Joint Air-To-Surface Standoff Missile (JASSM) on the F/A-18E/F. Finally, the Department will enter into a Common Missile research and development program with the Army to replace the aging inventory of TOW, Maverick, and HELLFIRE missiles.

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Aircraft Procurement, Navy	A-10
Weapon Procurement, Navy	A-11
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16

MINE WARFARE



In keeping with the Department's goal to achieve an organic mine warfare capability in FY 2005, the budget includes funding to meet scheduled battle group deployments while maintaining funding for a potent and dedicated Mine Countermeasure force. The FY 2005 budget continues the development and integration of two key organic systems: the AQS-20A Minehunting System (IOC of Nov 2005) and the Airborne Laser Mine Detection System LCS module (IOC of FY 2006) on the MH-60S platform. The budget also continues the development of the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the Organic Airborne and Surface Influence Sweep (OASIS) system, with IOC planned in FY 2007 for AMNS and RAMICS, and FY 2008 for OASIS. Funding is also included for the development of a single common console for all Airborne Mine Counter Measures systems to establish a fully integrated mid-term organic mine warfare capability on the MH-60 helicopter.

The FY 2005 budget continues the development of the Long-Range Mine Reconnaissance System (LMRS). LMRS will provide a clandestine reconnaissance capability for mine and mine-like objects. The FY 2005 budget includes funding for the development and acquisition of the Remote Minehunting System, with an FY 2005 IOC and planned fielding on DDG 91-96. Lastly, funding is requested for the Assault Breaching System to add mine and obstacle clearance capability in the beach and surf zones.

Also refer to Appendix A for more information:

Weapons Procurement, Navy

Other Procurement, Navy

Research, Development, Test and Evaluation, Navy

Table

A-11

A-13

A-16

C4I PROGRAMS



The Navy's Command, Control, Communication, Computers, and Intelligence (C4I) programs represent the backbone of the combat capability of Naval forces. The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a "Sensor-to-Shooter" emphasis; and information/command and control warfare.

A central theme continuing to shape the Navy's budget for C4I programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 provides the common backbone for command, control, communications, computers, and intelligence systems to be linked afloat, ashore, and to the Internet. The Integrated Shipboard Network Systems (ISNS) afloat and local and regional networks ashore integrated under the Navy/Marine Corps Intranet serve as the principal element of this effort. The networks integrate afloat tactical and tactical support applications with enhanced satellite systems and ashore networks. FY 2005 funding continues to accelerate ISNS procurement and installation to achieve a Full Operational Capability (FOC) for all platforms by FY 2007. IT-21 connectivity is critical because it provides the managed bandwidth for timely transmission of information. The Satellite Communications Systems program continues expansion of available bandwidth to the warfighter.



FY 2005 reflects the procurement of the first of nine Advanced Narrowband System/Mobile User Objective System (ANS/MUOS), leading to an Initial Operational Capability (IOC) in FY 2009 and FOC in FY 2013. ANS/MUOS will provide the DoD's Ultra High Frequency satellite communication capability for the 21st century.

FY 2005 continues the development of Advanced EHF (AEHF) terminals that support the synchronization with the Air Force's Advanced Wideband System (AWS/AEHF) satellite program to meet an IOC in FY 2010 and FOC in FY 2014. FY 2005 continues the System Development and Demonstration Phase of the Joint Tactical Radio System Maritime/Fixed Cluster. The joint radio system is a single family of radios that will replace and integrate various incompatible Service radios.

Funding in FY 2005 also continues the procurement and installation of Global Broadcast System, Super High Frequency, and Extra High Frequency terminals and provides for upgraded power distribution and enhanced connectivity “drops” accomplished during equipment installations.

The “Sensor-to-Shooter” concept, which is increasingly critical in the Joint arena, focuses on the process of putting a weapon on target using all available sensor data. Funding continues in FY 2005 for the Advanced Tactical Data Links system, ensuring timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks. FY 2005 continues development of FORCEnet. FORCEnet is a cornerstone Command, Control, Communication, Computers, Surveillance, and Reconnaissance architecture which will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare spectrums.

Information Warfare/Command and Control Warfare is the integrated use of operations security, military deception, psychological operations, electronic warfare, and physical destruction to deny information to, influence, degrade, or destroy an adversary’s C2 capabilities against such actions. FY 2005 funding provides for the procurement of Common Data Link – Navy systems and continues funding for the Maritime Cryptologic Systems for the 21st Century. In the Information Systems Security Program, FY 2005 funds the procurement of Mission Critical Secure Terminal Equipment. FY 2005 funding continues to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, and the Marine Corps.

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Other Procurement, Navy	A-13
Procurement, Marine Corps	A-14

MARINE CORPS GROUND EQUIPMENT



This category of our budget supports the development and subsequent fielding of all equipment used by Marine Corps ground forces. These programs represent the modernization of existing capabilities and some of them will help provide truly transformational methods the Marine Corps will bring to future conflicts.

Modernization efforts contained within the FY 2005 budget reflect several major replacements and upgrade programs, both new and continuing. Included are the High Mobility Multi-Purpose Wheeled Vehicle (HMMWVA2) program and the Light Armored Vehicle Product Improvement Program (LAV PIP). The LAV PIP ensures that LAV combat capabilities will be preserved through FY 2015.

This budget continues the procurement of the transformational Expeditionary Fighting Vehicle (EFV), formerly known as the Advanced Amphibious Assault Vehicle, through the purchase of special tooling in FY 2005. The EFV will allow immediate high-speed surface maneuver by Marine infantry units as they are off-loaded by ships located beyond the enemy's visual horizon. Production representative vehicle procurement occurred in FY 2003 and will deliver in FY 2005. Initial Operational Capability will be reached in FY 2008 and Full Operational Capability in 2018.



Critical to Marine Corps transformation efforts, the Lightweight 155mm Howitzer (LW-155) will provide significant improvements over the current M198 system. Its lighter weight and increased lethality will allow for rapid deployment and improved accuracy. The LW-155 is compatible with all U.S. and NATO 155mm rounds, and its smaller footprint reduces the strategic sealift required.

Another transformational component of the FY 2005 budget, the High Mobility Artillery Rocket System (HIMARS), will continue Low Rate Production. HIMARS is a C-130 transportable, wheeled, indirect fire weapon system with a range of 30 to 60 km, thus providing a major improvement in area fire support.

The FY 2005 budget includes 34 Unit Operations Centers that offer centralized facilities to host C2 functionality for the Marine Air Ground Task Force Command Element, Ground Combat Element, Aviation Combat Element, and Combat Service Support Element. They will provide tentage, power, cabling, local area network, and processing systems while remaining scalable to support command echelons at the battalion level and above.

Procurement of Assault Breaching Vehicles (ABVs) begins in FY 2005 with initial quantity of 2. The ABV provides the ability to breach minefields and clear complex obstacles while keeping pace with the maneuver force and providing exceptional crew protection and survivability. Additionally, the ABV consists of a rebuilt and upgraded M1 tank chassis affording the economic advantages of commonality with the M1A1 tank fleet.

Major Marine Corps Ground Equipment Procurement Quantities						
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
HMMWV2	1,839	1,830	1,947	1,827	1,774	486
EFV	-	-	18	24	54	90
LW155	60	97	93	33	-	-
HIMARS	1	1	15	19	-	-
Unit Ops Ctr	31	34	41	95	89	133
ABV	-	2	13	15	-	-



Also refer to Appendix A for more information:	Table
Procurement, Marine Corps	A-14
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16

RESEARCH AND DEVELOPMENT SUPPORT

Processes for Innovation

Sea Trial is the Navy process of integrating emergent concepts and technologies, leading to continuous improvements in warfighting effectiveness and a sustained commitment to innovation. It is based on the mutually reinforcing mechanisms of technology push, concept pull, and spiral development. It puts the Fleet at the heart of innovation and provides a mechanism to more readily capture the fruits of their operational excellence and experimentation.

