Office of Budget
Department of the Navy

# Highlights of the Department of the Navy FY 2002 Budget

June/July 2001

# *Highlights of the Department of the Navy FY 2002 Budget*

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## Listing of Supporting Tables

# *SECTION I - INTRODUCTION*

This document provides a summary of the Department of the Navy's (DON) FY 2002 budget to assist members of Congress and their staffs in their review of the Department's request. The FY 2002 budget continues to build a force relevant to the threats and opportunities of the 21st Century. The budget's four inter-related strategic thrusts center on *combat capability*, *people*, advanced *technology* and *business practices*. This strategy reaffirms a commitment to remain forward-engaged and ready when the Nation calls, and a continuing commitment to the Department's most important asset – outstanding people – and their families, their welfare, and their future.

Regarding combat capability, the primary purpose of the Navy and Marine Corps is to train for, deter, and when necessary, fight and win our Nation's battles. Our naval forces project sovereign naval power in support of national interests while forward-deployed to the far corners of the earth. The nation expects the Navy-Marine Corps team to command the seas; provide power to promote on-scene, sustainable, combat-credible power to promote improved stability; dissuade potential adversaries; enhance deterrence; and, when needed, prevail decisively in combat. In remaining faithful to this charge, combat capability is our primary focus with dedicated attention to the platforms, weapon systems and training needed by the Navy and Marines in the context of the National Military Strategy. Combat capability is composed of two important elements: a short term focus which this budget addresses by ensuring the adequate manning and current readiness of our forces and that targeted manpower and readiness goals will be maintained; and a second, more long term element of combat capability, the transformation of Naval forces so that they are appropriate to address future threats. Some preliminary indications of this transformation are included in this budget. Along with our sister services and allies, we will organize, equip and train to fight jointly, and win!

The men and women of the Navy and Marine Corps team are our most valued resource. A ship pier side has absolutely no value to this Nation without a well-trained and highly motivated crew. To tackle this, we emphasize "Quality of Service" – achieving a higher quality workplace as well as a higher quality of life for our Sailors, Marines, active duty and reserve, and civilians and all of their families. The Department's goal is to create an environment where our men and women can excel at their chosen profession. This includes competitive

compensation and quality housing, a quality workplace, health care, and training, with an operational tempo that considers the individual, as well as family and community. At the end of the day, our Sailors, Marines and civilians will know that their contribution is important and feel that their work is both stimulating and rewarding.

The application of advanced technology is central to our Nation's military strength. Currently, the application of advanced technology is significantly lagging its availability. This is most pronounced in our combat systems, but also includes technology for training, testing and management systems. The Administration has provided funding for technology initiatives including increased commitment to science and technology (S&T) research and development, and future naval force transformation. While we have initiated a modest advanced technology effort with this budget, future budgets must become far more agile in applying and leveraging the capability of technology.

The Department is working to improve the efficiency and effectiveness of DoD and DON business practices. While the Navy serves a national purpose with overarching goals well beyond the commercial objectives of markets and profit, many commercial business practices are still applicable. Over the past few years, it appears that the gap between government and industry business practices has widened, with two negative consequences: First, inefficient Departmental processes have led to ineffective results, generally due to unaffordable solutions. Second, commercial companies have largely deserted the DoD while traditional defense companies have started to diversify into commercial business. In areas where commercial business practices are not applicable, we can improve our processes further through better sourcing decisions, awareness of costs, and attention to the interests of taxpayers. By improving business practices we should be able to shift resources into combat capability and expand our buying power through increased competition.

In summary, the FY 2002 DON budget provides resources necessary to substantially improve our combat capability, enrich the lives of our people, swiftly incorporate technology across our total operation, and dramatically improve our business practices. The four thrusts maintain near-term readiness, recognize the critical needs of our Sailors, Marines and their families, invest in smart initiatives for our future, and provide the resources to begin to transform our Navy and Marine

Corps for the future. The budget balances short-term needs (manpower and readiness) with long-term requirements (modernization and infrastructure). The budget is currently structured to meet known readiness-related requirements and avoid reliance on a supplemental appropriation during execution. Within the fiscal levels prescribed, this budget equips and prepares the Naval Services with the support they deserve, and pursues transformational technologies that will allow them to remain the world's best, projecting the national sovereignty that only they afford.

## *Chart 1 - DON Topline FY 2000 - FY 2002*

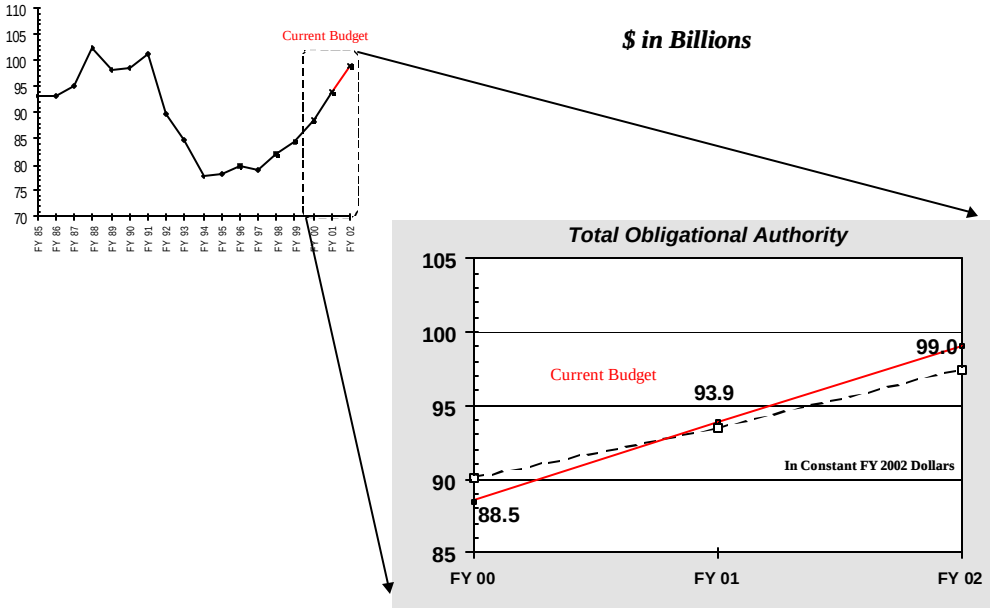



Chart 1 reflects Department of the Navy resources in both current and constant dollars from FY 2000 through FY 2002. The smaller chart provides a historical perspective from FY 1985 through FY 2002.

As indicated in chart 1, the new administration's renewed interest in defense has resulted in almost an additional $5.6 billion (6% increase over the Clinton Baseline) in FY 2002 topline funding which has significantly bolstered our manpower and readiness accounts and dramatically improved our recapitalization effort with a specific focus on transforming future naval forces to address future threats. The outyear budget profile will be determined upon completion of the strategic review FY 2001 QDR.

Table 1 displays Department of the Navy appropriations for Fiscal Years 2000 through 2002.

# *APPROPRIATION SUMMARY FY 2000 - FY 2002*

***Table 1***
***Department of the Navy***
***FY 2002 Budget Summary by Appropriation***
*(In Millions of Dollars)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Military Personnel, Navy | 17,188 | 17,756 | 19,607 |
| Military Personnel, Marine Corps | 6,552 | 6,807 | 7,365 |
| Reserve Personnel, Navy | 1,454 | 1,576 | 1,643 |
| Reserve Personnel, Marine Corps | 414 | 449 | 463 |
| Operation and Maintenance, Navy | 23,433 | 23,804 | 26,961 |
| Operation and Maintenance, Marine Corps | 2,775 | 2,843 | 2,892 |
| Operation and Maintenance, Navy Reserve | 972 | 984 | 1,004 |
| Operation and Maintenance, Marine Corps Reserve | 142 | 148 | 144 |
| National Guard and Reserve Equipment * | (40) | (10) | - |
| Quality of Life Enhancements * | (136) | (30) | - |
| Environmental Restoration, Navy | - | 293 | 258 |
| Kaho'olawe Island | 34 | 60 | 25 |
| Aircraft Procurement, Navy | 8,861 | 8,399 | 8,253 |
| Weapons Procurement, Navy | 1,418 | 1,446 | 1,434 |
| Shipbuilding and Conversion, Navy | 7,125 | 11,518 | 9,344 |
| Other Procurement, Navy | 4,284 | 3,479 | 4,098 |
| Procurement, Marine Corps | 1,296 | 1,222 | 982 |
| Procurement of Ammunition, Navy and Marine Corps | 542 | 494 | 457 |
| Research, Development, Test & Evaluation, Navy | 9,065 | 9,458 | 11,123 |
| National Defense Sealift Fund | 714 | 400 | 506 |
| Military Construction, Navy | 991 | 926 | 1,071 |
| Military Construction, Naval Reserve | 28 | 64 | 34 |
| Family Housing, Navy and Marine Corps | 1,220 | 1,295 | 1,223 |
| Base Realignment and Closure | - | 443 | 132 |
| **TOTAL** | **$88,509** | **$93,865** | **$99,019** |

* Reflects the DON portion of Defense-wide appropriations not included in the DON totals.
Note: totals in tables may not add due to rounding

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2001, beginning with the FY 2001 President's Budget request. The "Congressional Action" column includes adjustments made in accordance with the FY 2001 Military Construction Appropriations Act (P.L. 106-246) ($250 million), DOD Appropriations Act (P.L. 106-259) ($959 million) and Consolidated Appropriations Act (P.L. 106-554) ($6 million). The "Supplemental" column reflects unobligated balances available in no-year/multi-year Operation and Maintenance (O&M) and Military Personnel (MILPERS) appropriations, as of 1 October 2000. The table does not include requirements addressed in the FY 2001 Supplemental request, recently submitted to the Congress. "Transfers" are predominately those associated with the reprogramming of Defense Working Capital Fund fuel cash balances to O&M appropriations reduced by section 8085 of P.L. 106-259 ($309 million) and the redistribution of foreign currency exchange rate reductions, included in P.L. 106-259, among various O&M and MILPERS appropriations ($-67 million).

## *DERIVATION OF FY 2001 ESTIMATES*

***Table 2***
***Department of the Navy***
***FY 2002 Budget Summary by Appropriation***

(In Millions of Dollars)

| | FY 2001 President's Budget | Congressional Action | Emergency Supplemental | Transfers | FY 2001 Current Estimate |
|---|---|---|---|---|---|
| Military Personnel, Navy | $17,743 | $-24 | $74 | $-37 | $17,756 |
| Military Personnel, Marine Corps | 6,822 | -3 | 4 | -16 | 6,807 |
| Reserve Personnel, Navy | 1,528 | 48 | - | - | 1,576 |
| Reserve Personnel, Marine Corps | 436 | 13 | - | - | 449 |
| Operation and Maintenance, Navy | 23,300 | -63 | 301 | 266 | 23,804 |
| Operation and Maintenance, Marine Corps | 2,706 | 62 | 73 | 2 | 2,843 |
| Operation and Maintenance, Navy Reserve | 961 | -16 | 7 | 32 | 984 |
| Operation and Maintenance, MC Reserve | 134 | 12 | 2 | - | 148 |
| Environmental Restoration, Navy | 294 | - | - | - | 294 |
| Kaho'olawe Island | 25 | 35 | - | - | 60 |
| Aircraft Procurement, Navy | 7,964 | 435 | - | - | 8,399 |
| Weapons Procurement, Navy | 1,434 | 14 | - | -2 | 1,446 |
| Shipbuilding and Conversion, Navy | 12,297 | -789 | - | 10 | 11,518 |
| Other Procurement, Navy | 3,334 | 190 | - | -45 | 3,479 |
| Procurement, Marine Corps | 1,172 | 50 | - | - | 1,222 |
| Procurement of Ammunition, Navy and MC | 430 | 64 | - | - | 494 |
| Research Development, Test & Eval, Navy | 8,477 | 930 | - | 51 | 9,458 |
| National Defense Sealift Fund | 388 | 12 | - | - | 400 |
| Military Construction, Navy | 753 | 173 | - | - | 926 |
| Military Construction, Naval Reserve | 16 | 48 | - | - | 64 |
| Family Housing, Navy and Marine Corps | 1,246 | 51 | 3 | -5 | 1,295 |
| Base Realignment and Closure ( III, IV) | 477 | -27 | - | -7 | 443 |
| TOTAL | $91,937 | $1,215 | $464 | $249 | $93,865 |

Note: Totals may not add due to rounding.

# *RESOURCE TRENDS*

Chart 2 is a graphic representation of the Department of the Navy resource trends from FY 2000 through FY 2002. The Department's fiscal profile reveals an increase of almost 7% in FY 2002 from FY 2001 levels attributable to the topline increase recently provided by the new administration. This has provided much needed funding for manpower, near-term readiness and prior year shipbuilding. Collectively, since the FY 2001 President's Budget, about $3.7 billion has been added in FY 2002 to our primary readiness accounts. Our budget sustains the improvements we have started in both the manning and support of our recruiting force, as well as the modernizing of systems needed to more efficiently manage our military personnel and in improving their quality of life. We also have focused renewed commitment to retention enablers to ensure the Department can satisfy the manpower needs of the future. Among our investment programs, with the exception of LPD-17 and MV-22, our most critical future platforms remain on track in this budget. However, it would serve us to procure, at a more robust pace, those more traditional platforms and systems essential to the Navy and Marine Corps of the next decade. For example, we are now averaging less than seven new construction ships per year, when about nine are required to maintain the force approved in the last Quadrennial Defense Review.

## *Chart 2 - Trendlines FY 2000 - FY 2002*

***(In Constant FY 02 Dollars)***

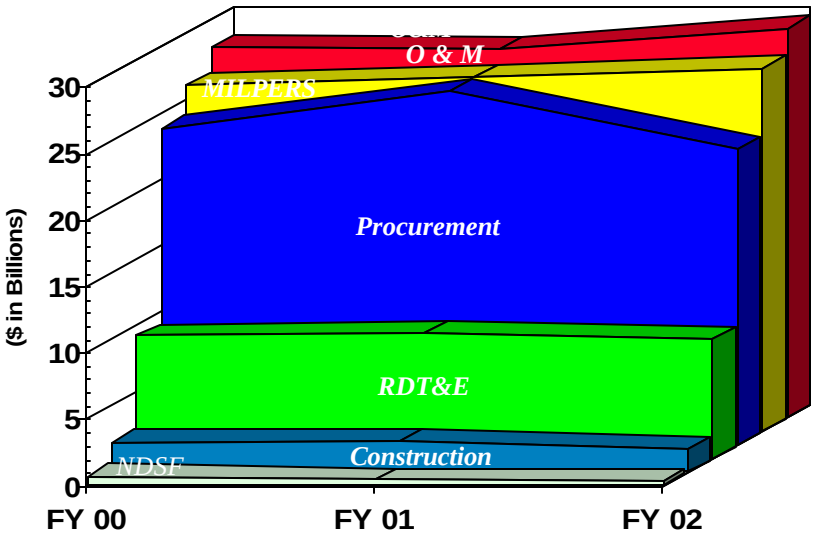



Chart 2 graphically displays Department of the Navy appropriations by title for FY2002.

# *SECTION II - READINESS*

Our battle force ships, aviation units and Marine forces provide the foundation for the National Military Strategy of shaping the international environment and respond to the full spectrum of crises. Our budget provides for operational levels which will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities.

***One Team, One Fight***

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 2002 include: Bright Star, CENTRASBAT and RIMPAC.

***Shape the international environment ...***

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 Arabian Gulf and the Balkans. On any given day, nearly 40,000 Sailors and Marines on over 100 ships are deployed to locations around the world.

## *Chart 3 - Naval Forces Today*

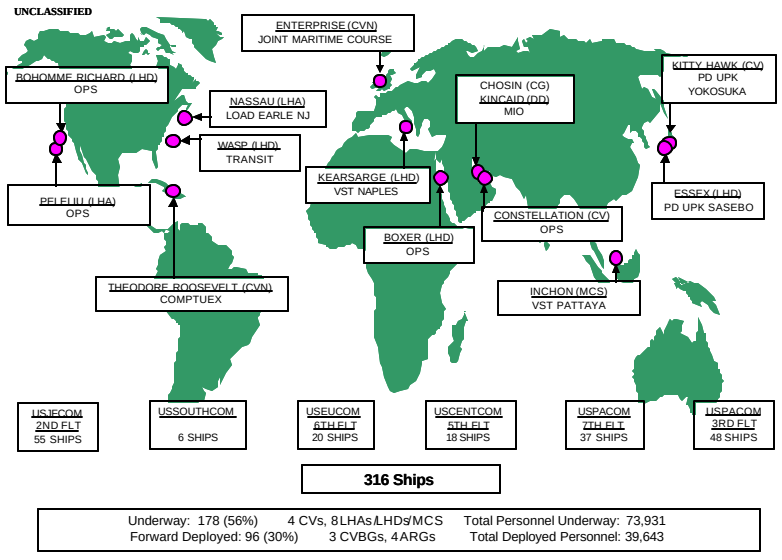



Chart 3 – Reflects Department's forward presence as of 26 June 2001.

# *SHIP OPERATIONS*

## *Battle Force Ships*

***... Appropriately sized forces***

The budget provides for a deployable Battle Force of 314 ships for FY 2002. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.

In FY 2002, four Arleigh Burke class guided missile destroyers will be commissioned and six ships will be inactivated (two destroyers, one attack submarine, two Reserve frigates and one Military Sealift Command chartered Ammunition Ship). The downward trend displayed in Table 3 represents the drive to a battle force of 306 ships in the outyears as directed in the 1997 QDR. To sustain the current level of operational commitments with a declining force, the Department is using that force at a much higher tempo than that for which it was designed. The strain this places on the battle force is reflected in higher ship maintenance costs, while the strain on personnel is manifested in a more difficult retention climate.

Table 3 summarizes Battle Force ship levels.

