

CQ NEWSMAKER TRANSCRIPTS

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U.S. Navy Officials Hold News Briefing on President Obama's Proposed Fiscal 2015 Budget Request for the U.S. Navy

LIST OF SPEAKERS

LESCHER:

Thank you for your patience as you listen through these briefs.

Next slide, please.

This afternoon I will be providing a brief overview of the Department of the Navy F.Y. '15 budget submission. This submission continues to be grounded in a strategic foundation highlighted here. It builds on the Quadrennial Defense Review, which builds on the Defense Strategic Guidance, as we've talked about earlier today.

So we use those documents and those strategies in concert with the Secretary's, the Chief of Naval Operation's and the Commandant's priorities to guide the hard choices that we're gonna be talking about today.

I think it's important to note that consistent across the full scope of all the strategic guidance you see up there the president's (sic) capability and readiness of the Navy-Marine Corps team has never been more essential to the strategy.

Next slide.

This is the Navy and Marine Corps today. Shown here is the output of decisions made to balance requirements and resources in prior years on the current year's budget.

These are the investments that generated the president's (sic) -- the capability and the readiness that you see today. So very briefly, around the world we have 42,000 sailors and almost 5,000 Marines underway, deployed on over 100 ships, two carrier strike groups, two amphibious readiness groups with the associated Marine expeditionary units. There's an additional 30,000 sailors and 35,000 Marines forward around the world, including 6,000 Marines currently serving in Afghanistan, and 25,000 Marines in the Pacific

area of responsibility. Consistent with the QDR and the DSG, the you'll see that there's 49 ships in the Pacific and 32 ships assigned and deployed to the Middle East.

So these are the forces that over the past year gave the president options spanning combat credible forces that influence the options for diplomacy in Iran and Syria, to the immediate response to the typhoon -- Haiyan in Philippines by the G.W. strike group as well as by Marine C-130s and V-22s.

This is the Navy-Marine Corps mandate here, to be where it matters when it matters.

Next slide.

This is the funding input in constant year dollars that resources in the Navy-Marine Corps are going forward. So as you can see, from the F.Y. '10 peak to the end of this FYDP, F.Y. '19, in real terms our resources are down by over one-fifth. And that's with the additional funding that Undersecretary Hale discussed earlier today above the sequestered BCA levels.

If continued to the BCA levels -- shown here out to 2023 -- the Department's resources would be down by about one-quarter. Even if you assume the notional level of OCO out in F.Y. '19 the reduction would still be in F.Y. '19 from the P.B. plus the notional OCO about 19 percent to 20 percent.

So this is the very challenging fiscal environment in -- at the same time, that we're dealing with a dynamic and still very dangerous security environment that the Department deal with. The programmatic priorities shown here were applied to achieve a balanced force aligned to a consistent strategic foundation that we talked about.

Next slide.

Bringing that display now in to -- 10 (ph) year dollars are shown here. And if you do the first build please. So what this is showing in the gray boxes is the reduction from the P.B. '14 level that this -- is in this year's submission. Now, see that's \$38 billion less for the Department of the Navy over the FYDP. And \$15 billion of that is in the first year.

Balancing that reduction is what required hard choices, it required some innovative solutions and approaches, and required strong stewardship initiatives that we'll be talking about in the upcoming slides.

Next build.

It's a department where we turn to the sequester levels of funding, which is shown approximately by that red arrow. That would be an additional FYDP reduction for the -- for the Department of the Navy of \$39 billion.

As testified by the service chiefs in November, the department would not be able to execute all of the defense strategic (inaudible) missions at that level.

We estimate those reductions to accommodate that level of funding would require inactivation of a carrier, decommissioning of an air wing, decrease in the size of the Marine Corps to 175,000, removing six surface combatants from service, and eliminating the planned FYDP procurements of three DDGs, a submarine and four TATFXs (ph).

Those reductions would also further impact the readiness accounts, decreasing presence and surge capacity.

Next slide.

So the next few slides will briefly cover each appropriation in detail, and I'll highlight the major changes from the P.B. '14 submission. This slide serves to provide an overview of how all the appropriations balance, and I'll talk a little bit about how they change in proportion of the budget from the prior year enacted level.

So, starting with the MILPERS, which is in the lower left in red, this appropriation is 31 percent of the F.Y. '15 request. It's up from 30 percent in F.Y. '14 and 19 percent in F.Y. '13.