Led by the Naval Warfare Development Command (NWDC), Sea Trial is designed to constantly survey the changing frontier of technological development, identifying those candidates with the greatest potential to provide dramatic increases in warfighting capability. The result is a process that discovers and aligns emergent technologies to deliver next-generation equipment into the hands of the warfighters. Following the warfighter's lead, supporting centers for concept development propose innovative operational concepts to address emergent conditions. A basic premise is that new capabilities must be delivered to the Fleet quickly and efficiently. To retain technological superiority, we are shifting to spiral development. Under the spiral development philosophy, systems are designed to receive technological updates at regular intervals without disrupting production or performance. A primary goal of Sea Trial is to more fully integrate the technological and conceptual centers of excellence in the Systems Commands and elsewhere, along with testing and evaluation centers, so that their combined efforts result in significant advancements in deployed combat capability. Working closely with the Fleet, technology development centers, Systems Commands, warfare centers, and academic resources, NWDC will continue to align wargaming, experimentation, and exercise events so that they optimally support the development of transformational concepts and technologies.



The FY 2005 budget continues to finance Marine Corps led experimentation with future tactics, concepts, and innovations involving both Marine and Navy forces. The Marine Corps Warfighting Laboratory is the centerpiece for operational reform in the Marine Corps, investigating new and potentially

valuable technologies, and evaluating their impact on how the Marine Corps organizes, equips, and trains to fight in the future. Examples of such efforts include work on Command Post Systems, Command and Control shared data environments, landing force technologies, and assault vehicles. In addition, the budget continues to finance Non-Lethal Weapons research and development – a program for which the Marine Corps serves as the Executive Agent. In the FY 2005 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare, giving the Marine Corps the versatility to tackle any mission it may confront in an ever-changing world environment.



Science and Technology

The Department continues to refocus how it transitions Science and Technology (S&T) to the acquisition community and the warfighter. This focus will maintain a broad base of S&T fed into the research and development transition process while ensuring adequate coverage for military superiority against technological surprise. The focus is on advanced Future Naval Capabilities to the warfighter and technological innovation to support the National Military Strategy. These desired future capabilities are approved by the Department of the Navy Science and Technology Corporate Board. Technology products resulting from the investment in future naval capabilities are transitioning to acquisition programs throughout the FYDP. Such programs include, but are not limited to: next generation warships (especially those with all-electric systems, advanced propulsion, and reduced manning), advanced combat systems for the Marine Corps, and advanced tactical aircraft and weapons.

Management and Support

Research, Development, Test, and Evaluation Management Support funds installations required for general research and development use. These efforts include the test and evaluation support programs required to operate the Navy's test range sites; research and development aircraft and ship funding, target and threat simulator development efforts. This funding level reflects required infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Seventy-three percent of this funding, or about \$476.5 million in FY 2005, supports the Major Range and Test Facilities Base, necessary to conduct independent test

and evaluation assessments for all Navy ship, submarine, aircraft, weapons, combat systems and other development, acquisition, and operational system improvements.

The remaining categories of research are platform-related and have been discussed as applicable in the previous sections. Table 17 provides Research, Development, Test, and Evaluation, Navy summary data at the budget activity level and the major platform efforts.



<p><u>Also refer to Appendix A for more information:</u> Research, Development, Test and Evaluation, Navy</p>	<p><u>Table</u> A-16</p>
--	-------------------------------------

Table 17**Department of the Navy****Research, Development, Test and Evaluation***(In Millions of Dollars)*

	FY 2003	FY 2004	FY 2005
Significant RDT&E,N Activities			
Science and Technology	1,998	2,217	1,718
<i>Basic Research</i>	406	484	477
<i>Applied Research</i>	778	724	564
<i>Advanced Technology Development</i>	814	1,009	677
Advanced Component Development and Prototypes	2,661	2,807	2,804
System Development and Demonstration	5,185	6,360	8,009
R&D Management Support	939	687	654
Operational Systems Development	2,917	2,898	3,162
Total R&D	13,700	14,969	16,346

Major Platform Efforts:

Joint Strike Fighter	1,662	2,159	2,265
DD(X)	668	1,052	1,432
C4I	563	753	1,020
VXX	27	195	777
Advanced Hawkeye	172	343	597
MMA	66	71	496
EA-18G	18	215	358
CVN-21	362	335	353
LCS	35	166	352
V-22	387	402	304
EFV	263	238	237
Unmanned Aerial Vehicles (UAV)	256	188	173
Virginia Class SSN	235	145	143
F/A-18	193	173	135
LHA(R)	39	64	44
Deployable Joint Command and Control (DJC2)	32	64	42

This page intentionally left blank.

SECTION V - IMPROVED BUSINESS PRACTICES

Providing our Sailors, Marines, and civilians high quality facilities, information technology, and an environment to achieve their goals is fundamental to mission accomplishment. The ability to project power through forward deployed naval forces relies heavily on a strong and efficient shore support structure.

The FY 2005 budget request eliminates inadequate family housing and barracks by FY 2007 through the use of Public-Private Ventures, increased basic housing allowance, and construction, achieves the goal of a 67 year facilities recapitalization rate by FY 2008, achieves the goal of BEQ Homeport Ashore by FY 2008, and makes progress toward improving existing facilities to C-2 readiness status. The Department of the Navy's facility investment strategy supports sustainment of existing facilities, recapitalization of inadequate or inefficient facilities, and construction of new facilities to correct critical deficiencies or support transformational or new mission requirements.

In an effort to improve shore installation effectiveness, the Navy has identified best business practices, set Navy-wide standards of service, developed metrics, and linked standards and metrics to required readiness levels. To improve management effectiveness and efficiency, the Navy has regionalized installation management under Commander, Navy Installations.

The Marine Corps has instituted an enterprise cost and performance information system at all our installations. Over the past four years, activity based cost models have been developed at 23 installations to capture full cost information on 37 standard installation processes. Over the next year, standard output measures will be developed to allow the Marine Corps to compare and establish standards of service. This will allow improvement of business processes and a more effective utilization of resources.

This FY 2005 budget request continues with innovative business approaches and exploitation of information technologies as we proceed with our transformation effort through the use of Navy Marine Corps Intranet, enterprise resource planning, electronic business, strategic sourcing, and risk management.

MILITARY CONSTRUCTION

The FY 2005 budget requests 48 military construction projects for the active Navy and Marine Corps, and 4 projects for the Navy and Marine Corps reserves. These projects address critical mission, quality of life support improvements, waterfront and airfield recapitalization, and environmental improvements.

FY 2004 MILCON Summary (Active & Reserve)			
\$M	FY 2003 *	FY 2004	FY 2005
Navy	1,147	1,010	849
Marine Corps	<u>255</u>	<u>319</u>	<u>236</u>
Total	1,402	1,329	1,085
* Includes \$228 million for critical anti-terrorism/force protection projects			

Critical Mission:

- F/A-18E/F Outlying Landing Field Land Acquisition: Washington County, North Carolina
- Executive Helicopter Replacement Program Facilities: Various Locations Worldwide

Quality of Life Support and Force Protection Improvements:

- RTC Barracks Replacement (2), Great Lakes, IL
- BEQ Homeport Ashore, Bremerton, WA (Increment 1)
- BEQ Upgrades at Quantico, VA; Camp Pendleton, CA; New River, NC; Yuma, AZ; Adros Island, Bahamas
- Fitness Center, Willow Grove, PA
- CT/AT/FP at Eglin AFB, FL; Camp Pendleton, CA; Oceana, VA; Little Creek, VA; Norfolk, VA; Kings Bay, GA; Sigonella, Italy



Waterfront and Airfield Recapitalization:

- CVN Maintenance Complex, Puget Sound, WA
- Pier Replacement, New London, CT
- Hangar Complex, Quantico, VA
- Apron & Hangar Recapitalization, ElCentro, CA (Increment 1)
- Limited Area Storage/Maintenance Complex, Silverdale, VA (Increment 1)
- Aircraft Maintenance Training Facility, New River, NC
- MK-10 Sub Escape Trainer Facility, New London, CT

Environment:

- Water Treatment Plant Upgrade, Guam
- Solid Waste Management Center, Diego Garcia

Administrative:

- Operational Facilities, Camp Elmore, VA, Camp Pendleton, CA, Rota, Spain, and Sigonella, Italy
- Pier Replacements, Atlantic Ordnance Command Detachment Earle, Colts Neck, NJ; Naval Station Naval Base, Norfolk, VA
- Sewage Treatment Plant, Camp Pendleton, CA
- F/A-18 E/F Outlying Landing Field Facilities, Washington County, NC

FAMILY HOUSING

The FY 2005 budget request continues on course to eliminate inadequate units by FY 2007. Though funding decreases from FY 2004 levels, with our increased emphasis on Public-Private Ventures (PPV) and increased BAH, the Department is able to meet the goal of zero inadequate family housing units by FY 2007.