***Table 3***
***Department of the Navy***
***Battle Force Ships***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Aircraft Carriers | 12 | 12 | 12 |
| Fleet Ballistic Missile Submarines | 18 | 18 | 18 |
| Surface Combatants | 116 | 116 | 116 |
| Nuclear Attack Submarines | 56 | 55 | 54 |
| Amphibious Warfare Ships | 39 | 39 | 39 |
| Combat Logistics Ships | 34 | 34 | 33 |
| Mine Warfare Ships | 18 | 17 | 17 |
| Support Ships | 25 | 25 | 25 |
| **Battle Force Ships** | **318** | **316** | **314** |

## *OPTEMPO*

For FY 2002, 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 budget provides funds necessary to achieve the Department's operational tempo (OPTEMPO) goal of 50.5 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces. The funding level supports the Global Naval Forces Presence Plan (GNFPP) in terms of carrier battle group (CVBG) and amphibious ready group (ARG) requirements, as required by national security policy. Additional deployed underway days in FY 2002 in support of contingency operations are budgeted in the Overseas Contingency Operations Transfer Fund (OCOTF).

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. Non-deployed Fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force.

Chart 4 illustrates historical and budgeted OPTEMPO.

## *Chart 4 - Active Force OPTEMPO*

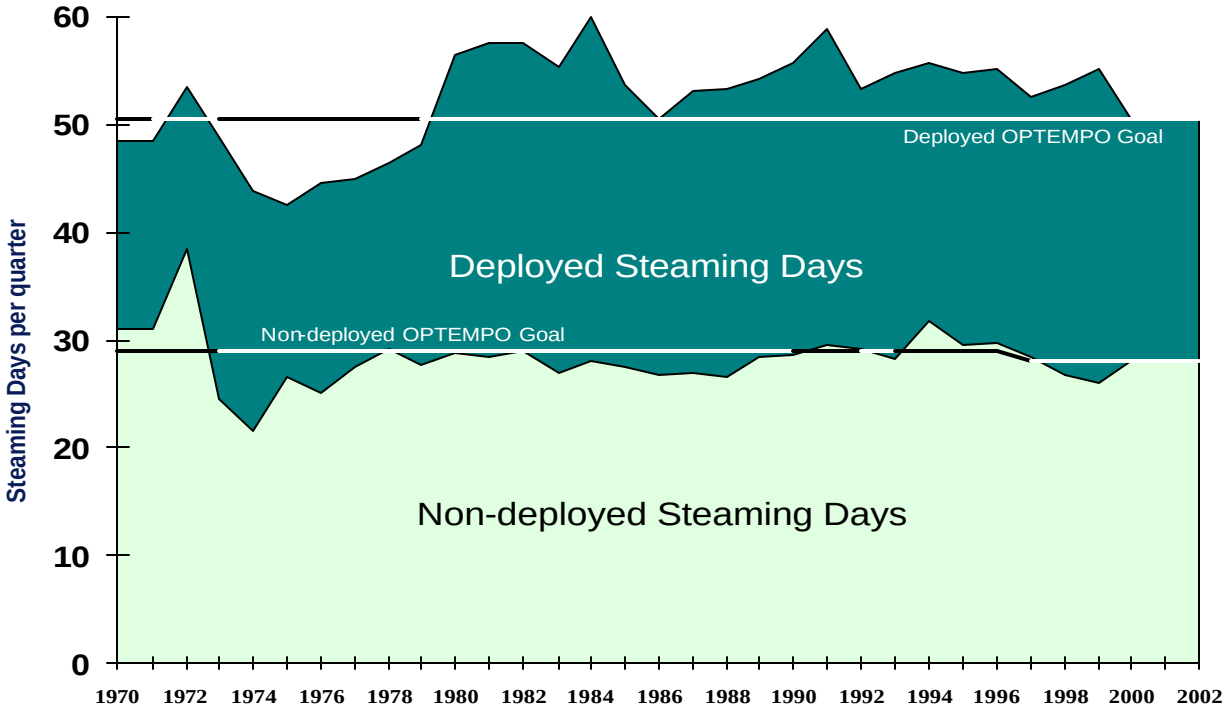



Chart 4 reflects ship OPTEMPO steaming days per quarter deployed and non-deployed. Also, displayed as horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations including contingency operations funded through the Overseas Contingency Operations Transfer Fund (OCOTF).

## *Reserve Battle Force Ships*

The Naval Reserve Force continues to actively augment and support the active force while achieving personnel tempo goals. In FY 2002, the Naval Reserve will consist of 15 Battle Force ships with 8 FFGs, 1 LST, 1 MCS, and 5 MCMs. During FY 2002, 2 older FFGs will be replaced by 2 ships coming from the active fleet.

Table 4 reflects Reserve battle force ships and steaming days per quarter and, where appropriate, both non-deployed and deployed steaming days due to operational requirements.

***Table 4***
***Department of the Navy***
***Significant Naval Reserve Force Factors***

| | FY 2000 | FY2001 | FY 2002 |
|---|---|---|---|
| Reserve Operational Carrier | 1 | 0 | 0 |
| Surface Combatants | 8 | 8 | 8 |
| Amphibious Ships | 2 | 1 | 1 |
| Support/Mine Warfare | 5 | 6 | 6 |
| **Reserve Battle Force Ships** | **16** | **15** | **15** |
| | | | |
| **Steaming Days Per Quarter** | | | |
| Reserve Operational Carrier | 50.5 | - | - |
| | | | |
| **Mine Warfare (MCS/MCM)** | | | |
| Deployed | 50.5 | 50.5 | 50.5 |
| Non-deployed | 24 | 24 | 24 |
| FFGs/LSTs | 18 | 18 | 18 |

## *Mobilization*

Mobilization forces provide rapid response to unforeseen 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.

DON O&M appropriations reimburse the biennial exercise costs of the Hospital Ships (T-AH) and the Aviation Maintenance Ships (T-AVB), and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of the three MPS squadrons supports a Marine Air-Ground Task Force or Brigade equivalent for 30 days. The final two Maritime Prepositioned Force (Enhanced) (MPF(E)) ships will be added in FY 2001. Enhancement of the Surge Sealift fleet will be completed in FY 2002 as two additional Large Medium-Speed Roll-On Roll-Off vessels enter service, increasing the inventory to 11 ships. Beginning in FY 2002, the total sealift capacity requirement of 14 million square feet is being met.

Table 5 displays the composition of Navy mobilization forces.

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Prepositioning Ships:** | | | |
| Maritime Prepo Ships (Navy O&M) | 13 | 13 | 13 |
| Maritime Prepo (Enhanced) (Navy O&M) | 1 | 3 | 3 |
| CENTCOM Ammo Prepo (Navy O&M) | 1 | 1 | 1 |
| Army Prepo Ships (Army O&M) | 15 | 15 | 15 |
| Air Force Prepo Ships (Air Force O&M) | 3 | 3 | 3 |
| DLA Prepo Ships (DWCF) | 3 | 3 | 3 |
| **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) | 89 | 76 | 76 |
| Large Medium-Speed RORO Ships (NDSF) | 6 | 9 | 11 |
| Prepositioning Capacity (millions of square feet) | 3.9 | 3.9 | 4.4 |
| Surge Capacity (millions of square feet) | 8.7 | 8.9 | 9.6 |
| Total Sealift Capacity (millions of square feet) | 12.6 | 12.8 | 14.0 |

## *Ship Depot Maintenance*

The Department's active ship depot maintenance budget finances 90% of the notional O&M requirement in FY 2002 and 100% of the SCN refueling overhaul requirement. For FY 2001, we have submitted a supplemental request of $200 million; if this amount is appropriated, 93% of ship depot maintenance requirements will be satisfied. With the decline in battle force ships to 1997 QDR directed levels, the stress of maintaining current OPTEMPO on an aging force is evident in increasing depot maintenance requirements. For example, as reflected in chart 5, in 1993 we had 108 ships forward deployed, or 24% of our 458 ship battle force. In FY 2002, we will have 100 ships forward deployed, or 32% of our 314 ship battle force. This high

**FY 2002 Budget Summary**

| | Goal | Budget |
|---|---|---|
| Submarines | 97.5% | 90% |
| Carrier | 97.5% | 92% |
| Surface | 95.0% | 86% |

utilization, along with aging assets, results in depot maintenance availabilities that are increasingly exceeding notional costs.

## *Chart 5 – Deployment Trends*

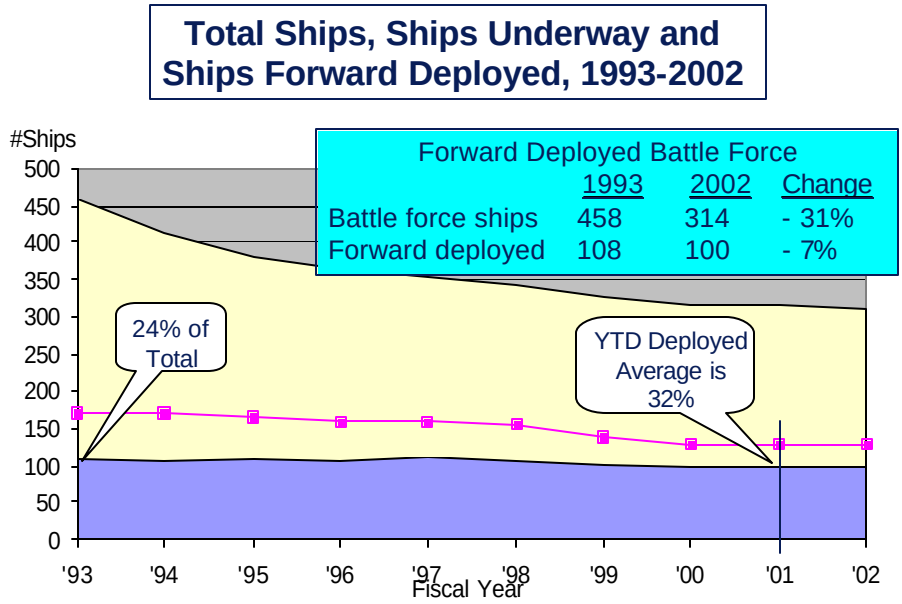



Chart 5 - summarizes deployment trends since 1993.

Also in FY 2002, the Department continues to implement initiatives designed to reduce outyear maintenance costs and reduce maintenance burdens on Fleet personnel (e.g., wear resistant paint, water tight doors, well deck preservation). Funding to continue the Pearl Harbor regional maintenance initiative in FY 2002 is included in the depot operations support line of the budget.

**Deferred Ship Maintenance ($M)**

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Annual Deferred Ship Maintenance | 841 | 499 | 377 |

The FY 2000 deferred maintenance amount reflects the total (executable and unexecutable) deferred ship maintenance in the FY 2000 National Defense Plant Property and Equipment Deferred Maintenance Report as of 30 September 2000. The FY 2001 amount represents total (executable and unexecutable) deferred ship maintenance as of 1 June 2001 as reported by the Fleet Commanders-in -Chief. The FY 2002 amount represents the resources required to fund 100% of all known FY 2002 ship maintenance requirements. The entire FY 2002 amount is executable. Some amount of prior years' deferred

maintenance may also be executable in FY 2002, depending on ship deployment schedules and shipyard capacity. As the execution year progresses, the executable workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard daily rates, and shipyard capacity.

The Department's reserve ship depot maintenance budget finances 90% of the notional requirement in FY 2002. As with the active counterparts, the Department is implementing the same initiatives to reduce maintenance burdens and costs on Naval Reserve Force ships.

Table 6 displays active and reserve ship depot maintenance.

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Ship Depot Maintenance | $2,588 | $2,412 | $2,918 |
| Depot Operations Support | 1,197 | 1,174 | 1,330 |
| **Total: Ship Maintenance (O&MN)** | **$3,785** | **$3,586** | **$4,248** |
| % of Requirement Funded | 83% | 87% | 90% |
| CVN Overhauls (SCN) | $344 | $717 | $1,162 |
| SSN Refueling Overhauls (SCN) | - | $307 | $460 |
| % of SCN Requirement Funded | 100% | 100% | 100% |
| Deferred Maintenance | $841 | $499 | $377 |

**Reserve Ship Depot Maintenance**
*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Reserve Ship Depot Maintenance | $96 | $73 | $72 |
| Depot Operations Support | 1 | 2 | 3 |
| **Total: Ship Maintenance (O&MNR)** | **$97** | **$75** | **$75** |
| **Percentage of Requirement Funded** | 92% | 100% | 90% |

# *AIR OPERATIONS*

## *Active Tactical Air Forces*

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Navy aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). Tactical air 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. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics support. In Fleet Air Training, the Fleet Readiness Squadrons provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations. Additionally, to support a wide range of Fleet operations and training, the Navy has targeted a 73% aircraft mission capability (MC) rate and a 56% Full Mission Capable (FMC) rate. This reflects both deployed and non-deployed operational aircraft trends.

The total number of aircraft decreases in FY 2002. This reflects retirement of some F-14A, F/A-18A, and H-46 aircraft, offset by addition of new FA-18E/F and CH-60S.

**Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)**

| | FY 2000 | FY 2001 | FY 2002 | Goal |
|---|---|---|---|---|
| MC Aircraft | 68 | 66 | 73 | 73 |
| FMC Aircraft | 55 | 52* | 56 | 56 |

*As of April 2001

## *Reserve Air Forces*

Reserve aviation continues to expand its role by accepting more missions from the active force. The Reserves support all of the Navy'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. These varied missions demonstrate the Navy's commitment to fully employ the Total Force Concept. An increase in the FY 2002 budget results from the full integration of an enhanced air undersea warfare capability with the more capable SH-60B in the Navy Reserve inventory. The budget also reflects an increase in logistics mission flight hours for the new C-40A "Clipper" aircraft.

Table 7 reflects active and reserve aircraft force structure.

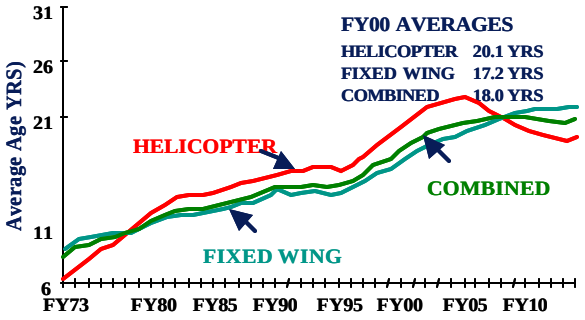
***Table 7***
***Department of the Navy***
***Aircraft Force Structure***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **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** |
| Tactical Air Wings (Navy) | 1 | 1 | 1 |
| Patrol/ASW Air Wings | 1 | 1 | 1 |
| Helicopter Air Wing | 1 | 1 | 1 |
| Logistics Air Wing | 1 | 1 | 1 |
| Air Wing (Marine) | 1 | 1 | 1 |
| **Primary Authorized Aircraft - Active 1/** | **2,463** | **2,491** | **2,480** |
| Navy | 1,445 | 1,471 | 1,461 |
| Marine Corps | 1,018 | 1,020 | 1,019 |
| 1/ Does not include trainer or TACAMO aircraft. | | | |
| **Primary Authorized Aircraft - Reserve** | **418** | **407** | **406** |
| Navy | 232 | 222 | 220 |
| Marine Corps | 186 | 185 | 186 |

## *Aircraft OPTEMPO*

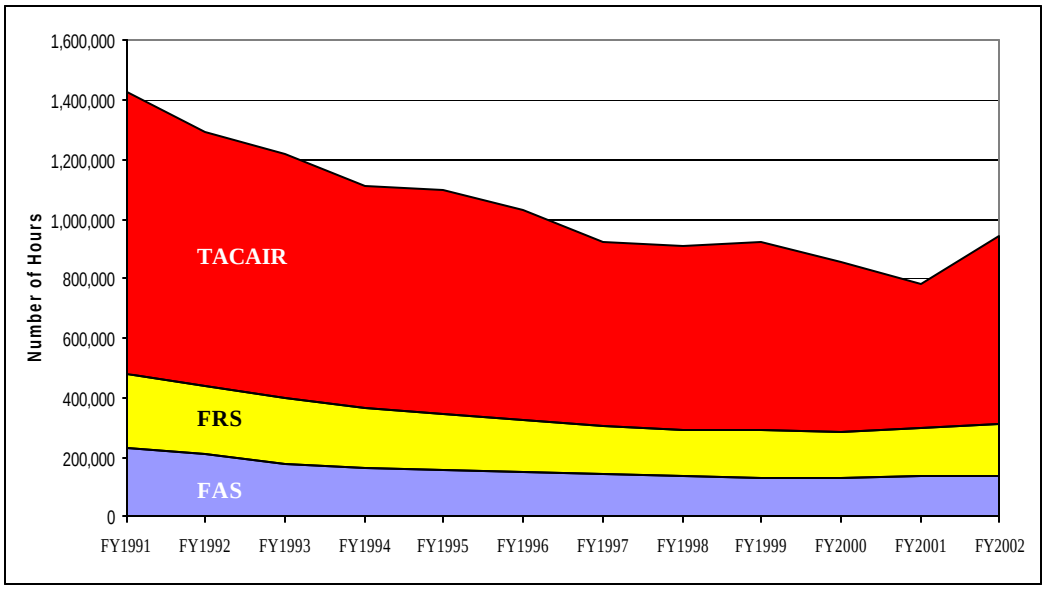
The FY 2002 budget for the active aircraft flying hour program achieves the Department's goal of 83% TACAIR/ASW Primary Mission Readiness (PMR) to train and maintain qualified aircrews in the primary mission of their assigned aircraft.