That reflects a top line coming down, while end-strength essentially has been remaining flat.

The operations and maintenance account, in blue, funds the elements needed to operate the force. This account was 29 percent last year in the F.Y. '14 omnibus enacted level, which was a decrease from 32 percent the year before, reflecting the additional OCO (ph) funding that Congress applied in the omnibus appropriation.

In the P.B. '15 submission, this level returns to 32 percent of the base budget.

The procurement account, in green, has declined from 28 percent in F.Y. '13 and 26 percent in F.Y. '14 to 25 percent in this submission, reflecting the fiscally driven reductions in procurement, particularly in aircraft and weapons procurement.

Research and development has grown slightly, from 10 percent the last two years to 11 percent, and that reflects the priority given to developing key capabilities for the future.

And, finally, new infrastructure investment as a share of the budget declines from 2 percent to 1 percent, reflecting the overall fiscal pressure on the Navy and Marine Corps accounts.

Next slide.

In MILPERS, you see two services on slightly different paths, the same as last year. The Navy is ending a decade of planned end-strength reductions and stabilizing the force to improve manning at sea, to improve sea-shore rotation and to increase cyber-capabilities.

The F.Y. '15 budget specifically targets improved fit and fill metrics, and fit is the percent of sailors assigned to a billet with the required skill code, the NEC classification. Fill is percent of authorized billets filled. This budget targets fit and fill metrics of 92 percent and 85 percent respectively, an improvement from last year's target of 90 percent and 90 percent.

The Marines continue to downsize. And so, you see an F.Y. '15 base funded level here of 1827 (ph). That includes the first 600 of an eventual 1,000 increase in the Marine Corps embassy security guards.

The Marine Corps also has OCO (ph)-funded temporary end-strength expected to end in F.Y. '16.

As Undersecretary Hale discussed earlier today, the decreased manning levels that you see in these slides outside the budget year, i.e., in F.Y. '16 through '19, in both the Navy and Marine Corps cases, largely reflect planning levels, pending the decisions to be made in the F.Y. '16 budget submission regarding Marine Corps steady state end-strength, and the retention of 11 aircraft carriers and 10 carrier air wings.

It's important to note that no personnel changes will be made until there's a final decision in particular on the carrier and the air wings.

Undersecretary Hale also discussed today the compensation and benefits changes proposed in the budget. For the Navy and the Marine Corps, the savings from filling the rate of growth of military pay and benefits are being invested to improve the quality of service of sailors and Marines.

These investments include training enhancements, such as improved training ranges and simulation capabilities, to include small-arms training, as well as increased travel funding for training, investments in spare parts, and enhancements in surface ship maintenance.

More broadly, this budget also funds increases in career sea pay and career sea pay premium, that recognize and reward sailors and Marines that are spending time at sea. It funds a high deployment allowance that compensates for the rigors of extended deployments, and it puts forward (ph) critical skills bonuses to retain our most highly skilled sailors.

Next slide.

In the civilian personnel accounting, you'll see a slight increase in F.Y. '15 and a steady decrease across the full FYDP. Navy F.Y. '15 increase of about 1,500 full-time equivalents reflects a continued priority on getting ship maintenance right, with additional man days for overhauls and availabilities at our regional maintenance centers.

LESCHER:

It also reflects increases to critical programs, such as sexual assault prevention, response, and cyber.

U.S. Marine Corps growth of 800 full-time equivalents is consistent with the level that is being executed in F.Y. '14 and also reflects, again, increases for specific items such as increased cyber capability and the increases in the Marine Corps embassy security guards.

These increases are partially offset by headquarters reductions that start in F.Y. '15 and reduce headquarters personnel over the FYDP by 20 percent, as well as some other reductions that were taken based on affordability.

Overall, these levels reflect the essential contributions of our civilian personnel throughout the force, both in Washington, D.C. and more broadly. Over 90 percent of our civilian personnel are contributing to the force outside of D.C., training our people, fixing our gear, and managing our infrastructure.

Next slide.

The department's readiness counts are tightly focused on the OPTEMPO that our combatant commanders are requesting, properly sustaining our ships and aircraft to reach their expected service lives, and properly training our people. The F.Y. '15 base budget metrics are funded to the historic levels you see here. As Undersecretary Hale indicated earlier today, the department anticipates

submitting an F.Y. '15 OCO request later this year that includes readiness funding that improves these metrics.