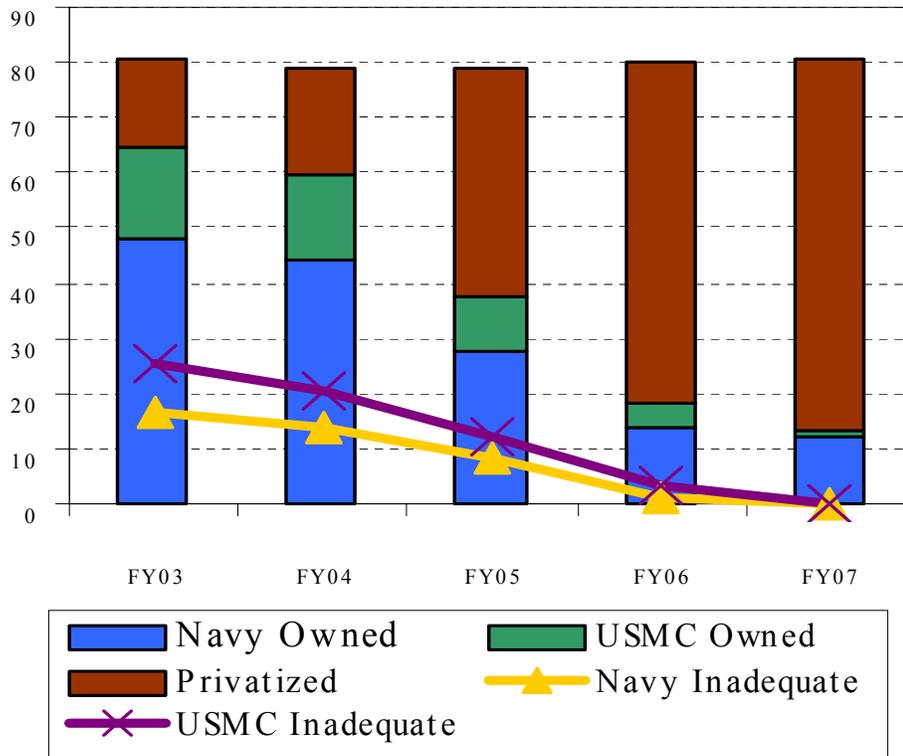
For the Navy there is a \$10 million improvement project planned for Yokosuka, Japan addressing 69 units. In addition, awards are planned in the Northwest Region, Mid-Atlantic Region, and Northeast Region correcting 4,893 inadequate units. In addition to government financing, we estimate the private sector will contribute over \$1.1 billion worth of development capital for these PPV projects in FY 2005.

For the Marine Corps, there is over \$129 million budgeted for construction and improvement projects. One construction project is planned at Marine Corps Air Station Cherry Point. This project will demolish 226 inadequate homes and build back 198 of the units. In addition, privatization of 5,455 homes is planned at Marine Corps Base Camp Lejeune, Marine Corps Air Ground Combat Center Twenty-Nine Palms CA and Marine Corps Support Activity Kansas City MO with an “end-state” of 5,035 units. In addition to government financing, we estimate the private sector will contribute over \$162 million of development capital for these PPV projects in FY 2005.

Family Housing Units			
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
New Construction projects	8*	5	1
Construction units	819	1,070	198
Privatization projects	9,549	3,664	21,810
Average # of Units (worldwide)	73,896	64,661	51,687

* A Marine Corps construction project was used as seed funding for a privatization initiative.

Chart 15 – Family Housing End of Year Inventories



Also refer to Appendix A for more information:	Table
Military Construction, Navy and Naval Reserve	A-18
Family Housing, Operation and Construction Navy and Marine Corps	A-19
Base Realignment and Closure	A-20

FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION

Appropriate investments of facility sustainment, recapitalization, and demolition funds are designed to maintain an inventory of facilities in good working order and preclude premature degradation. The annual facility sustainment requirement, determined by the Department of Defense's (DoD) facilities sustainment model, is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to the appropriate unit quantity (square feet, linear feet, etc.). The DoD goal is to have no more than 5% deferred sustainment. The Department of the Navy achieves this sustainment goal.



The Department utilizes an industry-based facility investment model to keep the facility inventory at an acceptable level of quantity and quality through life-cycle maintenance, repair, and disposal. Facility recapitalization (based upon industry facility standards) occurs through replacing, restoring, or modernizing aged and damaged facilities. The annual funding requirement for facilities replacement, restoration and modernization (R&M) is based on the DoD goal of correcting facilities deficiencies to achieve a C-2 readiness rating in all facilities mission areas by FY 2010 and to achieve a recapitalization rate of 67 years by 2008. Readiness ratings (C-1, C-2, etc.) are described in the Department of the Navy's Installation Readiness Report. The Department's goal is to fully fund the requirement for replacement and R&M. Less than full funding of facility replacement and R&M in FY 2005 reflects the Department's consideration of competing priorities and the decision that a level of risk was acceptable in this area. The 67 year goal is attained by FY 2008.

Table 18 summarizes the Department's Facility Sustainment, Restoration, and Modernization program.

Table 18**Department of the Navy****Facility Sustainment, Restoration and Modernization***(In Millions of Dollars)*

	FY 2003	% of Goal	FY 2004	% of Goal	FY 2005	% of Goal
O&MN/O&MNR	\$1,943		\$1,536		\$1,404	
O&MMC/O&MMCR	\$630		\$590		\$532	
Total O&M Facility SRM	\$2,673		\$2,126		\$1,936	
<u>Annual Deferred Sustainment</u>						
O&MN/O&MNR	\$214	84%	\$91	93%	\$63	95%
<i>Goal</i>		90%		93%		95%
O&MMC/O&MMCR	\$21	96%	\$14	97%	\$27	95%
<i>Goal</i>		96%		97%		95%
Total Annual Deferred Sustainment	\$235		\$105		\$90	
<u>Restoration and Modernization (R&M) Funding</u>						
O&MN/O&MNR	\$261		\$89		\$74	
O&MMC/O&MMCR	\$17		\$85		\$67	
Total R&M	\$278		\$174		\$141	
Facilities Recapitalization Rate (Years)	113		129		130	

BASE REALIGNMENT AND CLOSURE (BRAC) III&IV

The BRAC process has been a major tool for reducing the domestic base structure and generating savings. Continuing to balance the Department's force and base structures by eliminating unnecessary infrastructure is critical to preserving future readiness. The Department of the Navy supports the need for additional base closures.

The FY 2005 budget is dedicated to environmental cleanup and closure related compliance, real estate and caretaker functions prior to property disposal. All budgeted resources are related to previous rounds (III & IV) of BRAC. The Department of the Navy has disposed of more than 74,000 acres of base-closure property. An estimated 86,000 acres remain to be conveyed, of which 72,600 acres are at the former NAS Adak, AK. The Department expects to transfer the remaining acreage at Adak in FY 2004.

In FY 2003, the Department sold 235 acres at the former Marine Corps Air Station Tustin, CA, to private developers for \$208 million. Revenue from the sale is being used to accelerate environmental cleanup at Tustin and other Navy and Marine Corps BRAC locations. The FY 2005 budget requests obligational authority for crucial environmental efforts at various locations, including the Naval Air Station, Moffet Field; Naval Air Station, Alameda; Hunters Point Naval Shipyard; Marine Corps Air Station, El Toro; Naval Station, Treasure Island; and Naval Shipyard, Mare Island. The FY 2005 program will be entirely financed with the projected revenue from land sales at various locations.