***Chart 6 – Expected Average Aircraft Age***




The Flying Hour Program has been priced using the most recent FY 2000 cost per hour experience, including higher cost for repair part pricing and usage, and includes efficiencies from various engineering changes to repair parts. 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 is experiencing increasing failure rates on major components. While the increased cost per hour in FY 2002 has been accommodated to maintain the CNO's goal of 83% PMR (includes 2% simulator contribution), the FY 2001 program will execute at 68% PMR. For FY 2001, we have submitted a supplemental request of $425 million; if this amount is appropriated, FY 2001 TACAIR PMR will be 79%.

***Chart 7 - Flying Hour Program***



Consistent with recent execution experience, Fleet Readiness Squadrons operations are budgeted at 92% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew maintenance personnel rotation rates and student output from the Undergraduate Pilot/NFO training program. Fleet Air Support requirements correlate with TACAIR operational requirements. Naval Reserve PMR is budgeted at 87% in FY 2002.

Table 8 displays active and reserve flying hour readiness indicators.

***Table 8***
***Department of the Navy***
***Flying Hour Program***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Active** | | | |
| TACAIR Primary Mission Readiness (%) 1/ | 76% | 68% | 83% |
| *Goal 1/* | *85%* | *83%* | *83%* |
| Fleet Readiness Squadrons (%) | 86% | 92% | 92% |
| *Goal* | *94%* | *92%* | *92%* |
| Fleet Air Support (%) | 76% | 79% | 83% |
| *Goal* | *83%* | *83%* | *83%* |
| Monthly Flying Hours per Crew (USN & USMC) | 20.9 | 17.8 | 22.6 |
| 1/ Includes 2% simulator contribution | | | |
| **Reserve** | | | |
| Primary Mission Readiness (%) 1/ | 87% | 87% | 87% |
| *Goal* | *87%* | *87%* | *87%* |
| Monthly Flying Hours per Crew (USNR & USMCR) | 11 | 11 | 11 |
| 1/ Includes 0.25% simulator contribution | | | |

## *Aircraft Depot Maintenance*

To meet the Chief of Naval Operations (CNO) depot readiness goal, 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 Active and Reserve missions. The goal of the airframe rework program is to provide enough airframes to meet 100% Primary Authorized Aircraft (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 (TMS) RFI engine spares pools. Other Depot Maintenance refers to the depot level repair of aeronautical components for the aircraft systems and equipment under direct Contractor Logistics Support (CLS).

The Department's budget for Fiscal Year 2002 is sufficient to achieve the Active and Reserve Engine and Airframe CNO Readiness goals for deployed and non-deployed squadrons. This will result in deployed squadrons having sufficient aircraft to meet inter-deployment training cycle requirements and mission capable status prior to and during deployment. Non-deployed squadrons will also have sufficient aircraft to satisfy post deployment readiness requirements. Post deployment readiness requirements are necessary to ensure an adequate supply of airframes and engines are available to support squadron and air wing training exercises. These exercises include both inter-service air-to-air and air-to-ground tactical and missile firing training events. For FY 2001, we have submitted a supplemental request of $77 million; if this amount is appropriated, all CNO goals for engines and airframes will be met in FY 2001.

Tables 9a and 9b summarize Active and Reserve Aircraft Depot Maintenance.

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Operation and Maintenance, Navy | A-5 |
| Operation and Maintenance, Navy Reserve | A-7 |

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

| | FY 2000 | % at Goal | FY 2001 | % at Goal | FY 2002 | % at Goal |
|---|---|---|---|---|---|---|
| Airframes | $470 | | $433 | | $508 | |
| Engines | 305 | | 188 | | 301 | |
| Components | 43 | | 47 | | 45 | |
| **Total: Active Aircraft Depot Maintenance** | **$818** | | **$668** | | **$854** | |
| **Airframes** | | | | | | |
| Deployed Squadrons meeting goal of 100% PAA | 159 | *100%* | 161 | *100%* | 158 | *100%* |
| Deployed Squadrons not meeting goal | 0 | *0%* | 0 | *0%* | 0 | *0%* |
| Non-Deployed Squadrons meeting goal of 90% PAA | 179 | *100%* | 157 | *87%* | 179 | *100%* |
| Non-Deployed Squadrons not meeting goal | 0 | *0%* | 24 | *13%* | 0 | *0%* |
| **Engines** | | | | | | |
| Engine TMS meeting Zero Bare Firewall goal of 90% PAA | 66 | *100%* | 67 | *100%* | 67 | *100%* |
| Engines pools not meeting goal | 0 | *0%* | 0 | *0%* | 0 | *0%* |
| Engines TMS meeting RFI Spares goal of 90% PAA | 66 | *100%* | 30 | *45%* | 67 | *100%* |
| Engine TMS not meeting RFI Spares goal | 0 | *0%* | 37 | *55%* | 0 | *0%* |
| **Components: Other - Depot Maintenance** | | | | | | |
| Funded Requirements | 43 | | 47 | | 45 | |

## Table 9b
## Reserve Forces Aircraft Depot Maintenance

*(Dollars in Millions)*

| | FY 2000 | % at Goal | FY 2001 | % at Goal | FY 2002 | % at Goal |
|---|---|---|---|---|---|---|
| Airframes | $64 | | $66 | | $83 | |
| Engines | 37 | | 35 | | 33 | |
| Components: Other Depot Maintenance | <1 | | <1 | | 0 | |
| **Total : Reserve Aircraft Depot Maintenance** | **$102** | | **$102** | | **$116** | |
| **Airframes** | | | | | | |
| Non-Deployed Squadrons meeting goal | 67 | *100%* | 69 | *100%* | 67 | *100%* |
| Non-Deployed Squadrons not meeting goal | 0 | *0%* | 0 | *0%* | 0 | *0%* |
| **Engines** | | | | | | |
| Engine TMS meeting Zero Bare Firewall goal | 37 | *100%* | 37 | *100%* | 37 | *100%* |
| Engines TMS not meeting Zero Bare Firewall goal | 0 | *0%* | 0 | *0%* | 0 | *0%* |
| Engine TMS meeting RFI spares goal | 37 | *100%* | 37 | *100%* | 37 | *100%* |
| Engine TMS not meeting RFI spares goal | 0 | *0%* | 0 | *0%* | 0 | *0%* |
| **Components: Other-Depot Maintenance** | | | | | | |
| Funded Requirements | <1 | | <1 | | N/A | |

# *MARINE CORPS OPERATIONS*

## *Marine Corps Active Operations*

This budget supports the Marine Corps Operating Forces comprised of three active Marine Expeditionary Forces (MEF). Each MEF consists of a headquarters command element, one ground division, one airwing, and one force service support group.

MEFs provide highly trained forces that are fully prepared to execute their charter as a versatile expeditionary force in readiness, capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with our Maritime Prepositioned Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These forces possess the requisite firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations.

This budget continues the fielding of improved combat equipment and clothing for the individual Marine. The budget also reflects savings in FY 2002 associated with operational efficiencies achieved through Strategic Sourcing, Food Service Regionalization, Installation Reform, and Business Process Re-engineering initiatives. As part of these efforts, the O&M budget funds the additional civilian workers required to return 1,600 Marines to the operating forces as a result of these re-engineering initiatives. The budget maintains a manageable level of unfunded depot maintenance backlog that will not impact the readiness of the operating forces, supports requirements for recruit training, initial skill training, and follow-on training courses, and supports continued success in meeting recruit accession goals. This budget also continues Distance Learning program efforts to reduce the training pipeline, thereby increasing manning levels in the Fleet Marine Force.

Table 10 displays Marine Corps land forces.

***Table 10***
***Department of the Navy***
***Marine Corps Land Forces***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Number of Marine Expeditionary Forces | 3 | 3 | 3 |
| Number of Battalions | 70 | 70 | 70 |

## *Marine Corps 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 2002 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for the maintenance of aging equipment and also for the purchase of critical field medical supplies through the Initial Issue program. The budget also increases funding for "Semper Fit" and other programs in support of the Marine Corps' commitment to attain appropriate funding levels for the Reserve Force in the area of Morale, Welfare, and Recreation. Finally, additional base operations funding is provided to meet requirements stemming from the increase in Marine Corps Reserve sole tenancy at Reserve Centers which were previously shared with, but subsequently vacated by, other Service reserve units.



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Operation and Maintenance, Marine Corps | A-6 |
| Operation and Maintenance, Marine Corps Reserve | A-8 |

# *PEOPLE*

Trained and adequately compensated manpower is the most important resource in our readiness equation. 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 and are among our biggest challenges as the Department continues to face fierce competition from the private sector for the best and the brightest young Americans. Meeting these challenges is essential to long-term effectiveness, and the Department is fighting this "war for talent" 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. The price of a highly-skilled, all-volunteer force in today's environment is increasing.

| **Navy Personnel Tempo** | **FY 2000** | **FY 2001** | **FY 2002** |
|---|---|---|---|
| Units Not Meeting Personnel Tempo Goal | 4 | 0 | 0 |

Note: The Navy uses a combination metric for personnel tempo. To meet the goal, a unit must deploy for not more than six months at a time, spend twice as much time nondeployed as deployed, and spend 50 percent of its time in home port over a five-year cycle.

| **Marine Corps Deployment Tempo** | **FY 2000** | **FY 2001** | **FY 2002** |
|---|---|---|---|
| Units Deployed more than 180 Days per Year Over a 36-month Schedule Period | 0 | 0 | 0 |

***... maintain highly skilled and motivated people***

Military Personnel budget estimates include a minimum 5.0% pay raise for all pay grades in FY 2002. In addition, FY 2002 estimates include targeted pay raises for E-4 to E-9 personnel (additional 2-5%) and modest increases for junior officer and enlisted personnel (additional 1-2%). Recognizing that fixing pay alone is not sufficient, we continue to explore other avenues to get more Sailors and Marines to the reenlistment decision point, motivating them to remain for a career. For example, basic allowance for housing (BAH) programs have been funded to effect the transition to market-based rates, to fund anticipated future housing rate increases and to reduce out-of-pocket expenses to 11.3% in FY 2002 and to eliminate them by FY 2005. Improvements to recruiting and retention incentive programs, as well as positive changes to permanent change of station and other manpower policies, are routinely explored through the Unified Legislation and Budgeting (ULB) process in an

attempt to remove job dissatisfiers and demonstrate the Department's ongoing commitment to Sailors, Marines and their families.

## *Navy*

Fighting the "war for talent" within the Navy, this budget again reflects positive steps to address manning challenges through expanded enlistment and reenlistment bonuses, enhanced special and incentive pays and increased advancement opportunity. Better than anticipated manning in FY 2001, the result of long sought after improvements in recruiting and retention, has helped in reducing at-sea billet gaps, and allowed the Navy to begin to fulfill increased requirements in areas such as anti-terrorism/force protection, aviation maintenance due to aging airframes, and environmental billets at sea to properly handle plastic and hazardous waste products. However, increased manning requirements make the "war for talent" even more challenging and the proper funding of targeted incentives to ensure success in that war even more critical.

While the Navy was able to reduce recruiting goals in view of an improved retention rate during FY 2000 and again in FY 2001, our budget sustains a recruiter force of 5,000, healthy enlistment bonus and college fund programs, and continued support of a number of "Smart Recruiter" initiatives, such as an expanded Blue Jacket Hometown Assistance Recruiting Program (HARP), to ensure success in meeting the revised accession mission. We sustain our recruiting investment to enhance our Delayed Entry Program (DEP) levels. A healthy DEP helps us achieve maximum efficiency in the training pipeline through advanced planning and reduces attrition from recruit training by giving the recruits time to learn about the Navy and prepare for boot camp.

**Recruiter Productivity** (active and reserve)

| | FY2000 | FY2001 | FY2002 |
|---|---|---|---|
| # of Recruiters | 5,000 | 5,000 | 5,000 |
| # of Recruits | 55,147 | 54,020 | 53,000 |
| # of Recruits per Recruiter | 11 | 11 | 11 |
| Size of DEP (Beginning of FY) | 15,979 | 17,219 | 16,500* |

*Current FY02 estimate

The value placed on our Sailors and the significance placed on the need to motivate them to "stay Navy" is the cornerstone to achieving and sustaining optimum personnel readiness. Navy is postured to keep the retention momentum experienced in FY 2000 and to date in FY 2001 going in FY 2002 through a combination of Selective Reenlistment Bonus (SRB) increases and discrete high year tenure adjustments. Additional gains are anticipated through funding of additional workyears to accommodate expansion of high year tenure dates, allowing Sailors to remain on active duty longer. Further, capitalizing on the success of SRB contracts in FY 2000 and to date in FY 2001, this budget sustains a robust SRB program level in FY 2002 as a means of deriving additional gains. A Distribution SRB pilot program has also been funded, the intent of which is to pay differentially higher SRB payments to members willing to reenlist for orders to particular types of duty. To preserve advancement opportunity as more senior personnel are retained by means of the above programs, our budget accommodates modest increases of .63% and .94% to Top 6 inventory in FY 2001 and FY 2002 respectively. This will sustain the personnel advancement momentum recently achieved.

***People are our most important and valuable resource***

To address intangibles such as job satisfaction, ongoing professional growth, training and education that affect retention and attrition levels, funding has been included for the Center for Career Development, a division of the Navy's manpower and personnel directorate specifically chartered to provide information concerning the career decision process to career counselors, Command Retention Teams and Sailors and their families. The Center is designed to provide, through a combination of seminars, workshops and Web-based interactive products, objective information about pay and benefits, educational and advancement opportunities, and the reality of the private sector so that Sailors and their families can make informed career decisions.

Funds have also been earmarked in this budget to address retention concerns in the officer community. For example, in an effort to increase the take rates of eligible junior aviators and to improve overall aviator retention, Aviation Career Continuation Pay (ACCP) funding levels have been increased in FY 2002. This revamped program focuses on enhancing award levels for longer contracts and also extends ACCP to senior aviators. Funds have also been budgeted for Judge Advocate General Continuation Pay to encourage high quality officers to make positive career decisions and as a signal to law students or attorneys considering a Navy career that their commitment to the Navy and the Nation is valued.

This budget also includes funding for approved Unified Legislation and Budgeting (ULB) initiatives such as BAH for members E-4 and below in

conjunction with a permanent change of station move, and an increase to midshipmen pay.

Chart 8 and Table 11 provide summary personnel end strength data for Military Personnel, Navy.

## *Chart 8 – Active Military Personnel End Strength*

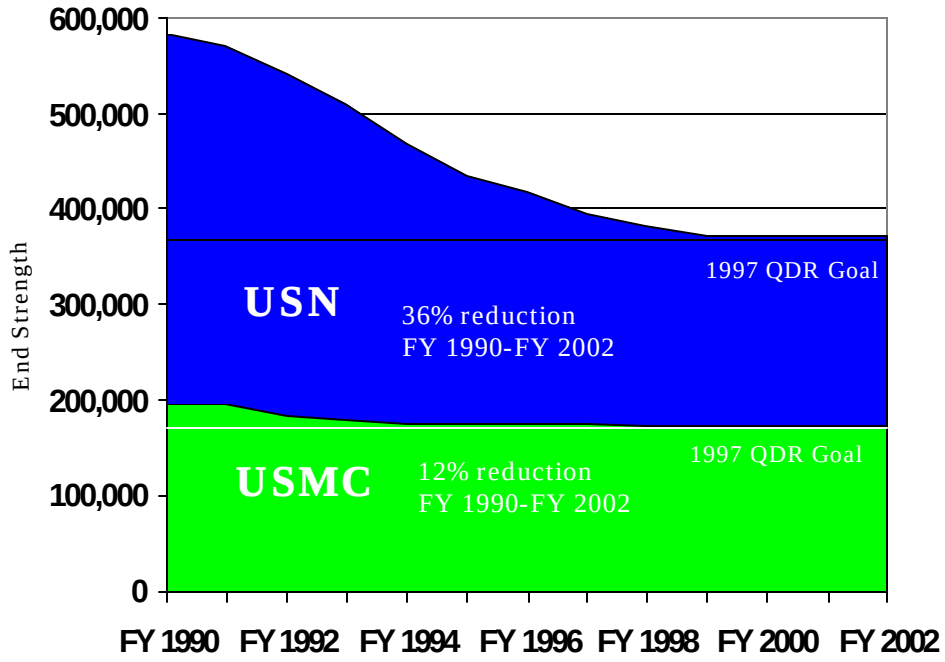



Chart 8 Graphically displays Military Personnel reductions through FY 2007.

***Table 11***
***Department of the Navy***
***Active Navy Personnel***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Officers | 53,550 | 53,752 | 53,742 |
| Enlisted | 315,471 | 317,948 | 318,258 |
| Midshipmen | 4,172 | 4,217 | 4,000 |
| **Total: End Strength** | **373,193** | **375,917** | **376,000** |
| | | | |
| Enlisted Accessions | 55,147 | 54,020 | 53,000 |
| Percent High School Diploma Graduates | 90.0% | 90.0% | 90.0% |
| Percent above average Armed Forces Qualification Test | 64.2% | 62.0% | 62.0% |

| Enlisted Reenlistment Rates | | | | |
|---|---|---|---|---|
| | FY2000 | FY2001 | FY 2002 | Steady State Goal |
| Zone A (<6 years) | 49.1% | 56.7% | 56.2% | 57% |
| Zone B (6+ to 10 years) | 62.9% | 64.9% | 64.3% | 69% |
| Zone C (10+ to 14 years) | 83.3% | 85.9% | 85.1% | 89% |

| Enlisted Attrition | | | |
|---|---|---|---|
| | FY2000 | FY2001 | FY 2002 |
| Zone A (<6 years) | 11.9% | 11.9% | 11.9% |
| Zone B (6+ to 10 years) | 2.6% | 2.6% | 2.6% |
| Zone C (10+ to 14 years) | 2.0% | 2.0% | 2.0% |

## *Naval Reserve*

This budget supports Naval Reserve end strength of 87,000 in FY 2002, providing pay and allowances for drilling Navy Reserve personnel and Full Time Support personnel.