Very briefly, overview, as with the F.Y. '14 request, this budget funds ship ops at 45 days underway per quarter when deployed; 20 days underway when nondeployed; flight hours to the historic standard metrics of T-2.5 (ph) and T-2.0 (ph) for Navy and Marine Corps respectively; ship and aviation depot maintenance, 80 percent of the base; Marine Corps ground equipment at the same level as last year, with much of the remaining OCO re-set of the equipment; and facility sustainment funding, which decreases from F.Y. '14 to 70 percent in F.Y. '15 for the Navy, and 75 percent for the Marine Corps. In F.Y. '16 and out, however, the sustainment funding improved to 83 percent and 90 percent respectively for the Navy and Marine Corps.

Next slide.

The SECNAV's goals to achieve stability in shipbuilding to affordably meet our warfighting requirements, and you'll see that this budget has prioritized shipbuilding to meet that goal. This program buys 44 ships in the FYDP compared to 41 in the FYDP last year, '14 to '18, and 43 in the '15 to '19 columns of last year's shipbuilding plan.

Two destroyers and two submarines are purchased every year across the FYDP. There was one less LCS purchase in F.Y. '15 than last year, three versus four, reflecting that \$15 billion top-line reduction I talked about at the beginning. We bought what we could afford.

In accordance with Secretary Hagel's LCS decision, the LCS program continues as shown through F.Y. '18 to a total of 32 ships, buying 12 in the FYDP. The two units shown here in F.Y. '19 reflect the prior program. As directed, the Navy will provide small surface combatant proposals in next year's budget, as well as regular updates of LCS testing and deployment experience.

Other changes from P.B. '14 include the addition of one afloat forward staging base in F.Y. '17 that delivers in F.Y. '20; sliding LXR one year with advanced procurement now in F.Y. '19 and full funding in F.Y. '20 due to fiscal constraints. Also due to a top-line reduction in P.B. '15 aligned delivery of Kennedy CVN-79 from the ladder part of F.Y. '22 to F.Y. '23.

In the RCOH line, refueling complex overhaul, as Secretary of Defense Hagel also announced, the department will make a final determination on refueling

the George Washington in the F.Y. '16 budget submission. Pending that decision, this budget funds planning for the fueling required.

Overall in F.Y. '15, eight ships are delivered and 13 are retired, bringing the F.Y. '15 battle force count to 283. Going forward, the battle force grows to 309 ships by 2019 with this plan.

Finally, as Secretary of Defense Hagel also mentioned, given pressing resource constraints, the P.B. '15 submission proposes to place in a special status, special category, and induct into phased maintenance 11 cruisers, starting in F.Y. '15. This approach is driven by affordability, but it provides substantial cost-savings, while modernizing the ships to the latest capability and extending their service lives. A similar program has also been proposed for three LSDs on a rolling basis, modernizing one at a time.

Next slide.

In the aircraft procurement appropriation, overall reductions of 111 aircraft and \$9 billion were taken from P.B. '14 level, reflecting the fiscal pressure -- the resource pressure we talked about. F.Y. '15 reductions include four F-35-Charlie carrier variant JSF aircraft, 10 E-2Ds, and 10 P-8s.

The initial operational capability, IOC dates for the F-35-Charlie and E-2D remain unchanged for these profiled changes in 2019 and 2014 respectively, and the P-8 has already achieved its IOC.

In the Super Hornet and Grabber (ph) line, those fleets are transitioning from production to sustainment. Key Super Hornet modification programs are funded in this budget to include the new infrared search and track pods (ph).

The UAV section, the U class, the unmanned carrier launch surveillance and strike system, remains on a path to achieve early operational capability by 2020, with a contract award projected for F.Y. '15.

And finally, the Triton MQ4 has been rephased, as shown in this profile, to account for delay in development.

Of note, the F.Y. '15 opportunity growth and security initiative that, Undersecretary Hale talked about, has a design focus on readiness and modernization and the Department of the Navy request for that includes eight P-8s and one E2D, among other aircraft required.

Next slide.

In weapons procurement, FYDP investment was reduced by \$2.8 billion from the PV '14 level, reflecting a combination of resource pressure and inventories reaching requirements.

F.Y. '15 is the last year of the tactical Tomahawk procurement. As that program transitions to sustainment with a recertification depot line and modifications that are going to keep that weapon as a premier attack weapon over the course of its service life while we develop the next generation land attack weapon.