NAVY WORKING CAPITAL FUND (NWCF)

Navy Working Capital Fund (NWCF) activities are key support elements for the Department's warfighting and power projection capabilities. For example, in FY 2003 the Depot Maintenance and Supply Management activity groups saw significant increases in demand for their goods and services in support of Operation Enduring Freedom and Operation Iraqi Freedom. Total cost of goods and services was \$25.4 billion in FY 2003 while FY 2004 and FY 2005 figures are projected to be \$24.7 billion and \$24.5 billion, respectively.

NWCF activities perform a wide variety of functions. In addition to Depot Maintenance and Supply Management, the NWCF includes the Research & Development, Transportation, and Base Support activity groups. This makes the NWCF the most functionally diverse of the DoD's working capital funds.

In the area of supply management, the Department continues to focus on delivering combat capability through optimum logistics support. Ensuring the right material is provided at the proper place, time, and cost is paramount to sustaining our warfighting units whether at peace or at war. To this end, the



Department continues to pursue initiatives that will control costs and improve readiness. Until we are able to recapitalize and modernize our forces in volume, our older weapon systems combined with higher utilization rates, will continue to generate an increased demand for spare parts. This is one of the reasons why the Department's request for material obligations remains high. In this regard, it is important to realize that since spare parts, in the aggregate, are but a single element within a complex and intricately balanced system necessary to keep weapon systems safe and operating at their optimal capability, the Department must also look at other contributing elements that influence cost. To attain data in other integrated logistics support elements, such as training and maintenance, more robust information systems are required. Accordingly, the Department continues to fund initiatives such as Enterprise Resource Planning. This will provide the Department with better tools to assess program costs and implement cost reducing procedures where appropriate. We are optimistic that these efforts along with reducing weapon system age will stem the tide of spare parts demand growth and allow the Department to provide improved logistics support at a lower cost. One of the Department's readiness initiatives that will improve our ability to respond logistically is the capitalization of spare aircraft engines into the NWCF. The NWCF provides the Department the ability to react quickly to changing or projected customer demand patterns. By enabling the NWCF to order spare

aircraft engines, while still using procurement funds to buy the asset from the supply system when available, the Department gains effectiveness and the ability to improve readiness posture as needs change. Accordingly, the budget request includes \$59 million in FY 2005 to order spare aircraft engines using the NWCF. Lastly, this budget request reflects a continuation of the Department's inventory augmentation efforts. Dedicated funding for inventory augmentation allows the Department to procure new supply system wholesale stock without creating an excessive burden on customers. It also permits the Department to capture total ownership costs more effectively since the funds are clearly tied to the support of the new weapon systems rather than being accounted for in the cost of operations. Accordingly, a combined total of \$200.7 million in obligation authority has been included for the FY 2004-2005 timeframe for this purpose and corresponds to a direct appropriation that coincides with the delivery of the material.

In the area of transportation, the Military Sealift Command (MSC) rates for FY 2005 reflect changes in operational status for MSC ships. Major operational changes include early deactivation of four AOE ships and associated upgrade of the reduced operating status of several Naval Fleet Auxiliary Force ships. In addition, the first T-AKE class ship begins operations in FY 2005.

In the research and development activity group, the consolidation installation management functions under the Commander, Navy Installations (CNI) has caused a number of budget realignments across multiple activities. This means that functions like security, fire protection, facilities maintenance, utilities and family housing operations will no longer be provided using "in-house" resources at Naval Air Warfare Center (NAWC), Naval Surface Warfare Center (NSWC) and Naval Research Laboratory (NRL) sites. Through a combination of CNI regional organizations and newly established Public Works Center (PWC) detachments, installation management functions will be delivered in a more efficient and consistent manner. Those services, which the NAWC, NSWC and NRL organizations specifically use to perform their NWCF missions, will be performed by CNI and the PWC detachments on a reimbursable basis.

Budget estimates for the Depot Maintenance-Ships area reflect the transition of the Puget Sound Naval Shipyard to mission funding on a two-year test basis beginning in FY 2004.

Table 19**Department of the Navy****Summary of NWCF Costs***(In Millions of Dollars)*

	FY 2003	FY 2004	FY 2005
COST			
Supply (obligations)	7,348	7,812	7,809
Depot Maintenance - Aircraft	2,278	2,208	2,162
Depot Maintenance - Ships	2,665	1,801	1,535
Depot Maintenance - Marine Corps	234	253	230
Transportation	1,788	1,721	1,968
Research and Development	9,540	9,162	9,050
Base Support	1,579	1,696	1,731
TOTAL	\$25,432	\$24,653	\$24,485
CAPITAL INVESTMENT			
Supply Operations	72	50	15
Depot Maintenance - Aircraft	51	42	32
Depot Maintenance - Ships	42	20	27
Depot Maintenance - Marine Corps	3	4	4
Transportation	14	13	15
Research and Development	110	117	100
Base Support	18	19	17
TOTAL	\$310	\$265	\$210

Also refer to Appendix A for more information:
Navy Working Capital Fund

Table
A-21

OTHER BUSINESS INITIATIVES

Navy Marine Corps Intranet (NMCI)

NMCI offers the opportunity for the Department of the Navy to leverage new technologies and industry innovation to better achieve our global Naval mission. It will enable connection to the national infrastructure, extend sharing, and creation of knowledge and expertise worldwide, empower innovative work, and training, and enhance the quality of service for every Marine, Sailor, and civilian. The connectivity NMCI provides will enable our people to increase their productivity and access all the resources that extend throughout the naval enterprise and our Nation. NMCI has also been a forcing function causing the Department to take inventory of its legacy application portfolio, which has subsequently been reduced by 67% in less than one year. The NMCI contract was awarded in October 2000 for \$6.9 billion and represents the largest service contract ever awarded by the Department of Defense. Congress authorized a two-year extension of the basic five-year contract in September 2002. We have fully accommodated the implementation of the NMCI within existing budget totals and reflected the distributed costs and benefits throughout the operational programs of the Department.

NMCI seats are provided to the Department in three phases. Phase 1 is when the seat is ordered by the individual organization. Phase 2 is when the prime contractor, EDS, assumes responsibility for operating the organization's existing networks, called Assumption of Responsibility (AOR). This is the point at which the Department of the Navy begins paying EDS for NMCI, at 85% of the ordered seat price. Phase 3 is when EDS transitions the seat to the NMCI network and installs the NMCI desk top, called cutover. When the cutover seat meets applicable Service Level Agreement performance parameters, the Department pays EDS 100% of the monthly seat price.

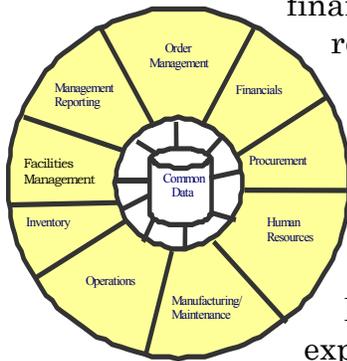
IMPLEMENTATION SCHEDULE							
(Cumulative Seats)							
NMCI Phasing	FY03 Q4	FY04 Q1	FY04 Q2	FY04 Q3	FY04 Q4	FY05 Q1	Steady State
Total Ordered	297,313	332,000	346,133	346,133	346,133	346,133	346,133
Total AOR	277,190	303,000	335,387	335,387	346,133	346,133	346,133
Total Cutover	109,602	154,000	237,000	291,000	346,133	346,133	346,133

The budget supports total NMCI-specific costs for FY 2005 of \$1.6 billion and implementation of approximately 346,000 seats phased in quarterly as shown in the implementation schedule above with an expected steady state reached in FY 2004. The steady state seat count from the FY 2004 President's Budget has been revised downward to reflect continuing refinements in user requirement estimates as they migrate to the NMCI environment.

As of January 2004, the Navy had placed orders for 332,000 seats, EDS has assumed responsibility for management of 303,000 data seats, network services were being provided to 307,000 Department of the Navy users and 154,000 seats have been transitioned to the NMCI end-state, or “cutover”.