Similar to the Active Component, the Naval Reserve continues to experience recruiting and retention challenges focused predominately in the enlisted drilling Reserve population. Accordingly, two new programs geared toward reversing negative trends in enlisted recruiting and retention are funded in this budget submission. The Reserve Selected Conversion of Rating (RESCORE) program has been instituted on a small scale in FY 2001 and will be expanded in FY 2002. The program is designed to enable the Navy to recruit veterans, who may not carry the specific ratings required by the Naval Reserve billet structure, to convert to a required rating. Additionally, a non-prior service accession program will be instituted to better enable the Navy to meet E-1 through E-3 billet requirements by recruiting drilling Reserve personnel from among Active Component Delayed Entry Pool attrites for Naval Construction Battalion and medical ratings. Increases to the number of Reserve recruiters, begun in FY 2000, have been sustained in this submission, as have Reserve recruiting and retention incentive programs such as Enlistment, Reenlistment and Affiliation Bonus programs. ACCP funding levels have also been increased, consistent with the Active Navy.

This budget also provides funding to maintain the prior year enlisted Annual Training (AT) participation rate of 90%. Additional funding necessary to accommodate an average AT tour length of 15 days, for both officers and enlisted, has been budgeted. This budget also contains increased travel funding for drill periods at fleet concentration sites and funds approved ULB initiatives

such as tiered ROTC stipend, E-4 BAH, and enhanced Surface Warfare Officer Continuation Pay.

Chart 9 and Table 13 provide end strength data for the Reserve Personnel, Navy appropriation.

## *Chart 9 - Reserve Military Personnel End Strength*

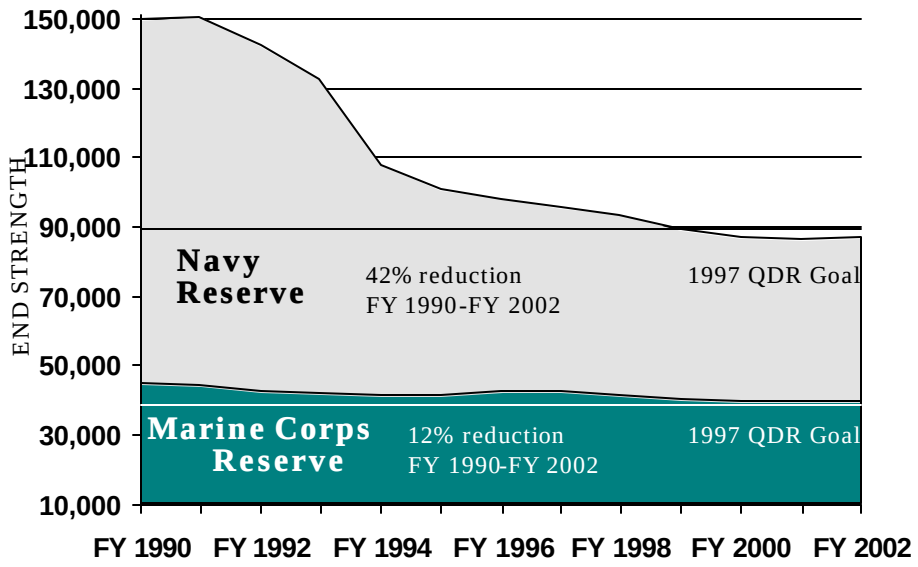



Chart 9 graphically reflects Naval and Marine Corps personnel reductions from FY 1990 through FY 2007.

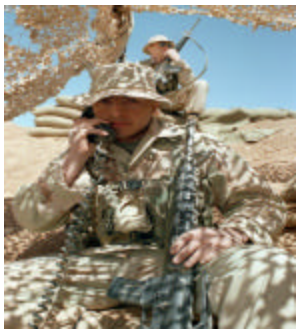
***Table 12***
***Department of the Navy***
***Reserve Navy Personnel***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Selected Navy Reserves | 71,546 | 71,362 | 72,189 |
| Full Time Support | 15,387 | 14,649 | 14,811 |
| **Total: End Strength** | **86,933** | **86,011** | **87,000** |



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Personnel, Navy | A-1 |
| Reserve Personnel, Navy | A-3 |

## *Marine Corps*



This budget fully funds an end strength of 172,600 in FY 2002. This force structure permits the Marine Corps to fulfill their charter as a versatile expeditionary force-in-readiness, capable of rapidly responding to global contingencies. Additionally, this budget submission reflects the return of 1,600 Marines to the operating forces as a result of the regionalization/civilianization of the west coast Garrison Mobile Equipment (GME) function.

Continued success in meeting goals for recruiting and retaining personnel to maintain the planned force level is anticipated, and enlistment and reenlistment bonus programs have been funded to help ensure success in meeting budgeted end strength levels.

**Recruiter Productivity (active and reserve)**

| | FY2000 | FY2001 | FY2002 |
|---|---|---|---|
| # of Recruiters | 2,650 | 2,650 | 2,650 |
| # of Recruits | 38,729 | 41,097 | 42,963 |
| # of Recruits per Recruiter | 15 | 16 | 16 |
| Size of DEP (Beginning of FY) | 19,830 | 20,709 | 20,257 |

*Current FY 2002 estimate.

This budget also includes funding for approved Uniform Legislative Budgeting initiatives such as BAH for members E-4 and below in conjunction with a permanent change of station (PCS) move and a dislocation allowance for first term members on their first PCS move.

Table13 provides summary personnel end strength data for Military Personnel, Marine Corps.

***Table 13***
***Department of the Navy***
***Active Marine Corps Personnel***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Officers | 17,938 | 17,888 | 17,888 |
| Enlisted | 155,383 | 154,712 | 154,712 |
| **Total: End Strength** | **173,321** | **172,600** | **172,600** |
| Enlisted Accessions | 32,602 | 35,116 | 36,569 |
| Percent High School Diploma Graduates | 95% | 95% | 95% |
| Percent above average Armed Forces Qualification Test | 63% | 63% | 63% |
| Reenlistments | 14,650 | 13,646 | 13,646 |

| | Enlisted Retention Rates | | | |
|---|---|---|---|---|
| | **FY 2000** | **FY 2001** | **FY 2002** | **Steady State Goal** |
| First Term | 26.2% | 26.3% | 26.5% | 25% |
| Second Term | 63.4% | 59.5% | 59.5% | N/A |
| Third Term | 95.6% | 95.8% | 95.6% | N/A |

## *Marine Corps Reserve*

This budget supports Marine Corps Reserve end strength of 39,558 in FY 2002. This end strength ensures availability of trained units to augment and reinforce the active forces, as well as providing manpower for a Marine Air-Ground Task Force Headquarters and Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling Reservists attached to specific units, for Individual Mobilization Augmentees (IMA's), for personnel in the training pipeline, and for full-time Active Reserve personnel. It also continues funding for the legislative proposal to pay full drill pay to Reservists participating in Military Funeral Honors. Consistent with the Marine Corps Active Component, bonus programs continue to be funded at levels required to meet recruiting and retention goals.

The Marine Corps Reserve requirements are reviewed continually to fully support the National Military Strategy. The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis requirements.

Table 14 provides end strength data for the Reserve Personnel, Marine Corps account.

***Table 14***
***Department of the Navy***
***Reserve Marine Corps Personnel***

| | **FY 2000** | **FY 2001** | **FY 2002** |
|---|---|---|---|
| Selected Marine Corps Reserves | 37,351 | 37,297 | 37,297 |
| Full Time Support | 2,316 | 2,261 | 2,261 |
| **Total: End Strength** | **39,667** | **39,558** | **39,558** |



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Personnel, Marine Corps | A-2 |
| Reserve Personnel, Marine Corps | A-4 |

# *SECTION III - RECAPITALIZATION*

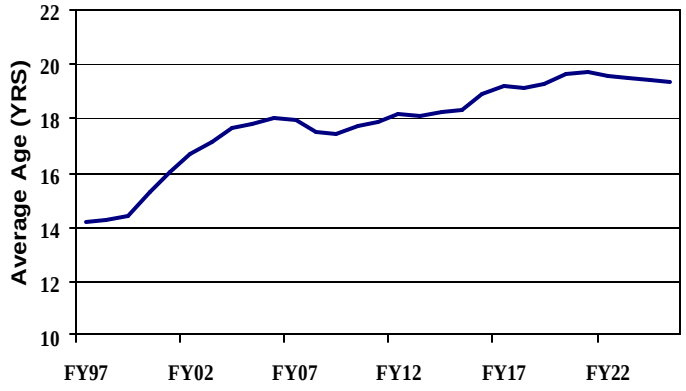

In addition to readiness, the DON is postured to modernize its equipment with advanced technology to meet future threats. The introduction of new platforms will use Commercial Off the Shelf (COTS) technology, open architecture construction, and continue to leverage advances in information technology. This ensures the United States Navy's continued dominance of the open seas and littoral environments and allows for lower manning requirements, faster processing capabilities, and increased accuracy of our weapons systems. The Department needs to invest now with a focused program to secure Naval superiority well through the first half of the 21st Century. Because of the "Balloon" effect of CVN-77 in FY 2001, and increased emphasis on near term readiness, the total request for procurement funding has decreased from $26.6 billion in FY 2001 to $24.6 billion in FY 2002.

Despite concessions in some near-term modernization programs, the Department remains committed to continuing full support of major transformational programs like the Joint Strike Fighter, the CVN(X) next generation aircraft carrier and the Zumwalt Class DD21 Destroyer. Continuing delays in completing the detailed design of LPD-17 have forced the Department to defer procurement of the two ships planned in FY 2002 until later in the FYDP. Funds are budgeted in FY 2002 to procure long lead material for later ships and maintain the subvendor industrial base. One of two ADC(X) ships previously planned in FY 2002 has been removed from the budget to reduce the program quantity to the military requirement of twelve ships.

***... pursue a focused modernization effort***

Chart 10 highlights the average age of the Fleet.

***Chart 10 – Expected Average Ship Age***



# *SHIP PROGRAMS*

## *Surface Programs*

The Department's FY 2002 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. This is manifested by planning efforts for both the CVN(X) and DD-21 ship platforms and new weapon systems.

CVN-77, which was placed under contract in January 2001, is the foundation of the evolutionary approach towards the next generation aircraft carrier (CVNX) and will incorporate transformational technologies consisting of an integrated island design, propulsion plant improvements, improved design tools, and manpower/material support initiatives. Continuing the evolutionary approach, R&D efforts for CVNX continue in FY 2002. This approach will provide the means to develop, design and deliver the centerpiece of the Navy's Battle Groups for the 21st century ensuring American influence throughout the world.

*... prepare now for an uncertain future ...*

The FY 2002 budget also reflects the refueling overhaul of Nimitz Class aircraft carriers. CVN 69, USS Dwight D. Eisenhower, will be in the second year of this complex availability, which modernizes ship systems, sensors, communications suite and propulsion plant. This effort will ensure that these ships are viable assets to the Fleet for several years to come.

The additional funds provided by the Congress in the FY 2001 appropriation in the form of advance procurement for the Arleigh Burke Class guided missile destroyer contributed to establish the foundation for the follow-on multiyear procurement of the remaining ships of this class. The acquisition strategy includes a multiyear procurement of seven ships across fiscal years 2002-2004 and the last option ship from the FY 1998-2001 multi-year procurement. The FY 2002 budget provides the necessary level of R&D funding to support the Navy's transition to the future sea dominant platform DD-21.

Construction began on LPD 17, the lead-ship of the San Antonio class amphibious transport dock ships, and the third and fourth ships were awarded

in FY 2000. On the forefront of acquisition reform, this ship class uses an integrated product and process development team concept to create an unprecedented design completion goal of 95 percent to reduce total ownership cost. Congress provided advance procurement for the fifth and sixth ships of the class in FY 2001, and the FY 2002 budget request includes advance procurement for the seventh and eight ships. This budget also addressed the substantial incremental funding requirements needed to complete LHD-8 after incorporation of FY 2001 Congressional appropriations action. In addition, the Landing Craft Air Cushioned (LCAC) modernization program continues with a service life extension for two craft in FY 2002.

Modernization efforts continue to advance new technologies for weapons systems that create the "Navy after next" for the new millennium. Procurement funding for the Ticonderoga Class Cruiser modernization program begins in FY 2002 and provides selected AEGIS cruisers with Theater Ballistic Missile Defense (TBMD) capability, as well as Area Air Defense Commander capability and improved Naval Surface Fire Support performance. The Cooperative Engagement Capability (CEC) completed its operational evaluation in May 2001 and preliminary results indicate the system will meet all requirements. Interoperability testing capabilities have expanded significantly over the past year with implementation of a shore-based Distributed Engineering Plant that links existing system development sites together to form a "virtual battlegroup." This infrastructure is used to test and resolve interoperability issues ashore in advance of battle group work-up training. Lessons learned are being engineered into the combat systems of tomorrow, beginning with the Common Command and Decision system, which will form the foundation of all future systems.

***Advanced technology will transform the Department to meet future threats***

The Standard Missile program replaces ineffective, obsolete inventories with the procurement of more capable Block IIIB and IVA missiles. The Rolling Airframe Missile (RAM) program continues to mature through the multi-year procurement of the improved Guided Missile Launching System (GMLS) and procurements of the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air and surface (HAS) mode. In addition to Standard Missile and RAM, the FY 2002 budget provides funding for the second U.S. low rate initial production of the Evolved Sea Sparrow Missile.

**Major Surface Weapons Quantities**

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Tactical Tomahawk | 0 | 0 | 34 |
| Standard Missile | 86 | 86 | 91 |
| RAM | 90 | 0 | 90 |
| ESSM | 0 | 34 | 38 |

Several land attack R&D efforts critical to future littoral warfare, continue in FY 2002, including the Land Attack Standard Missile (LASM), the Extended Range Guided Munition (ERGM), the 5"/62 gun, the Advanced Gun System (AGS) and the Naval Fire Control System (NFCS). LASM will provide longer range fire support for the Marines at an affordable price, by the conversion of the oldest, obsolete Standard Missiles. ERGM contains an internal global positioning system and inertial navigation system that provide state-of-the-art guidance to surface-fired munitions. 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 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. In addition, low rate initial production of Tactical Tomahawk begins in FY 2002 with full rate production planned for FY 2004.

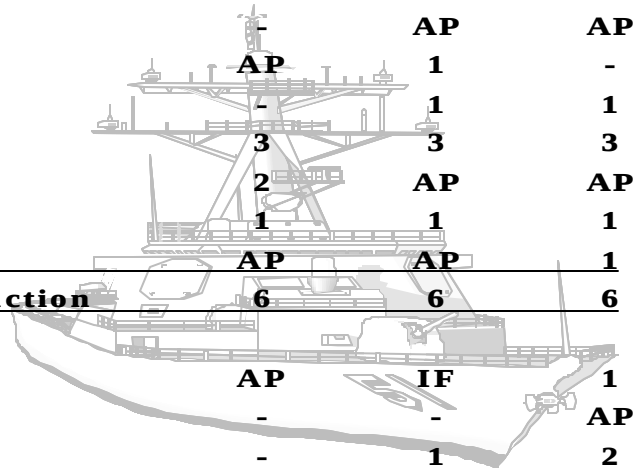
## *Submarine Programs*

The Navy will covertly project power with its fleet of modern SSN 688, Seawolf and Trident submarines. Their firepower, stealth sensors and communications equipment will enable submarines to act as force multipliers in every conceivable scenario. This budget highlights the Navy's ongoing effort to modernize its 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 the first two Virginia Class submarines began in 1998 and 1999 under the teaming arrangement with General Dynamics and Newport News Shipbuilding Company. Construction for the third hull began in FY 2001, and the fourth hull of the class will commence construction in FY 2002. The FY 2002 budget also reflects the scheduling of two 688 Class submarine engineered refueling overhauls (EROs), which will also receive modernization to enhance combat capability throughout the submarines' operational life. FY 2002 also includes funding to continue design work and advance procurement to retain the option to convert two Trident SSBNs to SSGNs in FY 2004, providing covert conventional strike platforms capable of carrying 150 Tomahawk missiles.

Chart 11 displays new construction ships for FY 2000 through FY 2002.

## *Chart 11 - Shipbuilding Programs*

| Quantity | FY2000 | FY2001 | FY2002 |
|---|---|---|---|
| CVN(X) | - | AP | AP |
| CVN-77 | AP | 1 | - |
| SSN-774 | - | 1 | 1 |
| DDG-51 | 3 | 3 | 3 |
| LPD-17 | 2 | AP | AP |
| T-AKE | 1 | 1 | 1 |
| LHD | AP | AP | 1 |
| Total New Construction | 6 | 6 | 6 |
| | | | |
| CVN RCOH | AP | IF | 1 |
| SSGN Conversion | - | - | AP |
| Submarine ERO's | - | 1 | 2 |
| LCAC | 1 | 1 | 2 |



Goal: 8 to 10 Ships per Year

The FY 2002 budget reflects a balanced approach to funding Advanced Submarine Technology programs through the continued development of sonar, ESM and optic sensors, new processing algorithms, electromagnetic silencing, and advanced propulsion systems. These systems, depending on their availability, will be incorporated into the Virginia Class submarines and may also be backfit to 688, Seawolf and Trident submarines to avoid maintenance costs for older legacy systems. These development efforts will greatly enhance affordability and maintainability of the submarine force.

A number of submarine modernization efforts continue in FY 2002. The Acoustic Rapid COTS Insertion (ARCI) program will complete installation of the first two phases of ARCI units on all SSNs by FY 2002 and will commence installation of Phase 3 and 4 improvements. These units, which provide significant sonar enhancements for our submarines have been extraordinarily successful and have validated the Navy's decision to use commercially available technology.

The FY 2002 budget also funds important submarine communication suite improvements. The procurement and installation of improved antennas and automated data processing equipment will continue to increase the throughput and operational flexibility of submarine radio rooms.