In other lines, I highlight consistent with QDR guidance to rebalance for a broad spectrum of conflict, this budget funds key capabilities, such as restart under Mk-48 heavyweight torpedo line with procurement starting in F.Y. '16 and procurement of the long-range anti-service missile, the LRASM, starting in F.Y. '17.

In aircraft weapons, we take a one-year pause in amram (ph) while operational testing completes and then ramp up production.

Next slide.

The Marine Corps procurement the base budget funding decreases by \$275 million from the F.Y. '14 level for selecting the fiscal constraints.

A few major efforts I'll highlight in '15 include improvements to the light armored vehicle with funding to modernize the legacy turret and the TOW missile system. There's funding can begin procurement of the Humvee sustainment modification kits, development of testing of the joint light tactical vehicle, which is a -- the newer vehicle, provided improved performance and protection compared to the current Humvee fleet.

F.Y. funding supports production of seven LRIP vehicles. And the budget also support the procurements of additional low rate initial production ground-air task-oriented radars, which is an expeditionary radar designed to detect rockets, missiles and artillery.

Next slide.

In the R&D account, science and technology funding declines 2 percent in F.Y. '15 and then remains steady over the balance of the FYDP. A few major systems I'll highlight, F-35 Charlie funding fully funds the system development and demonstration to maintain the STOVL IOC in 2015 and the carrier IOC in 2019. CH-53K is rephased due to affordability to a path that puts it on a track for milestone Charlie in the third quarter of F.Y. '16. The

executive helo starts system development and demonstration this year with milestone C sched in F.Y. '19.

In shipbuilding, the Navy's top programmatic priority, the OHIO Replacement Program, continues on track for a lead ship construction starting in F.Y. '21.

An amphibious combat vehicle program, the Marine Corps has refined its strategy and restructured the program to provide a phased incremental approach. This budget will fund the manufacture and testing of the first increments prototype vehicles as well as continue tech development for later increments.

On the slide you'll see the electromagnetic rail gun highlighted. This gun is a key future capability that's under development. And it's funded for an SC (ph) demonstration aboard a joint high-speed vessel in 2016.

Finally, an important element to the stewardship initiatives that I highlighted at the beginning, beyond the 20 percent management headquarters, we already talked about, there's a \$3 billion per year initiative to reduce cost of business across our acquisition enterprise, spanning R&D, O&M and procurement accounts. This includes actions to reduce contracted services and partly that's being done through acquirement review boards, also known as contract courts, to reduce cost growth with increased competition, consolidation of multiple service contracts, use of should cost management as well as eliminating lower priority and lower return on investment tasks.

Next slide.

The Navy and Marine Corps have pressured F.Y. '15 MILCON supporting the department's most pressing needs with 41 construction projects. F.Y. '15 MILCON supports the introduction of new weapons systems with projects such as the OHIO Replacement Program, power and propulsion facility in Philadelphia and airwing training facility in Fallon (ph), Nevada, that supports JSF.

MILCON also supports priorities such as nuclear web security, comparing the last year of explosive hemi wharf (ph) in Washington, enhancing global posture with a wing and supports guadern (ph) facility in Guam, and quality of life with the BEQ in Yorktown, Virginia.

In family housing, the Navy request supports operation, lease, and maintenance of 10,000 units worldwide, and the Marine Corps requests 1300 units worldwide.

No new public-private ventures. We're funded in family housing construction. The \$16 million shown funds revitalization of 44 units at Marine Corps air station near Waconey (ph).

Next slide. As Undersecretary Hale discussed today, the president's budget proposed is an opportunity growth and security initiative focused on readiness, modernization, and improving facilities. The Department of the Navy's share of this initiative is \$9 billion and features items such as those shown here.

Next slide. So, overall, I'll wrap it up, here. The real take-away is in this period of fiscal austerity. The department has put together a budget at a time of continued very high COCOM demand for Naval forces that balances investment and presence and capability and in readiness, it's laser-focused on ensuring force wholeness, and sustaining our war-fighting edge in alignment with the strategy that we started the brief with.

Questions? Yes.

QUESTION:

Question on the decision, this may coincide with D.Q., the decision on the cruisers. How much, exactly, will that save, and is that the first step towards decreasing the size of the cruiser, or ultimately decreasing the size of the cruiser fleet?