Enterprise Resource Planning (ERP)

ERP is a business management system that integrates the business processes that optimize functions across the enterprise (e.g., supply chain, finance, procurement, manufacturing/ maintenance, human resources) and enables elimination of numerous legacy systems and the streamlining of business processes. All essential data and information is entered into the system one time and remains accessible to everyone involved in the business process on a real time basis - providing consistent, complete, relevant, timely and reliable information for decision making. The Department of the Navy used four pilot programs to explore ERP business processes. These pilots proved that ERP could be a successful solution.



In January 2003, the Department established a converged ERP program office to reinvent and standardize business processes for acquisition, financial and logistics operations. To accomplish this, the program office plans to develop a standardized template for the entire Department. This standardized template will replace/converge the four ERP pilots currently in operation. The pilots will need to be sustained until the standardized template is deployed.

All four pilots and the Converged ERP program are using commercial off the shelf (COTS) software that has been approved and certified by the Joint Financial Management Improvement Program as being compliant with the Chief Financial Officers Act. Through process modernization, ERP will eliminate the need for interfaces with many non-compliant financial and feeder systems. The Military Sealift Command and Naval Security Group have already successfully implemented limited enterprise software - also COTS. All of these efforts are focused on improving the efficiency and performance of the support infrastructure and will enhance the Department’s goal of reducing future operating costs.

eBusiness

The Department of the Navy eBusiness Operations Office is dedicated to achieving effective business solutions through eBusiness transformation. The office improves effectiveness, efficiency, and service delivery across the Department by guiding change, enabling eBusiness solutions, encouraging knowledge sharing, and returning value. The office delivers value in numerous ways including solutions to eBusiness problems, eBusiness advice and information, pilot funding and support, program management, and customer service in both the areas of eBusiness innovation and electronic card management. The office has an established portfolio of solutions applicable across many functional areas.

To date, over 54 eBusiness pilot projects have been funded through rigorous selection criteria. Development of these solutions is accomplished through a rapid prototyping process that allows testing on a limited scale to determine whether the solution is viable for use across the Department. Successful pilots form the basis of solutions, which are implemented across the enterprise. These pilot projects have provided solutions in a variety of areas. For example, the Microsoft award-winning Integrated Interactive Data Briefing Tool provides Second Fleet with an automated daily Commanders Update Brief using web services technology, significantly reducing man-hours associated with preparation and analysis. Another example of an extremely successful project is the Naval Construction Forces Sea Bee Link. This pilot provided a platform for independent communications software to run on a personal digital assistant, giving Navy/Marine Corps the ability to securely transmit encrypted data files to and from forward positions using a tactical radio.

Managing Risk – Performance Metrics

The FY 2005 budget consolidates performance management goals of the President’s Management Agenda with the FY 2001 Quadrennial Defense Review goals under a balanced scorecard for risk management and designates metrics the Department of Defense (DoD) will use to track associated performance results. The cascading performance metrics/outcomes for each DoD risk area are shown below:

FORCE MANAGEMENT RISK		OPERATIONAL RISK	
Maintain a Quality Force/Workforce Satisfaction	Ensure Sustainable Military Tempo	Do We Have the Forces Available	Are They Currently Ready
Maintain Reasonable Force Costs	Shape the Force of the Future	Are the Critical Needs, Systems, People, Sustainment, and Infrastructure Available	Are We Prepared for Successful Strategy and Plan Execution
INSTITUTIONAL RISK		FUTURE CHALLENGES RISK	
Streamline Decision Processes Drive Financial Management and Acquisition Excellence	Improve the Readiness and Quality of Key Facilities	Drive Innovative Joint Operations	Define Future Human Capital Skills and Competencies
Manage Overhead/ Indirect Cost	Realign Support to the Warfighter	Develop More Effective Organizations	Define and Develop Transformational Capabilities

Performance information developed from these metrics will be used to describe the Department's performance goals and results for all related performance reports, including the President's Management Agenda and the Program Assessment Review Tool.

Force Management Risk – providing a trained and ready force is the leading output or business of the Department of Defense

One of our most valued resources are the people that support the Navy and Marine Corps team. The Navy and Marine Corps continue to maintain a robust overseas presence and rotational posture in support of the defense strategy. Sailors and Marines are based forward and deploy as part of their inherent responsibilities. They join and re-enlist with the understanding that this is part and parcel of their commitment to serve. The Department has budgeted the resources to reduce BAH out of pocket expenses from 3.5% to 0% by FY 2005, as well as improve quality of service for our members and their families, to reduce risk in this area. The Department of the Navy continues to focus on recruiting and retaining the right people and we are encouraged by achievement of these recruiting goals and improved retention in the career force. Training our Sailors, Marines, and civilian employees is critical to implementing transformation initiatives and to ensuring optimum results. The Department is transitioning its training concepts and methods from the traditional schoolhouse approach to processes that involve the use of simulators, trainers, computer-based interactive curriculums and other approaches that are media based. We have piloted elements of the Sea Warrior initiative as a means to capitalize on the revolution in training in detailing.

Operational Risk – ensuring U.S. military and civilian personnel are ready at all times to accomplish the range of missions assigned in the defense strategy is the leading defense customer priority

The power of our combat capability has been strong in the areas of forward presence forces and our ability to surge. Key readiness accounts are funded to ensure that our forces are prepared to meet any tasking. The Fleet Response Plan yields an increased surge capability and a more responsive force. Deployed air/ship/MEF operations are budgeted to maintain highly ready forces. Non-deployed OPTEMPO levels provide primarily training of fleet units but maintain a combat ready and rapidly deployable force. This budget request incorporates force structure changes that clearly reflect the wider range of operations and contingencies called for in the defense strategy. This budget reflects decommissioning of some older ships and aircraft with high operations and support costs relative to the combat capability they provide. Funding continues for the 4th MEB to detect, deter, defend and conduct initial incident response to combat the threat of terrorism and continues the fielding of improved combat equipment.

Future Challenges Risk – anticipating future threats and adjusting capabilities to maintain a military advantage against them is the leading learning and growth priority for the Department of Defense

The application of technology insertion is central to our Military’s strength. We have demonstrated this in the Department’s budget by buying down future risk with its robust recapitalization program. The budget request contains funding for 9 new construction ships and 104 aircraft in FY 2005 and invests significant resources in sea base development and accelerated investment in transformation platforms to move troops and equipment. We continue transformational capabilities enhanced through new systems/platforms such as LCS, DD(X), CVN-21, MV-22, priority aviation capability enhancements (Advanced Hawkeye), Maritime Patrol and Reconnaissance Aircraft, and advanced communications.

Institutional Risk – ensuring that DoD financial, acquisition, and resource management processes are streamlined and efficient is what drives the underlying financial principles of doing defense business

This budget request represents the Department’s commitment to improve the acquisition processes, make facility structure more efficient, and better manage resources for improved business practices. In an effort to improve shore installation effectiveness, we regionalized management and consolidated eight Installation Management Claimants (IMCs) into a single IMC. The Navy Marine Corps Intranet, Enterprise Resource Planning, and our e-business office are examples of innovative changes that will significantly improve connectivity, financial and business reporting, and management performance. As a Department, we continue to aggressively challenge our System Commands and other shore activities to find efficiencies, reduce contractor support, and eliminate legacy information systems.

The information below provides pages references to the performance information contained in this document and in detailed budget justification materials supporting the FY 2005 President’s budget submission.