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Shipbuilding and Conversion Navy | A-12 |
| Weapon Procurement Navy | A-11 |

# *AVIATION PROGRAMS*

The Department's FY 2002 budget is structured to maintain the continued qualitative 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 multiyear procurements (MYP) for F/A-18E/F, E-2C and CH-60. Robust development funding is also provided for MV-22, UH-1Y/AH-1Z and SH-60R.

The F/A-18E/F is the future centerpiece of navy combat aviation and began Full Rate Production in FY 2000. The FY 2002 budget continues to support this multi-year program and the many capabilities this platform brings to the warfighter. The Department will continue to procure the V-22 Osprey at a minimum sustaining rate through a continued development phase. The goal of the revised MV-22 development program is to ensure the Osprey is a safe, reliable aircraft capable of meeting all Marine Corps requirements. This goal is achieved through a robust flight testing program. Funding in FY 2002 also supports key elements of the helicopter master plan. The Department has recently changed the SH-60R procurement strategy from re-manufactured aircraft to procurement of new production aircraft. Consequently, procurement funds have been realigned to R&D, ensuring this program proceeds to full rate production at the earliest possible opportunity while meeting fleet SH-60B and SH-60R deployment demands. Research and development funding for the EA-6B Improved Capability (ICAP III) program continues in FY 2002. This 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 which experienced extremely high OPTEMPO during the Kosovo conflict. Additionally, FY 2002 R&D funds are budgeted for the UH-1Y/AH-1Z program. When procured, these two aircraft will provide numerous capability improvements for the Marine Corps, including increased payload, range, and time on station, improved sensors, lethality and 85% component commonality. Other major R&D programs include the active electronically scanned array (AESA) radar for the F/A-18E/F and the start of a multi-mission aircraft program to replace the P-3 Maritime Patrol Aircraft. Joint aircraft programs also continue to be an important component of Navy

***... exploiting the Revolution in Military Affairs ...***

acquisition strategy in FY 2002, with the Joint Strike Fighter entering into the Engineering and Manufacturing Development phase.

Chart 12 displays the Department's new production and remanufactured aircraft programs

## *Chart 12 - Aircraft Programs*

| | FY 2000 | FY 2001 | FY2002 |
|---|---|---|---|
| **FA/18 E/F** | **36** | **39** | **48** |
| **E-2C** | **3** | **5** | **5** |
| **MV-22** | **11** | **11*** | **12** |
| **AV-8B**** | **11** | **12** | **-** |
| **CH-60** | **16** | **15** | **13** |
| **T-45TS** | **15** | **14** | **6** |
| **JPATS** | **12** | **24** | **-** |
| **SH-60R** | **7** | **-** | **-** |
| **UC-35** | **2** | **1** | **-** |
| **C-40A** | **1** | **1** | **-** |
| **C-37** | **-** | **1** | **-** |
| **KC-130J** | **1** | **3** | **4** |
| **TOTALS** | **115** | **126** | **88** |

*Two aircraft in R&D
**Remanufactured

Goal: 180 to 210 Aircraft per Year

Within our aircraft modification program, we start procurement of the AV-8B Open System Core Avionics Requirements (OSCAR) program in order to update obsolete avionics and also continue F/A-18 Radar Upgrade, structural and safety improvements. Additionally, funding provides for the Anti-Surface Warfare Improvement Program (AIP) efforts; Update III Common Configuration program; and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

Naval Tactical Unmanned Aerial Vehicles (UAV) efforts to affordably meet operating requirements including range, endurance, and full operational effectiveness from all air capable ships and small areas ashore, will center on development of the Tactical Control System (TCS) for UAV command and control.

| Major Aviation Weapons Quantities | | | |
|---|---|---|---|
| | **FY 2000** | **FY 2001** | **FY 2002** |
| AMRAAM | 91 | 63 | 57 |
| JSOW | 454 | 104 | 0 |
| SLAM-ER | 64 | 30 | 30 |
| AIM-9X | 0 | 0 | 105 |
| JDAM | 1,864 | 2,072 | 1,417 |

JSOW production has been deferred pending implementation of corrective ECP's to previously delivered weapons. SLAM-ER continues efforts in FY 2002 to provide the Fleet with an effective and affordable Standoff Outside Point Defense capability. The AIM-9X Sidewinder air-to-air missile continues Low Rate Initial Production and will provide a significantly increased capability required to defeat existing threats. Joint Direct Attack Munition (JDAM) full rate production continues in FY 2002. This munition will answer the need identified during Operation Desert Storm for a more accurate weapon delivery capability in adverse weather conditions and from medium and high altitudes.



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Aircraft Procurement Navy | A-10 |

## *MINE WARFARE*

Mine warfare remains a critical element of the Department's modernization program. In keeping with the emphasis on organic mine warfare, the budget includes full funding to meet scheduled battle group deployments while maintaining full funding for dedicated mine warfare programs. The FY 2002 budget includes funding for development and fielding of several next generation organic Mine Countermeasure (MCM) systems including the Airborne Laser Mine Detection System (ALMDS), the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the Advanced Deployable System (ADS). Funding is also provided for the development of a single common console for all organic AMCM systems. This action reflects the Department's intent to establish a mid-term organic mine warfare capability that is fully integrated on the H-60 helicopter.

***Prepare now for an uncertain future***

## *C4I PROGRAMS*

The central theme shaping the budget for Navy Command, Control, Communication, Computers and Intelligence (C4I) programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 will provide the common backbone for command, control, communications, computers and intelligence systems to be linked afloat, ashore, and to the internet. 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. The principal elements to provide connectivity are Integrated Shipboard Network Systems (ISNS) local area networks (LANs) afloat and local and regional networks ashore. These networks integrate tactical and tactical support applications afloat with connections to enhanced satellite systems and ashore networks.

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. Funding increases in FY 2002 for SHF terminals. As important as the satellite terminals are to the warfighter, the ability to receive the satellite feed and use its information is just as critical. Funding in FY 2002 also provides for upgraded

power distribution and enhanced connectivity "drops" accomplished during equipment installations.

Sensor-to-Shooter focuses on the process of putting a weapon on target. Funding continues in FY 2002 for Advanced Tactical Data Links (ATDLS) and for Common High Bandwidth Data Link (CHBDL). FY 2002 funding is to ensure timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks. ATDLS is the system for implementing compliance with the OSD direction to have 75% of all units Link-16 compatible by FY 2005.

***... qualitative superiority in warfighting capabilities***

Information Warfare/Command and Control Warfare (IW/C2W) 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, while protecting friendly C2 capabilities against such actions. FY 2002 funding continues for the Cryptologic Equipment and Information Systems Security Program, to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, the Marine Corps, and the U.S. Coast Guard. Additionally, the Department has initiated efforts to web enable C4I systems which allows sailors on ship or shore with a web browser to access systems, such as the Navy Tactical Command Support System, electronically. This enhances both the workstations available to fleet users and configuration management for each system.



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| 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. Virtually every major end item is approaching, or has exceeded, its programmed service life. While this FY 2002 budget addresses the much needed replacement of our legacy systems, the pace of modernization remains our greatest concern.

Several major replacement, remanufacture and modernization programs are continued in this budget. They include the Medium Tactical Vehicle Replacement (MTVR), the Assault Amphibious Vehicle (AAV), Reliability, Availability, and Maintainability /Rebuild to Standard (RAM/RS) program, the Lightweight (LW) 155 mm Howitzer, and the Light Armored Vehicle (LAV) Service Life Extension Program (SLEP). The Marine Corps is continuing procurement of the M88A2 Hercules Improved Recovery Vehicle (IRV). The IRV is a joint Army and Marine Corps PIP, which reuses the fielded M88A1 hull and installs a new upgraded engine, transmission, hydraulics, and suspension to support recovery operations of vehicles weighing up to 70 tons. The Marine Corps begins procurement of the LAV SLEP, which will ensure that the LAV's combat capabilities are preserved through 2015. This budget continues procurement of the High Mobility Multi-purpose Wheeled Vehicle (HMMWVA2) that will update the existing aging inventory. The FY 2002 budget funds the completion of the AAV7A1 RAM/RS program, providing a cost-effective method to sufficiently bridge operational requirements until the AAAV replaces the AAV7A1. The Marine Corps also begins Advance Procurement of AAAV Long Lead-time Material (LLTM), required for the procurement in FY 2003 of an AAAV production representative, full-up system, live-fire test vehicle that will be fielded subsequent to testing.

***Transform forces for the future***

This FY 2002 budget reflects the continuing effort to reach the Marine Corps goal of satisfying the combat requirement through the FYDP while meeting annual ammunition training requirements.

Significant resources in the FY 2002 RDTE,N budget are dedicated to the AAAV, including an additional $84 million to begin the development of an AAAV Command and Control Variant, as well as additional sustainability and survivability improvements. Smart Work initiatives have been budgeted in the AAAV program which are designed to reduce the production and operational support costs. The program will begin production of nine Engineering and Manufacturing Development (EMD) prototypes in FY 2002. In addition, the FY

2002 budget also includes funding for the Expeditionary Indirect Fire General Support Weapons System (EIFGSWS), also known as HIMARS, an artillery system capable of firing rockets for long-range indirect fire support (45km or greater).

**Major Marine Corps Ground Equipment Procurement Quantities**

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| MTVR | 788 | 2,012 | 1,946 |
| HMMWVA2 | 1,918 | 2,071 | 1,466 |
| LW155 | 0 | 0 | 0 |
| IRV | 0 | 11 | 0 |

The FY 2002 RDTE,N budget continues to finance the 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 Corps, investigating new and potential technologies and evaluating their impact on how the Marine Corps organizes, equips and trains to fight in the future. Additionally, the budget continues to finance Non-Lethal Weapons (NLW) research and development – a program for which the Marine Corps serves as the Executive Agent. In the FY 2002 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare. Specific R&D efforts will focus on NLW capabilities that are counter-personnel and counter-material in nature.



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Procurement, Marine Corps | A-14 |
| Procurement of Ammunition, Navy and Marine Corps | A-15 |

# *RESEARCH AND DEVELOPMENT SUPPORT*

Beginning in FY 2002, the Department will refocus how it transitions Science and Technology (S&T) to the acquisition community and the warfighter. The new focus will maintain a broad base of science and technology to feed into the research and development transition process while ensuring adequate coverage for military superiority against technological surprise.

The new focus will divide S&T into two major components, overlapping the traditional Applied Research (Budget Activity 2 or 6.2 funding) and Advanced Technology Development (Budget Activity 3 or 6.3 funding). Both these components work together to provide advanced Future Naval Capabilities (FNCs) to the warfighter and support the technological innovation to meet the National Military Strategy. These desired future capabilities are approved by the DON Science and Technology Corporate Board.

The first component is Discovery and Invention (D&I) and will include both 6.1 and 6.2 funding. Discovery and Invention seeks to increase knowledge and understanding across the full spectrum of long-term Department needs. Research is conducted to ensure that both cutting-edge scientific discoveries and the general store of scientific knowledge are optimally used to develop superior naval equipment, strategies and tactics.

***... exploiting the Revolution in Military Affairs...***

The second component, Exploitation and Deployment (E&D) will include both 6.2 and 6.3 funding. Exploitation and Deployment focus towards a solution of specific naval problems, short of major development projects. Technology demonstrations reflect the Naval focus to transition near-term, risk-reducing and emerging technologies to operational Fleet and Fleet Marine Forces faster and at less total cost than traditional development programs. Technology products resulting from the investment in Future Naval Capabilities will transition to acquisition programs throughout the Future Years Defense Program. 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.

To accommodate a broader perspective while providing greater flexibility, the old program element descriptions have been restructured into key focus areas including the following: power projection, force protection, Marine Corps landing force technology, common picture, warfighter sustainment, undersea warfare, mine and expeditionary warfare areas. To provide a clearer transition path, these regrouped areas include both an applied research program element and an advanced technology development program element.

Inside of these broad categories, S&T has historically been an area of high Congressional interest. The new administration also supports this. Excluding FY 2001 Congressional action, the FY 2002 Basic Research (6.1) funding profile has remained relatively constant, including inflation, compared to the FY 2001 President's Budget level. However, FY 2002 Applied Research (6.2) funding increases by about 24 percent, including inflation. Similarly, FY 2002 Advanced Technology Demonstrations (6.3) funding increases by about 27 percent, including inflation.

RDT&E Management Support (6.6) provides funding for 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, R&D aircraft and ship funding, and threat simulator development efforts. This funding level reflects required R&D infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Sixty-five percent of this funding, or about $483 million in FY 2002, supports the Major Range and Test Facilities Base (MRTFB), 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. Increases for ship, aircraft, test and evaluation support over the FY 2001 level are required to support continued testing of major development programs such as the Joint Strike Fighter, SLAM-ER, and the F/A-18 Integrated Defensive Electronic Countermeasure (IDECM) System.

***... JSF – Future centerpiece of Naval aviation***

The remaining categories of research are platform-related and have been discussed as applicable in the previous sections. Table 15 provides summary data for the major DON Research, Development, Test and Evaluation, Navy efforts.

***Table 15***
***Department of the Navy***
***Research, Development, Test and Evaluation***
*(In Millions of Dollars)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Significant RDT&EN Areas** | | | |
| Operational Systems Development | $1,958 | $2,195 | $2,134 |
| Science and Technology | 1,716 | 1,839 | 1,712 |
| Basic Research | (367) | (394) | (406) |
| Applied Research | (610) | (659) | (626) |
| Advanced Technology Development (ATD) | (739) | (786) | (680) |
| Joint Experimentation | (42) | (51) | (119) |
| **Major Platform Efforts:** | | | |
| Joint Strike Fighter | $238 | $341 | $767 |
| V-22 | 176 | 147 | 547 |
| Missile Area Defense | - | - | 388 |
| DD-21 | 161 | 290 | 355 |
| C4I | 319 | 313 | 335 |
| CVNX | 174 | 223 | 307 |
| New Attack Submarine | 288 | 274 | 258 |
| F/A-18 | 308 | 234 | 253 |
| SH-60R | 110 | 83 | 149 |



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Research, Development, Test and Evaluation, Navy | A-16 |

# *SECTION IV - INFRASTRUCTURE*

## *BASE REALIGNMENT AND CLOSURE III & IV*

The BRAC process has been a major tool for reducing the domestic base structure and generating savings. The BRAC program remains on schedule for all closures and realignments. 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.

***Streamline the DOD Infrastructure ...***

The DON's FY 2002 Budget is dedicated exclusively to environmental costs (cleanup and closure related compliance) and caretaker functions prior to property disposal. The DON has disposed of more than 46,000 acres of base closure property. About 121,000 acres remain to be conveyed, of which 74,000 acres are at the former NAS Adak, AK. The Navy recently concluded an agreement for transfer of Adak, leaving 47,000 acres for future disposal.

BRAC II - The 36 bases covered by BRAC II completed operational closure or realignment by the end of FY 1998.

BRAC III - Base Closure and Realignment III costs reflect the closure or realignment of 91 naval facilities. The Department committed to make closing facilities available to community reuse groups as fast as possible. All 91 naval bases and facilities addressed under BRAC III completed operational closure or realignment in FY 1999.

BRAC IV - The BRAC IV budget was developed to achieve cost savings at maximum speed while minimizing disruption to operations. The 44 bases and facilities included in BRAC IV will complete operational closure or realignment by the end of FY 2001. Of the 44 BRAC IV actions, two remain to be concluded. BRAC IV savings include avoidance of previously anticipated BRAC III costs and savings from operational closures. The FY 2002 budget includes funding for crucial environmental efforts at various locations, including the Naval Air Station, Alameda; Naval Station, Treasure Island; Naval Air Station, Moffet Field; and Naval Shipyard, Mare Island.

Appendix Table A-22 reflects anticipated costs for Base Closure II, III and IV. A summary of these costs and savings is shown in the same table.

# *MILITARY CONSTRUCTION AND FAMILY HOUSING*

The FY 2002 Military Construction budget request of $1,105 million finances 83 military construction projects for the active Navy and Marine Corps, and 14 projects for the Navy and Marine Corps Reserves. Projects incorporated in the budget request include critical mission and quality of life support improvements like helicopter landing fields for Marine Corps Base Camp Pendleton and Naval Air Station Oceana, pier replacement for Naval Station's San Diego, Bremerton, and Norfolk; a new supply pier at San Nicolas Island; maintenance hangars for Naval Air Stations Norfolk and Brunswick, 20 new bachelor enlisted quarters at 16 locations in CONUS and overseas, 2 new enlisted recruit barracks at Naval Training Center, Great Lakes, a quality of life fitness facility at Camp Pendleton, a child development center for Marine Corps Air Station, Beaufort, and various world-wide housing new construction and improvement projects. Also included is the third and final phase of the new CINCPAC Headquarters facility in Hawaii.

***21st Century infrastructure***

The FY 2002 budget includes funding for over 530 new and replacement housing units; construction of 20 Bachelor Enlisted Quarters (BEQs) worldwide and 2 enlisted recruit training barracks at the Naval Training Center, Great Lakes. Also included is the construction of one fitness center and one child development center. Based on the President's goal of modernizing DoD infrastructure and improving the quality of life for our Sailors and Marines and their families, the FY 2002 budget has been increased by $107 million for additional BEQ construction and $55 million for family housing, including $31 million for new privatization initiatives. These privatization initiatives are in addition to the Navy's current modest approach to family housing privatization, with four Congressionally approved pilots in Hampton Roads, San Diego, South Texas and New Orleans. These privatization efforts will help enable us to reduce our current backlog and meet our planned FY 2010 Defense Planning Guidance goal earlier.

Additionally, $399 million was added for Navy and Marine Corps Active and $14 million for Navy and Marine Corps Reserve construction to improve the readiness of our military facilities to support current and future Department

missions and to improve the quality of life and work place for our DoD workforce.