LESCHER:

All right. So we estimate that that approach will save about \$4 billion over the FIDIP (ph), and it is not the first step to decreasing the cruisers. There is an acknowledged, enduring need, a worldwide need for the cruisers. These are the Air Defense Commander core vessels that are required to sail with our -- our carrier strike groups.

So the department's absolutely committed to modernizing these ships over the long term. And as I acknowledged in the brief, it's driven by affordability concerns. But we think this is an innovative way to keep these ships in the force, to modernize them to the most current capability, and to sustain their lives.

QUESTION:

John Harper with Stars and Stripes. Can you break out the Marine Corps part of the budget and the Navy part of the budget in terms of the top line, excluding OCO (ph) and kind of compare this year's request to the F.Y. '14 request and the enacted?

LESCHER:

OK. So, we'll get the numbers here, but I mean, yeah, overall, just from '14 enacted to the '15, the Department of the Navy request goes from 149.8 to 148, so even in venure (ph) dollars, let alone real terms, the -- the top line is decreasing.

And, Mary, you know, that probably actually was a question better for us to take. We can just give you those figures, at the appropriation level, of that split.

Yes, Ma'am?

QUESTION:

(inaudible) Ashlaw (ph) with Reuters. Can you say a couple of words about the CH-53 K rephasing? And then also, I just want to ask you about the -- you could help me understand the OSG fund or initiative a little bit better, so like, you know, you go from 16 P-8s in '14 to eight in '15 in the base budget, and then you get eight in the OSG. Just -- just you know.

LESCHER:

All right. So, the CH-53 K, obviously, is the Marine Corps heavy-lift aircraft. It is absolutely an imperative for their mission as a former expeditionary strike group commander of fifth fleet, I can tell you that (inaudible) readiness groups, number of (inaudible) units I had, had the full scope of the new aircraft, the new Yankees and Zulus had the V-22s, and and we absolutely relied on the 453s, typically employing them onto LPD.

So, a very important capability. Fiscal reality is a hard thing, and so, as we'd balanced again, made some hard choices, the 53-K was seen as one where we could slide that a year based on the existing inventory and still and get to where we need it to go with recapitalizing that part of the -- the Marine expeditionary unit.

QUESTION:

(inaudible)

LESCHER:

I'm sorry?

QUESTION:

When will that program, like, if it just gets delayed by one year or...

LESCHER:

Right. Exactly right.

The opportunity growth and security initiative. Undersecretary Hale talks a little bit, so you know, I'll defer a little, to some extent, to the OSD talking points on it, but essentially it is a -- it's not part of the budget's mission. It's an administration-wide initiative that's broader than DOD. There's a domestic government piece of it as well, and it is designed, again, to focus on some fairly specific things, on readiness, on modernization, so you will see, for example, no force structure across these requests, and improving facilities.

So in the Department of Navy one, it's -- again, it's one year only. It's F.Y. '15. There are investments standing, the things that are highlighted on the slide, that includes sustainment funding that brings the Department from the 70 percent, 75 percent respectively almost a full sustainment fund.

To your question on P8, so there are eight in the base budget based, again, on the choices that were made in (inaudible) to balance those elements of presence, capability and readiness that were made. And, because it was fiscally driven, the -- the -- and it was modernization, the -- the balance that April (ph) requested in the OGSF file.

QUESTION:

(OFF-MIKE) with Bloomberg News.

Can you try the George Washington decision again -- clarify it? This budget basically just funds a 10 carrier force contingent on a potentially -- refueling decisions next year for the George Washington, is that accurate?

LESCHER:

Right, so starting in F.Y. '15, this budget the G.W. and it's (inaudible). So the G.W. in F.Y. '15 and the budget year, it fully funds -- the G.W. is in Japan, obviously. It returns to Norfolk in the latter part of F.Y. '15 -- actually in December of '15, so that would be F.Y. '16.

So it's fully funded for operations and it's fully funded to return here. So in F.Y. '15, the budget year, there's no issue. So what secretary of -- Undersecretary Hale was referring to, in F.Y. '16 -- in next year's budget -- a decision will be made, based on the fact as he talked about, about whether to refuel that ship or to not refuel it and then activate based on the -- the discussion he talked about in terms of the conversation with the Congress.