Risk Category	Strategic Goal	Performance Measure	Page #
Force Management Risk	Maintain a Quality Force	Number of Recruiters	3-2,3-6
		Number of Recruits	3-2,3-6
		Size of Delayed Entry Program	3-2,3-6
		Enlisted Attrition Rates	3-4,3-7
	Ensure Sustainable Military Tempo	Ships Deployed	2-2
		MEUs deployed	2-2
		Ships Underway	2-2
		MEUs predeployment	2-2

		Active/Reserve Navy/Marine Corps E/S	3-2,3-4, 3-6,3-8
		# of Reserves Activated	2-2
		# of Deployed Sailors	2-2
		# of Deployed Marines	2-2
	Maintain Workforce Satisfaction	PERSTEMPO	3-2
		Enlisted Reenlistment Rates	3-4, 3-7
		Career Pay Enhancements	3-2
	Maintain Reasonable Force Costs	Competitive sourcing study positions	3-10
		Civilian manpower levels	3-9, 3-11
		Costs for Accession/Basic Skills/Advanced Training	3-2
		Total Paid Compensation	3-2
	Shape the Force of the Future	Implement optimized, supportable future force structure and workforce	3-2, 3-6, 3-9
Institutional Risk	Streamline Decision Processes, Drive Financial Management and Acquisition Excellence	Number of Navy Marine Corps Intranet Seats	5-11
		Implement Enterprise Resource Planning	5-12
		Implement E-Business	5-13
	Manage Overhead and Indirect Costs	Reduction in base structure to eliminate unnecessary infrastructure	5-7
	Improve the Readiness and Quality of Key Facilities	67 Year FSRM Recapitalization Rate	5-5
		Reliability & Maintainability Shortfall	5-6
		Inadequate family housing units	5-3, 5-4
		Number of Privatization Projects	5-3
		Readiness status of facilities	5-5
	Realign Support to the Warfighter (including Defense Agencies)	Tooth-to-Tail Ratio	1-2
Operational Risk	Do We Have the Forces Available?	Battle Force Ships	2-3
		Active Air Wings	2-9
		Active Primary Authorized Aircraft (PAA)	2-9
		Number of Marine Expeditionary Forces	2-15
		Number of Marine Expeditionary Brigades	2-15
		Number of Marine Battalions	2-15
	Are They Currently Ready?	Navy/Marine Corps Personnel Readiness Ratings	3-2
		Active Flying Hours T-Rating	2-11
		Active Steaming Days Per Quarter	2-4
	What Are Our Critical Force, Sustainment, and Infrastructure Needs?	Aircraft Mission Capable Rates	2-12
		Airframe Availability/PAA	2-13
		Aircraft Engine Bare Firewalls	2-13
		Aircraft Engine Spares Ready-to-Issue	2-13
		Ship Maintenance % Rqmnt Funded	2-7
		Surge Sealift Ships and Capacity	2-6
		Prepositioning Ships and Capacity	2-6
		Reserve Steaming Days Per Quarter	2-5
Reserve Battle Force Ships		2-5	
Reserve Air Wings	2-9		

		Reserve Flying Hours T-Rating	2-11
		Reserve Primary Authorized Aircraft	2-9
Operational Risk	Are We Successfully Executing our Strategy?	Deferred Ship Maintenance	2-7
		Deferred FSRM	5-6
		Ships Deployed	2-2
		MEUs deployed	2-2
		Ships Underway	2-2
		MEUs predeployment	2-2
		Active/Reserve Navy/Marine Corps E/S	3-2, 3-4 3-6, 3-8
Future Challenges Risk	Drive Innovative Joint Operations	Joint/International Exercises	1-2, 2-2
	Develop More Effective Organizations	Capitalizing on innovation, experimentation and technology	4-4
	Define Skills and Competencies for the Future	Implementing Sea Warrior Initiative	2-17
	Define and Develop Transformational Capabilities	Implement enhanced naval capabilities to project offense, project defense and project sovereignty around the globe	1-2
		Aviation Procurement Plan	4-7
		Ship Construction Plan	4-3
		Aviation/Ship Weapons Quantities	4-8, 4-4
		Marine Corps Ground Equipment Quantities	4-13
		Implement network centric warfare	4-10, 4-11
		Major Platform R&D	4-17
		Funding for S&T	4-17
		Funding for R&D support	4-17

Other Performance Metrics

Throughout the overview book metrics have been addressed which are included in our performance plan and provide a measure of our overall effectiveness. Within the Department of the Navy, goals and objectives have been implemented through the Planning, Programming, Budgeting and Execution System (PPBES) process. PPBES accommodates the integration of operational goals, risk management, and performance across the broad spectrum of Department of the Navy missions. These metrics are also contained in budget justification materials supporting the FY 2005 budget request as directed by Congress.

SECTION VI - FINANCIAL SUMMARY

Total Obligational Authority (TOA) has been used throughout this book to express the amounts in the Department of the Navy budget because it is the most accurate reflection of program value. While TOA amounts differ only slightly from Budget Authority (BA) in some cases, they can differ substantially in others. The differences in TOA and BA, as evidenced in the table below, result from a combination of several factors.

BA, Budget Authority – Authority provided by law to enter obligations that will result in immediate or future outlays involving Federal Government Funds.

TOA, Total Obligation Authority – The value of the direct defense program for each fiscal year regardless of the method of financing.

	TOA vs BA		
	<i>(In Millions of Dollars)</i>		
	FY 2003	FY 2004	FY 2005
Total Obligational Authority (TOA)	123,887	120,756	119,439
Receipts and Other Funds	-141	-63	-152
Financing Adjustments	304	-344	-115
Expiring Balances	(742)	-	-
Other Finance Adjustments	(-438)	(-344)	(-115)
Total Budget Authority	124,050	120,349	119,172

Receipts and other funds are reflected in BA but not in TOA. Offsetting receipts include such things as donations to the Navy and Marine Corps, recoveries from foreign military sales, deposits for survivor annuity benefits, interest on loans and investments, rents and utilities, and fees chargeable under the Freedom of Information Act. Trust Funds include funds established for the Navy General Gift Fund, Naval Academy General Gift and Museum Fund, environmental restoration of Kaho'olawe Island in Hawaii, Ships' Stores Profits and Midshipmen's Store.

Financing adjustments account for many of the differences between TOA and BA. The FY 2005 -\$115 million financing adjustment is an anticipated land sales revenue within BRAC. Land sales revenue is generated by the sale of bases closed due to BRAC. The sales are available to finance TOA program but offset the direct BA needed. In FY 2003 and FY 2004, various funding changes are scored as budget authority adjustments in the fiscal year in which the change itself is effective; for TOA purposes, changes are reflected as adjustments to a specific program year, based on the original appropriation. Congressional

rescissions reduce the BA in the year of Congressional action and reduce TOA in the program year impacted by the rescission. For example, rescissions of FY 2003 program reduce BA in FY 2004 and reduce TOA in FY 2003.

Expiring Balances also contribute to the difference between TOA and BA. Expiring balances are funds that were included in BA available for FY 2003 accounts, but were not obligated prior to the end of the fiscal year. These amounts are included in BA totals but not TOA.

The TOA and BA levels for FY 2003 through FY 2005 along with DON outlay estimates are summarized in Table 20.

Table 20
Department of the Navy
Summary of Direct Budget Plan (TOA), Budget Authority, and Outlays
(Dollars in Millions)

Account	TOA			BA			OUTLAY		
	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005
MPN	23,820	24,055	24,460	23,788	24,055	24,460	23,704	24,053	24,610
MPMC	9,988	9,736	9,596	9,962	9,736	9,596	9,549	9,768	9,899
RPN	1,861	2,004	2,172	1,921	2,004	2,172	1,857	1,943	2,112
RPMC	514	572	655	514	572	655	519	562	645
O&M,N	35,555	29,615	29,789	35,509	29,555	29,789	30,852	31,549	31,090
O&M,MC	5,525	4,608	3,632	5,520	4,607	3,632	4,262	4,774	4,338
O&M,NR	1,239	1,167	1,240	1,244	1,167	1,240	1,054	1,260	1,210
O&M,MCR	218	189	189	218	189	189	142	221	192
ERN	--	255	267	--	255	267	--	56	173
NWCF	40	130	65	765	130	65	(211)	659	419
Payment to Kaho'olawe	86	18	-	75	18	-	103	18	-
APN	8,711	9,165	8,768	8,629	9,165	8,768	8,195	8,615	8,796
WPN	2,081	2,080	2,102	2,101	2,080	2,102	1,523	1,970	1,960
SCN	9,108	11,402	9,962	9,049	11,389	9,962	9,455	10,580	11,740
OPN	4,608	4,969	4,834	4,591	4,969	4,834	3,988	4,675	4,745
PMC	1,522	1,279	1,190	1,477	1,279	1,190	1,242	1,359	1,189
PANMC	1,421	928	859	1,344	928	859	695	1,120	938
Coastal Defense	-	-	-	-	-	-	(0)	28	28
RDT&E,N	13,700	14,969	16,346	13,667	14,969	16,346	12,193	14,033	15,608
NDSF	852	1,090	1,269	928	985	1,269	639	989	1,115
Oth Rev & Mgt Fnd	-	-	-	-	-	-	-	-	-
Total DoD Bill	120,850	118,233	117,395	121,304	118,054	117,395	109,760	118,232	120,809
MCON	1,327	1,284	1,060	1,352	1,238	1,060	1,053	1,211	1,170
MCNR	53	75	28	75	45	25	65	62	58
FH(Con)	273	279	186	332	131	139	305	360	252
FH(Ops)	892	862	853	862	841	705	921	704	813
ERC	247	270	181	266	102	-	67	240	92
Total MILCON Bill	2,791	2,770	2,308	2,886	2,358	1,929	2,410	2,576	2,384
Receipts and Other Funds	--	--	--	(141)	(63)	(152)	(154)	(104)	(121)
Total, DON	104,836	121,003	119,703	124,050	120,349	119,172	112,017	120,703	123,072

This page intentionally left blank.