**FY 2002 MILCON Summary**
**($M)**

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Navy | 786 | 775 | 746 |
| Marine Corps | 233 | 216 | 359 |
| Total | 1,019 | 991 | 1,105 |

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Construction, Navy and Naval Reserve | A-18 |
| Family Housing, Navy and Marine Corps | A-19 |

# *REAL PROPERTY MAINTENANCE (Facility Sustainment, Restoration and Modernization)*

Real Property Maintenance (RPM) funds facility investments that include recurring maintenance, repair and minor construction of the Department's shore infrastructure. One indicator measuring the adequacy of facility funding is Asset Protection Index (API), which measures RPM as a percentage of Plant Replacement Value. Industry standards for API are in the range of 2-4%. The Department's goal is 2%; in FY2002 we achieve 1.99%.

The Department of Defense, including all Services, is transitioning to a more detailed and credible industry based assessment and readiness model of Facility Sustainment, Restoration and Modernization to keep the required facility inventory at an acceptable quality level through life-cycle based maintenance and repair. Appropriate investments of facility sustainment funds are designed to maintain an inventory of facilities in good working order and preclude its premature degradation. The facility sustainment requirement is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to each facility type's appropriate unit quantity (sqft, linear ft, etc.). A new metric measuring the adequacy of infrastructure investment is "deferred sustainment," which is the annual difference between the sustainment requirement and actual sustainment funding. The Department's goal for sustainment is $0 deferred sustainment. Facility improvement (based upon industry facility standards) will be through restoring aged and damaged facilities and modernizing facilities. The "Restoration and Modernization" requirement is based on eliminating, over a six-year period for critical mission areas and a twelve-year period for non-critical mission areas, facility conditions that cause C3 and C4 readiness ratings as described in the Navy's Installation Readiness Report. Navy's goal for restoration and modernization is $0 shortfall to the requirement.

Pier 2 Structural Deck Problems, NWS Earle, NJ

Runway/Taxiway cracks and joint seals, NSRR

Included within the DON FY 2002 Facility Investment budget is $45.7 million for the demolition of excess facilities. The Department will meet the Defense Reform Initiative (DRID) #36 demolition target by the end of FY2002.

Table 16 summarizes the Department's Real Property Maintenance investment.

***Table 16***
***Department of the Navy Facility Investments***
***Real Property Maintenance***
*(In Millions of Dollars)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| O&M, Navy and Reserve | $909 | $1,225 | $1,370 |
| O&M, Marine Corps and Marine Corps Reserve | 439 | 489 | 428 |
| QOLE,D (Navy) | 77 | 20 | - |
| QOLE,D (Marine Corps) | 59 | 10 | - |
| **Total O&M Facility Investment** | **$1,484** | **$1,744** | **$1,798** |
| Asset Protection Index (2% Goal) | 1.67% | 1.97% | 1.99% |
| **Total Facility Deferred Maintenance** | **$6,575** | **$7,023** | **$7,330** |
| Navy | 5,886 | 6,369 | 6,633 |
| Marine Corps | 689 | 654 | 697 |
| Annual Deferred Sustainment | | | |
| OMN/OMNR | $407 | $231 | $159 |
| OMMC/OMMCR | 13 | 17 | 83 |
| **Total Annual Deferred Sustainment** | **$420** | **$248** | **$242** |
| Restoration and Modernization (R&M) Shortfall | | | |
| OMN/OMNR | $244 | $202 | $187 |
| OMMC/OMMCR | 10 | 12 | 24 |
| **Total R&M Shortfall** | **$254** | **$214** | **$211** |

## *NAVY WORKING CAPITAL FUND (NWCF)*

The total cost of goods and services to be sold by the NWCF is projected to exceed $21 billion in FY 2002. NWCF activities perform a wide variety of functions including Supply Management, Depot Maintenance, Research & Development, Transportation, and Base Support. The NWCF continues to pursue some important efforts to improve efficiency and maximize effectiveness. Success in these endeavors is critical to ensuring that the Department can afford both the

***... pursuing business practice reforms***

ongoing support costs of fleet operations and the necessary reinvestment in new platforms and weapons systems.

NWCF activities are heavily involved in the Department of the Navy's Strategic Sourcing initiatives and expect to produce savings through actions such as A-76 competitions and functionality reviews. Activities within the Depot Maintenance, Research & Development, and Supply Management areas also initiated Enterprise Resource Planning (ERP) pilot projects in FY 2000. ERP is projected to continue through the budget period and is a high priority for the Department. It will be used to reengineer and standardize business processes, integrate operations and optimize management of resources.

Information Services is no longer a separate activity group beginning in FY 2002. The Fleet Material Support Office (FMSO), which primarily provides programming support to Navy Supply Management, is merged with the Supply Management activity group in FY 2002. Additionally, the Naval Reserve Information Systems Office (NAVRISO) becomes direct mission funded effective in FY 2002.

The budget submission reflects imposition of surcharges to FY 2001 rates for Naval Aviation Depots ($35 million) and for Marine Corps Depots ($11 million) to mitigate projected operating losses, in accordance with the policy established by the Deputy Secretary of Defense in December 1997. Subsequent to the development and approval of FY 2002 stabilized rates by the Office of the Undersecretary Secretary of Defense (Comptroller), significant emergent costs were identified involving the cost of utilities, principally electricity at PWC San Diego, which took a dramatic upturn (in conjunction with the recent volatility in the overall Southern California electricity market). The additional costs incurred for utilities in FY 2001 are included in the FY 2001 supplemental request and assume a direct appropriation to the NWCF. FY 2002 costs have not been significantly adjusted at this time and will be addressed at a later time based on a review of additional execution experience and projected NWCF cash balances.

NWCF cash balances for FY 2001 and FY 2002 are projected to remain at levels sufficient to ensure viability of the Fund. The strong cash performance achieved during FY 2000/01 is primarily attributed to sales above plan in selected

business areas, particularly supply management. Based on this strong performance, it was determined that resources were available for "rebate" back to customers. Therefore, in FY 2002, $400 million will be passed back to customers in the form of reduced Supply Management rates. This redistribution of resources is reflected in our NWCF budget submission.

Chart 13 highlights the NWCF Cash plan and Table 17 Summarizes NWCF costs.

## *Chart 13 - Cash Plan*

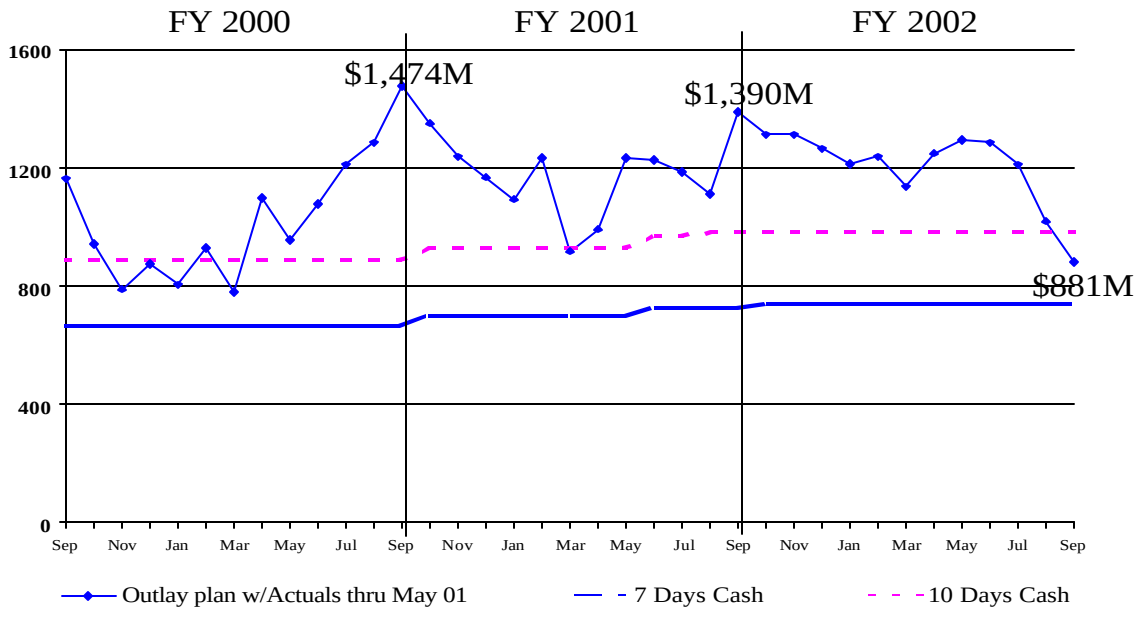


***Table 17***
***Department of the Navy***
***Summary of NWCF Costs***
*(In Millions of Dollars)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **COST** | | | |
| Supply (obligations) | $5,450 | $7,027 | $7,119 |
| Depot Maintenance - Aircraft | 1,773 | 2,101 | 1,871 |
| Depot Maintenance - Ships | 2,148 | 1,997 | 2,239 |
| Depot Maintenance - Marine Corps | 198 | 201 | 190 |
| Ordnance | 28 | 8 | NA |
| Transportation | 1,305 | 1,313 | 1,422 |
| Research and Development | 7,839 | 7,158 | 7,049 |
| Information Services | 210 | 91 | NA |
| Base Support | 1,805 | 1,810 | 1,642 |
| **TOTAL** | **$20,756** | **$21,706** | **$21,532** |
| | | | |
| **CAPITAL INVESTMENT** | | | |
| Supply Operations | $41 | $49 | $58 |
| Depot Maintenance - Aircraft | 41 | 50 | 51 |
| Depot Maintenance - Ships | 58 | 61 | 113 |
| Depot Maintenance - Marine Corps | 2 | 4 | 3 |
| Ordnance | 0 | 0 | 0 |
| Transportation | 9 | 7 | 10 |
| Research and Development | 126 | 128 | 121 |
| Information Services | 1 | 1 | NA |
| Base Support | 19 | 19 | 17 |
| **TOTAL** | **$297** | **$319** | **$373** |

# *CIVILIAN PERSONNEL*

The Department of the Navy budget includes the following civilian end strength and workyear estimates:

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| End Strength | 195,698 | 187,631 | 181,450 |
| FTE Workyears | 196,626 | 188,181 | 181,586 |

After more than ten years of steady downsizing, civilians make up about one-third of the Department's population and are valued members of the Total Force team. As the Department strives to build a military more relevant to the threats and opportunities of the 21st Century, there is a focus on improving the efficiency and effectiveness of DON business practices. These efforts have contributed towards the continued downsizing of civilian personnel resources as the Department realizes reductions in force structure, management efficiency, the application of advanced technology and alignment with commercial business practices.

Despite declining civilian personnel levels, the Department remains committed to investing in and enriching the lives of its civilian workforce. Specifically, efforts are underway to achieve a higher quality workplace and a higher quality of life through competitive compensation, workplace resources, health care, training, and an operational tempo that considers the individual, as well as family and community.

Currently, forty-seven percent of the Department's civilians work at Navy Working Capital Fund (NWCF) activities supporting depot level maintenance and repair of ships, aircraft, and associated equipment, development of enhanced warfighting capabilities at the Warfare Centers of Excellence, and direct fleet transportation, supply, and public works support. A significant number of the civilians funded directly by operations appropriations provide direct fleet support at Navy and Marine Corps bases and stations. The balance provides essential support in functions such as training, medical care, and the engineering, development, and acquisition of weapons systems, all of which are necessary for long-range readiness, including achieving recapitalization plans.

Civilian workyears are based on workload in the Department's FY 2001 through FY 2003 program and the appropriate mix of civilian and contractor workload accomplishment. The determination of workforce mix is based on mission, work needs, competency requirements, labor market conditions, public policy and cost. The desired outcome is a workforce that provides the highest probability of achieving the mission.

## *Chart 14 - Civilian Personnel*

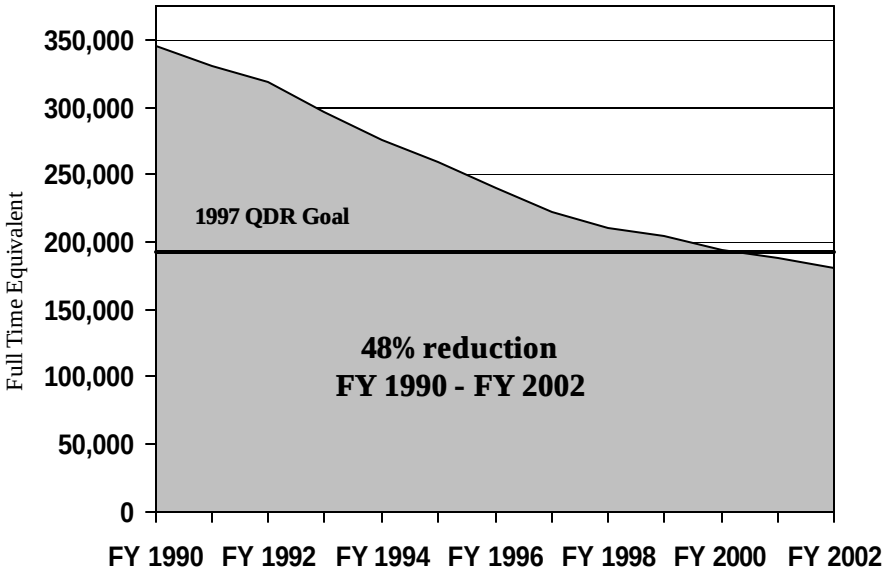



Chart 14 graphically displays Civilian Personnel Full time equivalent reductions from FY 1990 through FY 2002 in consonance with Department downsizing and efficiencies

A summary display of total civilian personnel resources is provided as Table 18.

***Table 18***
***Department of the Navy***
***Civilian Manpower***
***Full-time Equivalent***

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Total — Department of the Navy** | **196,626** | **188,181** | **181,586** |
| **By Service** | | | |
| Navy | 179,280 | 171,870 | 166,096 |
| Marine Corps | 17,346 | 16,311 | 15,490 |
| **By Type Of Hire** | | | |
| Direct | 185,923 | 177,584 | 171,000 |
| Indirect Hire, Foreign National | 10,703 | 10,597 | 10,586 |
| **By Appropriation** | | | |
| Operation and Maintenance, Navy | 84,560 | 79,986 | 77,492 |
| Operation and Maintenance, Navy Reserve | 1,897 | 1,870 | 1,531 |
| Operation and Maintenance, Marine Corps | 15,475 | 14,427 | 13,809 |
| Operation and Maintenance, Marine Corps Reserve | 154 | 150 | 148 |
| **Total — Operation and Maintenance** | **102,086** | **96,433** | **92,980** |
| **Total — Working Capital Funds** | **90,620** | **87,965** | **84,985** |
| Military Construction, Navy | 2,573 | 2,374 | 2,210 |
| Research, Development, Test & Evaluation, Navy | 1,288 | 1,374 | 1,377 |
| Military Assistance | 59 | 35 | 34 |
| **Total — Other** | **3,920** | **3,783** | **3,621** |
| **Special Interest Areas** | | | |
| Fleet Activities | 34,669 | 33,133 | 32,214 |
| Shipyards | 17,344 | 18,079 | 17,866 |
| Aviation Depots | 10,442 | 10,177 | 10,040 |
| Supply/Distribution/Logistics Centers | 5,737 | 5,502 | 5,932 |
| Warfare Centers | 35,599 | 35,146 | 34,104 |
| Engineering/Acquisition Commands | 17,632 | 17,065 | 16,775 |
| Medical | 10,550 | 10,324 | 10,150 |

*Fleet Material Support Services consolidated into Supply Management beginning in FY 2002.

# *SECTION V - BUSINESS PRACTICES*

The Department of the Navy (DON) is becoming more process-oriented, working on ways to improve "how we do business" rather than concentrating only on specific programs and products. Making the process efficient leads to more effective results and solutions that are affordable. Towards this end we have established measures and metrics to monitor critical functional areas that are vital to our success. This budget continues with innovative business approaches and exploitation of information technologies as we proceed with our transformation effort into the 21st Century. Initiatives include Navy Marine Corps Intranet (NMCI), modernization of our financial systems, enterprise resource planning, electronic business, and strategic sourcing.

## *NAVY MARINE CORPS INTRANET*

The Navy Marine Corps Intranet (NMCI) is a strategic IT capability the DON will use to meet the challenges of executing our warfare doctrine in support of Joint Vision 2010. The current IT infrastructure is inefficient and provides poor interoperability and variable support across the enterprise. The DON determined that a centralized networking system should be implemented to correct these deficiencies. This future "To Be" environment is intended to provide a centralized networking system that will eliminate redundancies and inefficiencies inherent in the current DON IT infrastructure by eliminating "stove-piped " IT management, procurement and support systems. As a result, a preliminary Business Case Analysis (BCA) was conducted and it was demonstrated that the NMCI strategy characterized by having a single private sector entity provide IT services under a long-term commercial seat management contract is, in fact, a sound business decision compared to the way Navy IT requirements are currently provided. The analysis documented that the Department would realize direct and indirect cost savings and benefits associated with improved service. NMCI offers the opportunity for the DON to leverage new technologies and industry innovation to better achieve our global Naval mission. This investment in the future will build the modern Navy-Marine Corps on the transformational power of networking. It will enable the connection to the National infrastructure, extend sharing and creation of knowledge and expertise worldwide, empower innovative work and training, and enhance the Quality of Life for every Marine, Sailor and DON civilian. NMCI will replace the Navy's numerous shore-based networks and equip us with the access, interoperability, and security for our information and communications by providing voice, video and data services to all Navy and Marine Corps personnel. The global connectivity we will receive will enable our civilians, Sailors and Marines to increase their productivity and access all the resources that extend throughout the Naval Enterprise and our Nation. The

NMCI approach adapts what is commonly practiced in the commercial sector to acquire IT services for the government. This approach uses a performance-based, enterprise-wide services contract that incorporates future strategic computing and communications capability and is managed much the same as any "utility." Although this approach has been successfully utilized in industry, this is the first time it has been adapted by government at an Enterprise level. 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. 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 is a good example of the reform in business practices the Department is seeking to achieve. It satisfies the needs for greater security, interoperability, and technological advancement, while taking maximum advantage of demonstrated commercial sector expertise and private sector investment. Because NMCI is a wholly new approach to acquiring needed capability direct economic comparisons are difficult. Several meaningful barometers illustrate the success of the initiative such as: (1) initial business case analysis projects a reduction of 26% in the cost of operations over the five-year contract period; (2) current estimates for the average seat cost across the DON is approximately $3,851 and the average NMCI seat cost will be approximately $3,812, a savings of $39 a seat for approximately 412,000 seats at steady state; (3) vendor experience supporting the as-is infrastructure of approximately 37,000 seats indicates costs of approximately $3,300 per seat; (4) NMCI has satisfied DON investment unfundeds in the areas of Public Key Infrastructure (PKI), pier connectivity, and basic technology upgrades which are now part of the seat costs; and (5) the impact of displaced personnel has been very minimal to the Department – of the 236 affected employees, 191 have been placed in other positions within the Department and 45 have accepted employment with the vendor. Approximately 200 military personnel will also benefit by receiving free information technology training for the Department, a good outsourcing avenue without adverse impact.