MILITARY PERSONNEL, NAVY

Table A-1

*Department of the Navy
Military Personnel, Navy
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
Pay and Allowances of Officers	5,877	5,814	5,966
Pay and Allowances of Enlisted	16,036	16,341	16,576
Pay and Allowances of Midshipmen	50	53	53
Subsistence of Enlisted Personnel	973	950	959
Permanent Change of Station Travel	787	819	832
Other Military Personnel Costs	98	79	74
Total: MPN	\$23,820	\$24,055	\$24,460

Note: Totals may not add due to rounding.

MILITARY PERSONNEL, MARINE CORPS

Table A-2

***Department of the Navy
Military Personnel, Marine Corps
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Pay and Allowances of Officers	1,969	1,959	1,937
Pay and Allowances of Enlisted	6,877	6,838	6,778
Subsistence of Enlisted Personnel	767	556	491
Permanent Change of Station Travel	306	326	337
Other Military Personnel Costs	70	58	53
Total: MPMC	\$9,988	\$9,736	\$9,596

Note: Totals may not add due to rounding.

RESERVE, PERSONNEL NAVY

Table A-3

***Department of the Navy
Reserve, Personnel Navy
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Unit and Individual Training	806	843	945
Other Training and Support	1,055	1,161	1,226
Total: RPN	\$1,861	\$2,004	\$2,172

Note: Totals may not add due to rounding.

RESERVE, PERSONNEL MARINE CORPS

Table A-4

*Department of the Navy
Reserve, Personnel Marine Corps
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
Unit and Individual Training	279	327	401
Other Training and Support	235	245	254
Total: RPMC	\$514	\$572	\$655

Note: Totals may not add due to rounding.

OPERATION AND MAINTENANCE, NAVY

Table A-5

*Department of the Navy
Operation and Maintenance, Navy
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
<u>Operating Forces</u>			
Air Operations	6,600	5,974	5,809
Ship Operations	10,571	8,402	8,251
Combat Operations/Support	3,854	2,199	2,607
Weapons Support	1,406	1,445	1,484
NWCF Support	-120	-448	-
Base Support	4,335	4,591	4,526
Total - Operating Forces	26,646	22,164	22,678
<u>Mobilization</u>			
Ready Reserve and Prepositioning Forces	520	508	548
Activations/Inactivations	203	182	220
Mobilization Preparedness	90	70	45
Total - Mobilization	813	761	813
<u>Training and Recruiting</u>			
Accession Training	202	217	231
Basic Skills and Advanced Training	1,131	1,228	1,210
Recruiting & Other Training & Education	477	485	536
Base Support	623	-	-
Total - Training and Recruiting	2,433	1,931	1,978
<u>Administration and Servicewide Support</u>			
Servicewide Support	1,903	1,817	2,010
Logistics Operations and Technical Support	2,402	2,041	1,461
Investigations and Security Programs	954	890	840
Support of Other Nations	11	10	11
Cancelled Accounts	4	-	-
Base Support	391	-	-
Total - Administration and Servicewide Support	5,664	4,759	4,321
Total: O&MN	\$35,555	\$29,615	\$29,789

Note: Totals may not add due to rounding.

OPERATION AND MAINTENANCE, MARINE CORPS

Table A-6

*Department of the Navy
Operation and Maintenance, Marine Corps
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
<u>Operating Forces</u>			
Expeditionary Forces	2,778	1,964	1,103
USMC Prepositioning	189	131	80
Base Support	1,581	1,435	1,478
Total - Operating Forces	4,547	3,530	2,661
<u>Training and Recruiting</u>			
Accession Training	11	10	11
Basic Skills and Advanced Training	158	167	189
Recruiting & Other Training & Education	166	160	162
Base Support	199	233	231
Total - Training and Recruiting	534	570	592
<u>Administration and Servicewide Support</u>			
Servicewide Support	425	481	357
Base Support	20	27	22
Total - Administration and Servicewide Support	445	508	379
Total: O&M,MC	\$5,525	\$4,608	\$3,632

Note: Totals may not add due to rounding.

OPERATION AND MAINTENANCE, NAVY RESERVE

Table A-7

*Department of the Navy
Operation and Maintenance, Navy Reserve
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
<u>Operating Forces</u>			
Air Operations	571	576	634
Ship Operations	165	154	156
Combat Operations/Support	64	105	231
Weapons Support	6	6	6
Base Support	282	148	182
Total - Operating Forces	1,087	988	1,209
<u>Administration and Servicewide Support</u>			
Servicewide Support	152	179	31
Total - Administration and Servicewide Support	152	179	31
Total: O&MN, NR	\$1,239	\$1,167	\$1,240

Note: Totals may not add due to rounding.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

Table A-8

*Department of the Navy
Operation and Maintenance, Marine Corps Reserve
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
<u>Operating Forces</u>			
Expeditionary Forces	188	113	111
Base Support	0	42	45
Total - Operating Forces	188	155	156
<u>Administration and Servicewide Support</u>			
Servicewide Support	30	27	28
Base Support	0	7	5
Total - Administration and Servicewide Support	30	34	33
Total: O&M,MCR	\$218	\$189	\$189

Note: Totals may not add due to rounding.

ENVIRONMENTAL RESTORATION, NAVY

Table A-9a

***Department of the Navy
Environmental Restoration, Navy
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Environmental Restoration Activities	-	255	267
Total: ERN	\$-	\$255	\$267

KAHO'OLAWE ISLAND

Table A-9b

***Department of the Navy
Kaho'olawe Island
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Kaho'olawe Island	86	18	-
Total: Kaho'olawe Island	\$86	\$18	\$-

Note: Totals may not add due to rounding.

AIRCRAFT PROCUREMENT, NAVY

Table A-10

*Department of the Navy
Aircraft Procurement, Navy
(Dollars in Millions)*

	FY 2003		FY 2004		FY 2005	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
Combat Aircraft	76	5,015	81	5,252	84	5,216
Airlift Aircraft	2	70	6	149	2	119
Trainer Aircraft	12	246	16	380	9	309
Other Aircraft	8	310	4	81	13	329
Modification of Aircraft	-	1,455	-	1,588	-	1,297
Aircraft Spares and Repair Parts	-	1,062	-	1,176	-	926
Aircraft Support Equipment and Facilities	-	554		540	-	573
Total: APN	98	\$8,711	107	\$9,165	108	\$8,768

Note: Totals may not add due to rounding.

WEAPONS PROCUREMENT, NAVY

Table A-11

Department of the Navy
Weapons Procurement, Navy
(Dollars in Millions)

	FY 2003		FY 2004		FY 2005	
	<u>QTY</u>	\$	<u>QTY</u>	\$	<u>QTY</u>	\$
<u>Ballistic and Other</u>						
TRIDENT II	12	573	12	645	5	769
Tomahawk	350	437	350	353	293	256
AMRAAM	76	50	42	37	46	34
AIM-9X	284	52	102	26	157	35
JSOW	532	160	328	118	389	139
SLAM-ER	120	83	77	51	-	-
STANDARD	93	151	75	147	75	150
RAM	106	59	90	48	90	47
ESSM	23	42	82	102	71	80
Other	-	175	-	205	-	196
<u>Torpedoes and Related Equipment</u>						
Mk-46 Torpedo Mods	-	38	-	42	-	61
Mk-48 ADCAP	-	61	-	60	-	61
Other	-	55	-	70	-	66
<u>Other Weapons/Spares</u>						
Gun Mount Mods	-	11	-	49	-	26
CIWS & MODS	-	58	-	49	-	86
All Other	-	78	-	77	-	93
Total: WPN	1,596	\$2,081	1,158	\$2,080	1,126	\$2,102

Note: Totals may not add due to rounding.