The FY 2002 budget for the Navy Marine Corps Intranet supports the implementation of an additional 270 thousand seats phased in quarterly as shown in the table below. Steady state seat service is expected to be reached in FY 2003.

**IMPLEMENTATION SCHEDULE**
(Cumulative Seats)

| NMCI Phasing | FY01 Q1 | FY01 Q2 | FY01 Q3 | FY01 Q4 | FY02 Q1 | FY02 Q2 | FY02 Q3 | FY02 Q4 | Steady State |
|---|---|---|---|---|---|---|---|---|---|
| TOTAL (DoN) | 4,926 | 41,118 | 41,780 | 41,780 | 86,446 | 146,280 | 221,150 | 311,371 | 411,728 |

The budget supports total NMCI-specific costs for FY 2002 of $648 million. Seating costs are budgeted by account and line item in accordance with organization and program requirements. The funding table depicts the budget estimates by appropriation.

| $ in Thousands | FY 00 | FY 01 | FY 02 |
|---|---|---|---|
| OMN | - | 57,325 | 391,923 |
| OMNR | -- | 3,542 | 31,106 |
| OMMC | - | - | 50,752 |
| OMMCR | - | - | 9,982 |
| RDTEN | - | - | 8,068 |
| MILCON | - | - | 6,029 |
| FHOPS | - | - | 599 |
| BRAC | - | - | 651 |
| ERN | - | - | 426 |
| WCF | - | 44,850 | 148,084 |
| **TOTAL** | - | 105,717 | 647,620 |

## *COMPLIANT FINANCIAL SYSTEMS*

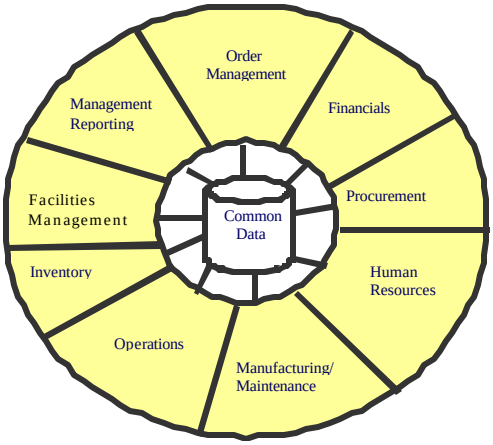
The Department has embarked upon a major streamlining of its accounting and finance systems. The implementation of compliant financial systems (and the elimination of noncompliant systems) represents the largest single reform of financial management systems in the history of the Department. The consolidation, standardization, and modernization of DON accounting and finance systems is meant to enable the Department to eliminate its outdated, noncompliant accounting and finance systems and replace them with systems that provide more accurate, timely, and meaningful financial information to decision-makers. (Accounting and finance systems are compliant when they substantially meet federal financial management system requirements, adhere to applicable federal accounting standards, and use the U.S. Government Standard General Ledger at the transaction level). The Department of Navy is committed to reviewing and validating prior estimates of the timelines and resource requirements necessary to reduce our 32 financial management and feeder systems and ensure that those remaining are Chief Financial Officer Act compliant.

## *ENTERPRISE RESOURCE PLANNING*

We also have accommodated the financial implications of our Enterprise Resource Planning (ERP) pilots. 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 enable 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 has four pilots underway to explore ERP business processes to improve Program Management, Working Capital Fund Financial Management, Aviation Supply and Maintenance, and Regional Maintenance. All four pilots are using COTS software that has been approved and certified by Joint Financial Management Improvement Program (JFMIP) as being compliant with the Chief Financial Officers Act. Through process modernization, ERP will eliminate the need for interface 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 software. We have included the resources that would be needed to support expansion of the pilots in our FY 2002 estimates, and are positioned to capitalize on the success we expect them to achieve. 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.

**ERP**




## *e*BUSINESS

*e*Business is the interchange and processing of information via electronic techniques for accomplishing transactions based upon the application of commercial standards and practices. Further, an integral part of implementing *e*Business is the application of business process improvement or reengineering to streamline business processes prior to the incorporation of technologies facilitating the electronic exchange of business information. The budget supports establishment of a concentrated team to coordinate and exploit *e*business (*e*B) opportunities. A new *e*B Operations Office was brought on-line in April 2001 to provide corporate solutions to the DON's needs to further its *e*B efforts and to improve transaction card management. Its charter indicates two main objectives: (1) be the *e*B innovation center, providing consultative services and increasing the *e*B idea flow by serving as a catalyst for the creation, realization and integration of *e*B efforts DON-wide and, (2) centralize control of existing card-based and electronic transaction systems. Eight e-business pilot initiatives are currently underway. The underlying *e*Business concepts in these eight include transaction processing between afloat and ashore units, radio frequency technology, and greater use of web-based resources.

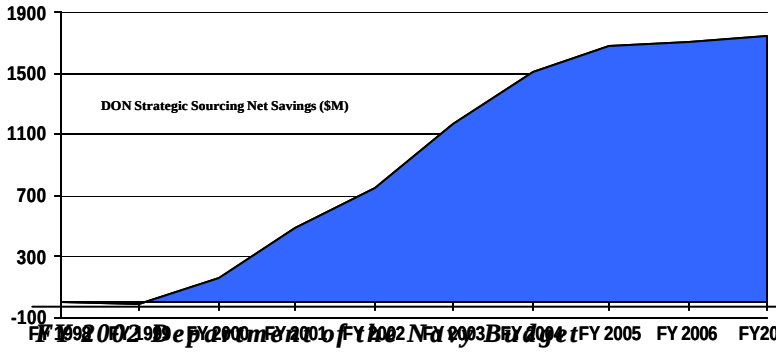
# *STRATEGIC SOURCING*

This budget fully supports the use of commercial business practices to improve operational effectiveness and efficiency and realize savings for modernization and recapitalization. The DON has strived to implement this goal through Strategic Sourcing. As stated in the Office of Management and Budget Circular A-76 Supplemental Handbook, "the reinvention of government begins by focusing on core mission competencies and service requirements. Thus, the reinvention process must consider a wide range of options, including: the consolidation, restructuring or reengineering of activities... the adoption of better business management practices... and the termination of obsolete services or programs." The DON's Strategic Sourcing Program embodies this approach by reviewing an entire functionality to determine how related functions should best be organized or eliminated to achieve the maximum benefit. While OMB Circular A-76 private/public competitions remain a primary Strategic Sourcing initiative for commercial functions, DON will consider elimination, consolidation, restructuring and re-engineering options before making a sourcing decision. Strategic Sourcing will help shape the DON infrastructure to meet requirements for the 21st century and achieve savings required to modernize and recapitalize our forces.

The DON has undertaken an aggressive Strategic Sourcing program. The Department has refined its objectives and identified in excess of 100,000 civilian and military positions to be reviewed as part of the Strategic Sourcing reinvention process. Additionally, the budget includes significant savings from planned Strategic Sourcing initiatives. These savings attest to DON's commitment to institutionalize the Strategic Sourcing process to realize reductions in infrastructure costs. Budget estimates reflect projected DON Strategic Sourcing annual steady state net savings of $1.7 billion beginning in FY 2005.

Chart 15 depicts DON net savings estimates by fiscal year attributable to Strategic Sourcing initiatives.

## *Chart 15 - Strategic Sourcing*




Of the cost comparisons completed to date, 79 percent of the studies have remained in-house. Additionally, the cost comparisons have resulted

in a 63 percent reduction in personnel and a 44 percent reduction in operating costs. There are currently more than 43,000 positions under review as part of the Department's Strategic Sourcing program. The Department continues to monitor the execution of these studies and current projections indicate the Department is on target to realize budgeted savings.

## *COMMISSARY PILOT*

Through this FY 2002 pilot program, the Marine Corps will contract out operation of certain commissaries. This will allow the application of commercial practices such as food distribution and purchasing which would result in efficiencies. The resulting savings in FY2003 and the subsequent out years will be addressed in the FY 2003 budget review as well as potential expansion of the program to encompass more commissaries.

## *NAVY REFUELING PILOT*

The Navy will conduct a pilot program to contract for refueling support including tanker aircraft support, consistent with applicable statutory and regulatory requirements. This effort may result in some out year savings as well as other efficiencies. Potential expansion of this program will be evaluated during the FY 2003 budget review.

## *OTHER PERFORMANCE METRICS*

Throughout the Highlights Book metrics have been addressed which are included in our performance plans and provide a measure of our overall effectiveness. Within the Department of the Navy, goals and objectives have been implemented through the Planning, Programming, and Budgeting System (PPBS). PPBS accommodates the goals of performance planning across the broad spectrum of DON missions. Metrics are included for manpower, aviation/ship operations, depot maintenance and procurement programs. These metrics are also contained in budget justification materials supporting the FY 2002 budget submission. The metrics contained in this book represent critical measures of performance supported by the previous administration. We anticipate significant re-engineering/redefinition of efforts from the 2001 QDR which will confirm or redefine what our critical performance measures are and which measures we will incorporate in the FY 2003 Budget.

# *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.

**TOA vs BA**

*(In Millions of Dollars)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Receipts and Other Funds | -340.3 | -376.4 | -341.5 |
| Financing Adjustments | 312.4 | 304.4 | -192.0 |
| Expiring Balances | -342.0 | 0 | 0 |
| Other Finance Adjustments | 654.4 | 304.4 | -192.0 |
| Total | -27.9 | -72.0 | -533.5 |

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, Office of Naval Records and History Fund, Naval Academy General Gift Fund, environmental restoration of Kaho'olawe Island in Hawaii, Ship Store Profits, Midshipman Store, the Naval Academy Museum Fund and the Roosmoor Liquidating Trust Settlement Account.

Financing Adjustments account for many of the differences between TOA and BA. Generally, 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. Reappropriations and rescissions involving prior year programs and transfers to prior year programs are all examples of financing adjustments reflected against different fiscal periods as BA and TOA. Revolving fund and foreign currency transfers are other examples of financing adjustments that count differently in TOA and BA.

Expiring Balances also contribute to the difference between TOA and BA. Expiring balances are funds that were included in BA available for FY 2000

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 2000 through FY 2002 along with DON outlay estimates, are summarized in Table 19.

***Table 19***
***Department of the Navy***
***Summary of Direct Budget Plan (TOA), Budget Authority, and Outlays***
*(Dollars in Millions)*

| | TOA | | | BA | | | OUTLAY | | |
|---|---|---|---|---|---|---|---|---|---|
| **Account** | **FY 2000** | **FY 2001** | **FY 2002** | **FY 2000** | **FY 2001** | **FY 2002** | **FY 2000** | **FY 2001** | **FY 2002** |
| MPN | 17,188.3 | 17,755.8 | 19,607.0 | 17,294.0 | 17,682.3 | 19,607.0 | 18,062.4 | 16,773.3 | 19,228.3 |
| MPMC | 6,552.4 | 6,807.0 | 7,365.0 | 6,553.5 | 6,803.0 | 7,365.0 | 6,656.9 | 6,639.7 | 7,242.1 |
| RPN | 1,454.4 | 1,576.2 | 1,643.5 | 1,486.2 | 1,576.2 | 1,643.5 | 1,317.7 | 1,588.5 | 1,588.8 |
| RPMC | 414.3 | 448.9 | 463.3 | 415.7 | 448.9 | 463.3 | 417.8 | 436.6 | 457.5 |
| O&M,N | 23,433.0 | 23,803.9 | 26,961.4 | 23,743.5 | 23,231.0 | 26,961.4 | 24,239.2 | 22,827.3 | 26,134.6 |
| O&M,MC | 2,775.3 | 2,843.2 | 2,892.3 | 2,826.0 | 2,764.5 | 2,892.3 | 2,736.8 | 2,805.0 | 2,788.1 |
| O&M,NR | 972.2 | 983.6 | 1,003.7 | 975.8 | 945.2 | 1,003.7 | 934.5 | 914.4 | 954.9 |
| O&M,MCR | 141.6 | 147.6 | 144.0 | 143.7 | 145.1 | 144.0 | 135.9 | 141.0 | 143.6 |
| ERN | 0.0 | 293.4 | 257.5 | 0.0 | 293.4 | 257.5 | 0.0 | 64.5 | 188.7 |
| Payment to Kaho'olawe | 34.4 | 59.9 | 25.0 | 34.8 | 59.9 | 25.0 | 34.9 | 59.9 | 25.0 |
| APN | 8,861.4 | 8,399.3 | 8,252.5 | 8,718.9 | 8,368.7 | 8,252.5 | 7,743.8 | 7,413.7 | 8,428.6 |
| WPN | 1,417.6 | 1,446.1 | 1,433.5 | 1,413.5 | 1,442.2 | 1,433.5 | 1,361.9 | 1,527.9 | 1,416.4 |
| SCN | 7,124.7 | 11,518.2 | 9,344.1 | 6,916.1 | 11,498.6 | 9,344.1 | 6,679.1 | 6,702.7 | 7,898.6 |
| OPN | 4,284.1 | 3,479.3 | 4,097.6 | 4,257.2 | 3,467.3 | 4,097.6 | 3,947.5 | 3,731.3 | 3,869.0 |
| PMC | 1,296.3 | 1,221.9 | 981.7 | 1,294.9 | 1,218.3 | 981.7 | 878.7 | 1,104.9 | 1,105.6 |
| PANMC | 541.7 | 493.8 | 457.1 | 540.1 | 492.3 | 457.1 | 348.7 | 482.7 | 462.8 |
| Coastal Defense | - | - | - | - | - | - | - | - | - |
| RDT&E,N | 9,064.5 | 9,458.0 | 11,123.4 | 9,044.3 | 9,422.4 | 11,123.4 | 8,857.3 | 8,721.8 | 10,519.6 |
| NDSF | 713.5 | 399.8 | 506.4 | 713.5 | 399.8 | 506.4 | 1,407.4 | 576.8 | 536.1 |
| Oth Rev & Mgt Fnd | - | | | 563.4 | | | -320.8 | 18.0 | |
| **Total DOD Bill** | **86,269.7** | **91,135.9** | **96,559.1** | **86,935.0** | **90,259.0** | **96,559.1** | **85,439.7** | **82,529.9** | **92,988.2** |
| MCON | 991.1 | 926.2 | 1,071.4 | 954.4 | 926.2 | 1,071.4 | 787.7 | 828.9 | 733.5 |
| MCNR | 28.3 | 64.3 | 33.6 | 24.7 | 61.9 | 33.6 | 67.4 | 18.2 | 31.5 |
| FH(Con) | 340.4 | 412.2 | 304.4 | 287.1 | 403.1 | 304.4 | 294.2 | 373.5 | 343.6 |
| FH(Ops) | 879.7 | 882.6 | 918.1 | 889.9 | 879.6 | 918.1 | 890.7 | 901.7 | 894.6 |
| BRC | 0.0 | 443.3 | 131.7 | 0.0 | 428.5 | 131.7 | 0.0 | 446.7 | 199.3 |
| **Total MILCON Bill** | **2,239.6** | **2,728.7** | **2,459.3** | **2,156.0** | **2,699.4** | **2,459.3** | **2,039.9** | **2,569.0** | **2,202.4** |
| **Receipts and Other Funds** | | | | **-340.3** | **-376.4** | **-341.5** | **-346.2** | **-356.4** | **-321.5** |
| **Total, DON** | **88,509.2** | **93,864.6** | **99,018.4** | **88,750.8** | **92,582.1** | **98,676.9** | **87,133.4** | **84,742.5** | **94,869.1** |

# *APPENDIX A - SUPPORTING TABLES*

## *MILITARY PERSONNEL, NAVY*

**Table A-1**

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

| | FY 2000 | FY2001 | FY 2002 |
|---|---|---|---|
| Pay and Allowances of Officers | 4,544 | 4,656 | 5,011 |
| Pay and Allowances of Enlisted | 11,184 | 11,583 | 12,943 |
| Pay and Allowances of Midshipmen | 41 | 39 | 44 |
| Subsistence of Enlisted Personnel | 722 | 782 | 851 |
| Permanent Change Station Travel | 627 | 630 | 686 |
| Other Military Personnel Costs | 70 | 66 | 72 |
| **Total: MPN** | **$17,188** | **$17,756** | **$19,607** |
| | | | |
| End Strength | | | |
| Officers | 53,550 | 53,752 | 53,742 |
| Enlisted | 315,471 | 317,948 | 318,258 |
| Midshipmen | 4,172 | 4,217 | 4,000 |
| **Total: End Strength** | **373,193** | **375,917** | **376,000** |

* Note: Totals in Tables 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 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Pay and Allowances of Officers | 1,392 | 1,430 | 1,536 |
| Pay and Allowances of Enlisted | 4,535 | 4,703 | 5,114 |
| Subsistence of Enlisted Personnel | 356 | 395 | 423 |
| Permanent Change Station Travel | 241 | 250 | 257 |
| Other Military Personnel Costs | 29 | 30 | 36 |
| **Total: MPMC** | **$6,552** | **$6,807** | **$7,365** |
| End Strength | | | |
| Officers | 17,938 | 17,888 | 17,888 |
| Enlisted | 155,383 | 154,712 | 154,712 |
| **Total: End Strength** | **173,321** | **172,600** | **172,600** |

# *RESERVE PERSONNEL, NAVY*

**Table A-3**

***Department of the Navy***

***Reserve Personnel, Navy***

*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Unit & Individual Training | 593 | 665 | 678 |
| Other Training & Support | 862 | 911 | 966 |
| **Total: RPN** | **$1,454** | **$1,576** | **$1,643** |
| | | | |
| End Strength | | | |
| SELRES | 71,546 | 71,362 | 72,189 |
| Full-time Support | 15,387 | 14,649 | 14,811 |
| **Total: End Strength** | **86,933** | **86,011** | **87,000** |

# *RESERVE PERSONNEL, MARINE CORPS*

**Table A-4**

***Department of the Navy***

***Reserve Personnel, Marine Corps***

*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Unit and Individual Training | 226 | 246 | 253 |
| Other Training and Support | 188 | 203 | 210 |
| **Total: RPMC** | **$414** | **$449** | **$463** |
| | | | |
| End Strength | | | |
| SELRES | 37,351 | 37,297 | 37,297 |
| Full-time Support | 2,316 | 2,261 | 2,261 |
| **Total: End Strength** | **39,667** | **39,558** | **39,558** |

# *OPERATION AND MAINTENANCE, NAVY*

**Table A-5**

## *Department of the Navy*
## *Operation and Maintenance, Navy*

*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Operating Forces** | | | |
| Air Operations | 4,157 | 4,271 | 5,232 |
| Ship Operations | 6,646 | 6,715 | 7,496 |
| Combat Operations/Support | 1,654 | 1,688 | 1,798 |
| Weapons Support | 1,325 | 1,370 | 1,382 |
| NWCF Support | 43 | 10 | 1 |
| Base Support | 2,887 | 3,019 | 3,592 |
| **Total — Operating Forces** | **$16,712** | **$17,073** | **$19,501** |
| **Mobilization** | | | |
| Ready Reserve & Prepositioning Force | 431 | 434 | 506 |
| Activations/Inactivations | 278 | 247 | 267 |
| Mobilization Preparedness | 41 | 42 | 42 |
| **Total — Mobilization** | **$750** | **$724** | **$815** |
| **Training And Recruiting** | | | |
| Accession Training | 162 | 174 | 183 |
| Basic Skills & Advanced Training | 858 | 926 | 978 |
| Recruiting & Other Training & Education | 358 | 412 | 429 |
| Base Support | 485 | 521 | 561 |
| **Total — Training And Recruiting** | **$1,863** | **$2,033** | **$2,151** |
| **Admin & Service-wide Support** | | | |
| Service-wide Support | 1,335 | 1,439 | 1,703 |
| Logistics Operations & Technical Support | 1,886 | 1,642 | 1,802 |
| Investigations & Security Programs | 594 | 636 | 674 |
| Support of Other Nations | 8 | 9 | 10 |
| Canceled Accounts | 9 | - | - |
| Base Support | 277 | 247 | 305 |
| **Total — Admin & Service-wide Support** | **$4,109** | **$3,973** | **$4,494** |
| **Total: O&MN** | **$23,433** | **$23,804** | **$26,961** |

# *OPERATION AND MAINTENANCE, MARINE CORPS*

**Table A-6**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Operating Forces** | | | |
| Expeditionary Forces | 1,990 | 2,001 | 2,032 |
| Prepositioning | 80 | 100 | 89 |
| **Total — Operating Forces** | **$2,070** | **$2,101** | **$2,121** |
| **Training and Recruiting** | | | |
| Accession Training | 104 | 89 | 96 |
| Basic Skills & Advanced Training | 195 | 218 | 229 |
| Recruiting & Other Training & Education | 151 | 151 | 159 |
| **Total — Training And Recruiting** | **$450** | **$458** | **$484** |
| **Admin & Service-wide Support** | | | |
| Service-wide Support | $254 | $284 | $288 |
| **Total: O&M,MC** | **$2,775** | **$2,843** | **$2,892** |

# *OPERATION AND MAINTENANCE, NAVY RESERVE*

**Table A-7**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Operating Forces** | | | |
| Air Operations | 416 | 475 | 541 |
| Ship Operations | 184 | 137 | 129 |
| Combat Operations/Support | 27 | 35 | 38 |
| Weapons Support | 5 | 5 | 6 |
| Base Support | 187 | 213 | 199 |
| **Total — Operating Forces** | **$819** | **$865** | **$913** |
| **Admin & Service-wide Support** | | | |
| Service-wide Support | $152 | $119 | $91 |
| **Total — Service-Wide** | **$152** | **$119** | **$91** |
| **Total: O&M, NR** | **$972** | **$984** | **$1,004** |

# *OPERATION AND MAINTENANCE, MARINE CORPS RESERVE*

**Table A-8**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Operating Forces** | | | |
| Expeditionary Forces | 109 | 111 | 112 |
| **Admin & Service-wide Support** | | | |
| Service-wide Support | 33 | 37 | 32 |
| **Total: O&M,MCR** | **$142** | **$148** | **$144** |

# *ENVIRONMENTAL RESTORATION, NAVY*

**Table A-9a**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Environmental Restoration Activities | – | 293 | 258 |
| **Total: ERN** | **0** | **$293** | **$258** |

# *KAHO'OLAWE ISLAND*

**Table B-9b**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Kaho'olawe Island | 34 | 60 | 25 |
| **Total: Kaho'olawe Island** | **$34** | **$60** | **$25** |

# *AIRCRAFT PROCUREMENT, NAVY*

## Table A-10

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

| | FY 2000 | | FY 2001 | | FY 2002 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| AV-8B (HARRIER)* | 11 | 296 | 12 | 260 | - | - |
| F/A-18E/F (HORNET) | 36 | 2,833 | 39 | 2,851 | 48 | 3,157 |
| V-22 (OSPREY)** | 11 | 919 | 11 | 1,197 | 12 | 1,058 |
| AH-1W (SUPER COBRA) | - | 2 | - | 2 | - | 1 |
| SH-60R (SEAHAWK) | 7 | 224 | - | 209 | - | 25 |
| E-2C (HAWKEYE) | 3 | 381 | 5 | 315 | 5 | 279 |
| MH-60S (VERTREP HELO) | 16 | 356 | 15 | 285 | 13 | 246 |
| UC-35 | 2 | 12 | 1 | 8 | - | - |
| C-40A | 1 | 56 | 1 | 54 | - | - |
| C-37 | - | - | 1 | 50 | - | - |
| T-45TS (GOSHAWK) | 15 | 326 | 14 | 304 | 6 | 179 |
| JPATS | 12 | 55 | 24 | 81 | - | - |
| KC-130J (HERCULES) | 1 | 71 | 3 | 227 | 4 | 299 |
| Modifications | - | 1,835 | - | 1,233 | - | 1,084 |
| Spares and Repair Parts | - | 983 | - | 933 | - | 1,420 |
| Support Equipment/Facilities | - | 512 | - | 391 | - | 504 |
| **Total: APN** | **115** | **$8,861** | **126** | **$8,399** | **88** | **$8,253** |

* Remanufactured Aircraft Only
** Includes 2 R & D Aircraft

# *WEAPONS PROCUREMENT, NAVY*

**Table A-11**

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

| | FY 2000 | | FY 2001 | | FY 2002 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| **Missiles (BA1&2)** | | | | | | |
| TRIDENT II | 12 | 485 | 12 | 439 | 12 | 568 |
| Tomahawk | - | 0 | - | 0 | 34 | 50 |
| AMRAAM | 91 | 46 | 63 | 39 | 57 | 40 |
| AIM-9X | - | 0 | - | 0 | 105 | 27 |
| JSOW | 454 | 114 | 104 | 182 | 0 | 0 |
| SLAM-ER | 64 | 47 | 30 | 28 | 30 | 26 |
| STANDARD | 86 | 196 | 86 | 169 | 91 | 202 |
| RAM | 90 | 44 | - | 23 | 90 | 43 |
| ESSM | - | 12 | 34 | 40 | 38 | 45 |
| Other | 504 | 271 | 311 | 312 | - | 220 |
| **Torpedoes (BA3)** | | | | | | |
| Mk-48 ADCAP | - | 45 | - | 44 | - | 42 |
| Other | - | 71 | - | 56 | - | 75 |
| **Other** | | | | | | |
| Gun Mount Mods | - | 0 | - | 30 | - | 6 |
| CIWS & MODS | - | 3 | - | 26 | - | 41 |
| All Other | - | 83 | - | 59 | - | 49 |
| **Total: WPN** | **1301** | **$1,418** | **640** | **$1,446** | **457** | **$1,434** |

# *SHIPBUILDING AND CONVERSION, NAVY*

## Table A-12

***Department of the Navy***

***Shipbuilding and Conversion, Navy***

*(Dollars in Millions)*

| | FY 2000 | | FY 2001 | | FY 2002 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| New Construction | | | | | | |
| Aircraft Carrier (CVN-77) | - | 748 | 1 | 4,038 | - | 139 |
| Attack Submarine (SSN -774) | 0 | 744 | 1 | 1701 | 1 | 2,293 |
| SSGN Conversion | 0 | 0 | 0 | 0 | 0 | 86 |
| Guided Missile Destroyer (DDG-51) | 3 | 2,667 | 3 | 3,131 | 3 | 2,966 |
| Amphibious Transport Dock Ship (LPD-17) | 2 | 1,500 | 0 | 556 | 0 | 421 |
| Auxiliary Dry Cargo Carrier (ADC-X) | 1 | 438 | 1 | 336 | 1 | 371 |
| Amphibious Assault (LHD) | - | 355 | - | 456 | 1 | 267 |
| **Subtotal** | **6** | **$6,452** | **6** | **$10,218** | **6** | **$6,543** |
| Other | | | | | | |
| CVN Refueling Overhauls | - | 344 | - | 717 | 1 | 1192 |
| Submarine Refueling Overhauls | - | - | 1 | 280 | 2 | 460 |
| LCAC/Landing Craft SLEP | 1 | 32 | 1 | 15 | 2 | 41 |
| Outfitting | - | 170 | - | 288 | - | 307 |
| Completion of PY Shipbuilding Programs | 0 | 126 | 0 | 0 | 0 | 800 |
| **Total: SCN** | **7** | **$7,125** | **8** | **$11,518** | **11** | **$9,344** |

# *OTHER PROCUREMENT, NAVY*

## Table A-13

***Department of the Navy***

***Other Procurement, Navy***

*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Ships Support Equipment | 899 | 620 | 742 |
| Communications and Electronics Equipment | 1,933 | 1,557 | 1,412 |
| Aviation Support Equipment | 246 | 258 | 228 |
| Ordnance Support Equipment | 629 | 470 | 663 |
| Civil Engineering Support Equipment | 64 | 108 | 84 |
| Supply Support Equipment | 148 | 150 | 512 |
| Personnel and Command Support Equipment | 104 | 110 | 222 |
| Spares and Repair Parts | 261 | 206 | 234 |
| **Total: OPN** | **$4,284** | **$3,479** | **$4,098** |

# *PROCUREMENT, MARINE CORPS*

## Table A-14

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

| | FY 2000 | | FY 2001 | | FY 2002 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| **Weapons & Tracked Combat Vehicles** | | | | | | |
| AAV7A1 | 156 | 81 | 170 | 83 | 170 | 77 |
| AAAV | - | - | - | - | - | 2 |
| LAV SLEP | - | 2 | - | 2 | 323 | 26 |
| LW155 | - | - | - | 11 | 0 | - |
| Improved Recovery Vehicle | - | - | 22 | 42 | 8 | 21 |
| Other | - | 91 | - | 34 | 0 | 16 |
| **Guided Missiles** | | | | | | |
| Predator (SRAW) | - | - | 400 | 43 | 0 | 0 |
| Other | 986 | 96 | 305 | 44 | - | 8 |
| **Communication & Electronics** | | | | | | |
| Common Computer Resources | - | 100 | - | 80 | - | 21 |
| Radio Systems | - | 88 | - | 16 | - | 51 |
| Mod Kits MAGTF C4 | - | 18 | - | 7 | - | 21 |
| MAGIF CSSE TSE | - | 8 | - | 8 | - | 12 |
| Fire Support Equipment | - | 5 | - | 15 | - | 16 |
| Intelligence Support Equipment | - | 18 | - | 12 | - | 10 |
| Night Vision Equipment | - | 18 | - | 21 | - | 22 |
| Other | - | 288 | - | 142 | - | 62 |
| **Support Vehicles** | | | | | | |
| HMMWVA2 | 1,918 | 124 | 2,071 | 138 | 1,466 | 109 |
| Medium Tactical Vehicle Replacement (MTVR) | 788 | 138 | 2,012 | 323 | 1,946 | 312 |
| Other | - | 24 | - | 36 | - | 10 |
| **Engineer and Other Equipment** | - | 169 | - | 141 | - | 159 |
| **Spares & Repair Parts** | - | 27 | - | 24 | - | 27 |
| **Total: PMC** | | **$1,296** | | **$1,222** | | **$982** |

# *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 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Navy Ammunition | 350 | 329 | 314 |
| Marine Corps Ammunition | 192 | 164 | 143 |
| **Total: PAN&MC** | **$542** | **$494** | **$457** |

# *RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY*

**Table A-16**

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

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Basic Research | 367 | 394 | 406 |
| Applied Research | 610 | 659 | 626 |
| Advanced Technology Development (ATD) | 739 | 786 | 680 |
| Demonstration & Validation (DEM/VAL) | 2,353 | 2,558 | 2,415 |
| Engineering & Manufacturing Development | 2,226 | 2,215 | 4,123 |
| RDT&E Management Support | 810 | 651 | 739 |
| Operational Systems Development | 1,958 | 2,195 | 2,134 |
| **Total: RDT&E,N** | **$9,065** | **$9,458** | **$11,123** |

# *NATIONAL DEFENSE SEALIFT FUND*

**Table A-17**

***Department of the Navy***

***National Defense Sealift Fund***

*(Dollars in Millions)*

| | FY 2000 | | FY 2001 | | FY 2002 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| Sealift Acquisition | 1 | 359 | - | 12 | - | 0 |
| DoD Mobilization Assets | - | 94 | - | 122 | - | 269 |
| Research & Development | - | 4 | - | 7 | - | 10 |
| Ready Reserve Force | - | 257 | - | 258 | - | 227 |
| **Total: NDSF** | **1** | **$714** | | **$400** | | **$506** |

# *MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE*

## Table A-18

### *Department of the Navy*
### *Military Construction*
*(Dollars in Millions)*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Significant Programs | | | |
| Operational & Training Facilities | 290 | 317 | 280 |
| Maintenance & Production Facilities | 130 | 92 | 110 |
| R&D Facilities | 34 | 97 | 13 |
| Supply Facilities | 20 | 8 | 24 |
| Administrative Facilities | 60 | 61 | 38 |
| Housing Facilities | 241 | 204 | 420 |
| Community Facilities | 30 | 44 | 25 |
| Utility Facilities | 86 | 15 | 109 |
| Pollution Abatement | 20 | 7 | 11 |
| Unspecified Minor Construction | 8 | 12 | 11 |
| Planning And Design | 72 | 71 | 30 |
| **Total: Navy** | **$991** | **$926** | **$1,071** |
| | | | |
| **Construction Program** | | | |
| Operational & Training Facilities | 28 | 64 | 34 |
| **Total: Naval Reserve** | **$28** | **$64** | **$34** |

# *FAMILY HOUSING, NAVY AND MARINE CORPS*

## Table A-19

***Department of the Navy***
***Family Housing, Navy and Marine Corps***
*(Dollars in Millions )*

| | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Navy** | | | |
| Construction | 227 | 335 | 195 |
| O&M | 742 | 734 | 759 |
| **Total: Navy** | **969** | **1,069** | **954** |
| | | | |
| Marine Corps | | | |
| Construction | 114 | 77 | 109 |
| O&M | 138 | 149 | 159 |
| **Total: Marine Corps** | **252** | **226** | **268** |
| **Total: FH,N&MC** | **$1,220** | **$1,295** | **$1,223** |
| | | | |
| **New Construction Projects** | | | |
| Navy | 3 | 8 | 3 |
| Marine Corps | 4 | 2 | 3 |
| | | | |
| **Construction Units** | | | |
| Navy | 345 | 955 | 240 |
| Marine Corps | 359 | 163 | 297 |
| | | | |
| **Average Number of Units** | | | |
| Navy | 59,669 | 56,986 | 54,185 |
| Marine Corps | 23,322 | 23,339 | 23,057 |

# *BASE REALIGNMENT AND CLOSURE ACCOUNTS*

**Table A-20**

***Department of the Navy***

***Base Realignment and Closure Accounts***

*(Dollars in Millions)*

| Costs | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| BRAC III | 0 | 247 | 49 |
| BRAC IV | 0 | 196 | 83 |
| **Total: BRAC** | **$0** | **$443** | **$132** |

| SAVINGS | FY 2000 | Annual Steady State |
|---|---|---|
| BRAC II | 466 | 466 |
| BRAC III | 1,360 | 1,360 |
| BRAC IV | 643 | 732 |
| **Total: Savings** | **2,469** | **2,558** |