SHIPBUILDING AND CONVERSION, NAVY

Table A-12

(Includes ship quantities funded in other appropriations)

Department of the Navy
Shipbuilding and Conversion, Navy
(Dollars in Millions)

	FY 2003		FY 2004		FY 2005	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
<u>New Construction</u>						
CVNX	-	484	-	1,177	-	626
SSN-774	1	2,427	1	2,370	1	2,453
DDG-51	2	2,681	3	3,193	3	3,445
DD(X)	-	*	-	*	-	*
LCS	-	*	-	*	-	*
LPD-17	1	1,170	1	1,317	1	967
LHD-1	-	238	-	352	-	236
SSN-21	-	5	-	-	-	-
Total New Construction	4	\$7,005	5	\$8,409	5	\$7,727
<u>Conversions</u>						
SSGN Conversion	2	996	1	1,158	1	517
Total Conversion	2	\$996	1	\$1,158	1	\$517
<u>Other</u>						
CVN RCOH	-	217	-	221	-	333
Submarine ROH	2	490	2	562	1	353
LCU(R)	-	-	-	-	1	25
LCAC SLEP	4	89	4	73	5	90
Outfitting	-	294	-	316	-	399
Service Craft	-	10	-	23	-	32
Mine Hunter	-	7	-	4	-	-
Completion of PY Shipbuilding	-	-	-	636	-	484
Total Other	6	1,107	6	1,835	7	1,716
Total: SCN \$M	12	\$9,108	12	\$11,402	13	\$9,962

* Funded in R&D

** Funded in NDSF

Note: Totals may not add due to rounding.

OTHER PROCUREMENT, NAVY

Table A-13

***Department of the Navy
Other Procurement, Navy
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Ship Support Equipment	1,219	1,293	1,426
Communications and Electronics Equipment	1,693	2,018	1,721
Aviation Support Equipment	247	261	271
Ordnance Support Equipment	590	633	640
Civil Engineering Support Equipment	162	125	104
Supply Support Equipment	168	115	112
Personnel and Command Support Equipment	348	251	315
Spares and Repair Parts	181	273	245
Total: OPN	\$4,608	\$4,969	\$4,834

Note: Totals may not add due to rounding.

PROCUREMENT, MARINE CORPS**Table A-14**

Department of the Navy
Procurement, Marine Corps
(Dollars in Millions)

	FY 2003		FY 2004		FY 2005	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
<u>Weapons Combat Vehicles</u>						
AAV7A1 PIP	147	117	132	104	60	59
Expeditionary Fighting Vehicle (EFV)	1	16	-	97	-	68
LAV PIP	-	50	-	36	-	42
HIMARS	2	8	1	18	1	16
Improved Recovery Vehicle (IRV)	-	3	-	4	-	-
LW155MM Lightweight Howitzer	34	62	60	111	97	175
Other	-	44	-	58	-	73
<u>Guided Missiles and Equipment</u>						
Predator (SRAW)	445	36	-	6	-	-
Other	-	52	4	4	-	22
<u>Communication & Electronics Equipment</u>						
Common Computer Resources	-	31	-	61	-	62
Radio Systems	-	49	-	24	-	14
Comm & Elec Infrastructure Support	-	29	-	24	-	25
Mod Kits MAGTF C41	-	40	-	21	-	1
Night Vision Equipment	-	24	-	30	-	26
Intelligence Support Equipment	-	29	-	16	-	16
Other	-	216	-	236	-	242
<u>Support Vehicles</u>						
5/4T Truck HMMWV (MYP)	1,724	136	1,839	134	1,830	131
Medium Tactical Veh Replacement	1,505	328	-	5	-	-
Other	28	22	30	31	37	21
<u>Engineer And Other Equipment</u>						
	-	211	-	239	-	169
<u>Spares and Repair Parts</u>						
	-	16	-	19	-	27
Total PMC	3,886	\$1,522	2,066	\$1,279	2,025	\$1,190

Note: Totals may not add due to rounding.

PROCUREMENT OF AMMUNITION, NAVY AND MARINE CORPS

Table A-15

***Department of the Navy
Procurement of Ammunition, Navy and Marine Corps
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Navy Ammunition	1,004	691	613
Marine Corps Ammunition	417	237	245
Total: PANMC	\$1,421	\$928	\$859

Note: Totals may not add due to rounding.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, NAVY

Table A-16

***Department of the Navy
Research, Development, Test, and Evaluation, Navy
(Dollars in Millions)***

	FY 2003	FY 2004	FY 2005
Basic Research	406	484	477
Applied Research	778	724	564
Advanced Technology Development	814	1,009	677
Advanced Component Development	2,661	2,807	2,804
System Development and Demonstration	5,185	6,360	8,009
RDTE Management Support	939	687	654
Operational Systems Development	2,917	2,898	3,162
Total: RDT&E,N	\$13,700	\$14,969	\$16,346

Note: Totals may not add due to rounding.

NATIONAL DEFENSE SEALIFT FUND

Table A-17

*Department of the Navy
National Defense Sealift Fund
(Dollars in Millions)*

	FY 2003	FY 2004	FY 2005
Strategic Sealift Acquisition	310	722	768
DoD Mobilization Assets	273	124	162
Research and Development	14	13	117
Ready Reserve Force	254	231	221
Total: NDSF	\$852	\$1,090	\$1,269

Note: Totals may not add due to rounding.

MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE

Table A-18

Department of the Navy

Military Construction, Navy and Naval Reserve

(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Significant Programs			
Operational & Training Facilities	355	361	242
Maintenance & Production Facilities	149	163	106
R&D Facilities	57	45	41
Supply Facilities	10	14	97
Administrative Facilities	5	2	79
Housing Facilities	277	269	244
Community Facilities	181	2	7
Utility Facilities	196	168	67
Pollution Abatement	11	31	35
Unspecified Minor Construction	26	15	12
Planning And Design	86	71	87
Other	-26	143	4
Total: Navy	\$1,326	\$1,284	\$1,021
Naval Reserve	75	45	25
Total: Naval Reserve	\$75	\$45	\$25
Undistributed Funds	-	-	40

Note: Totals may not add due to rounding.

FAMILY HOUSING, NAVY AND MARINE CORPS

Table A-19

Department of the Navy

Family Housing, Navy and Marine Corps

(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Navy			
Construction	192	59	10
O&M	706	697	564
Total: Navy	897	756	574
Marine Corps			
Construction	104	113	129
O&M	160	144	140
Total: Marine Corps	264	257	269
Total: FH,N&MC	\$1,161	\$1,013	\$844
<u>New Construction Projects</u>			
Navy	5	2	-
Marine Corps	3*	3	1
<u>Construction Units</u>			
Navy	361	212	-
Marine Corps	458	858	198
<u>Average Number of Units</u>			
Navy	51,989	46,232	35,958
Marine Corps	21,907	18,429	15,729

* A Marine Corps construction project was used as seed funding for a privatization initiative.

Note: Totals may not add due to rounding.

BASE REALIGNMENT AND CLOSURE ACCOUNTS*Table A-20*

*Department of the Navy**Base Realignment and Closure Accounts**(Dollars in Millions)*

Costs	FY 2003	FY 2004	FY 2005
BRAC IV	474	181	115
Total: BRAC	\$474	\$181	\$115

NAVY WORKING CAPITAL FUND

Table A-21***Department of the Navy******Navy Working Capital Fund****(Dollars in Millions)*

Costs	FY 2003	FY 2004	FY 2005
Navy Working Capital Fund	40	130	65
Total: NWCF	\$40	\$130	\$65

This page intentionally left blank.