QUESTION:

If they decide -- if you're forced to refuel the ship and keep it in -- in the inventory, is that about a \$6 billion to \$7 billion increase over the FYDP the Navy has to find?

LESCHER:

Correct.

QUESTION:

Aircraft question.

(inaudible) was matching the FYDP last year, with this year on the Joint Strike Fighter -- the C-Model -- last year you were asking for \$69 (ph), now you're asking for \$36 (ph). So you've knocked out \$33 (ph)?

LESCHER:

Correct.

QUESTION:

Reason being?

LESCHER:

Well, affordability.

QUESTION:

(OFF-MIKE) not (inaudible) gives you...

LESCHER:

So -- I mean, we're working through those issues, and we see a steady path forward on those. But this was a fiscally driven decision. And what's important is, it still gets it to IOC. So the -- what the requirement is to have (inaudible) software, have this aircraft IOC in F.Y. '19. We're still on a path for that, but in terms of the affordability, that's a decision that was made here.

QUESTION:

(OFF-MIKE) Aviation Week.

You mentioned in the budget documents, just kind of passing reference to improving programs for super hornets and things like that, for the mods and everything. Do you have any idea of how much that's going to be, at least in fiscal '15?

LESCHER:

For the specific mod line for F-18, we will get you that data.

QUESTION:

(OFF-MIKE) Secretary Hagel used the term, reduced operating status, for the 11 cruisers. Will they be kept in commission with reduced crews, or how -- how is that going to work out?

LESCHER:

Right, so they're gonna be in a special status with reduced crews. And that analysis is still being done right now. And I think I can talk to a high level of that, but we will also have additional detail on exactly how that works.

But those 11 cruisers will start their phase modernization in F.Y. '15. They'll go into the special status. They'll go with reduced crews. And then we're going to start going into the combat systems mods and phase availabilities likely starting in the F.Y. '17 timeframe.

QUESTION:

(OFF-MIKE) from Sea Power.

(inaudible) alternative OCO package in the DOD budget. Do you have an idea of what the Navy part of that would be? And most of that go for the Corps or what's (inaudible) OCO?

LESCHER:

All right.

Thanks.

So it's Undersecretary Hale described that, he said, it's a place holder. It's a place holder level of \$79 billion. And the reason he said again is because we don't know what the enduring presence in Afghanistan will be, which would inform so much of that analysis.

I will say for the Navy's case, a lot of what we have funded in OCO in terms of ship maintenance and steaming days, is going to be in -- in -- continuing for a number of years after, you know, OES essentially ends or we get to a steady state. And that's because of what's been talked about I think in other forums as the Department has surged surface ships and deferred maintenance, that's all maintenance and work that needs to essentially be recovered over time.

All the services have said, you know, upon completion of major combat ops or whatever the determined end point for OCO is, that for a number of years, we're gonna have to reset the force and use OCO.

So to answer your question more specifically, we have not done the specific analysis on -- across the Marine Corps and the Navy on what the elements, other than more broadly what I talked about in some of the readiness accounts where we -- again, we'll bring those up to 100 percent in the readiness funding.

QUESTION:

You haven't gotten on the elements. Well, any concept of how much of that 75 fill (inaudible) part of the Navy would get (inaudible)?

LESCHER:

All right. So I'm going to decline to speculate on what that percentage might be.

Again, as we decide what as a nation -- as the president makes a decision on what the enduring presence is in Afghanistan, that will inform Marine Corps rotations. It'll inform the naval support of that.

And another point that is sometimes subtle in the OCO (ph) accounts is, even as ground forces come out of Afghanistan and out of that region, as long as there's a requirement for overwatch on what remains, that drives naval presence. That drives our aircraft carriers, that drives our operations to be available to support even a smaller footprint there.

QUESTION:

Well, you mentioned -- (inaudible) maintenance for the ships. But the Marine Corps has a big reset for (inaudible)...

LESCHER:

Absolutely.

QUESTION:

Is that envisioned -- do you envision that going on after (inaudible)?

LESCHER:

Absolutely.

Yes, ma'am?

QUESTION:

Hi, Nina Epstein (ph) with Defense Daily.

So for F.Y. '15 you have no unmanned aerial vehicles and a process that if you have no MQ8 (ph).

I was wondering what's the reasons for that, what that was and kind of what that does to the overall capability for the program.

LESCHER:

So the department is very committed to unmanned air systems. And I talked about U-class (ph) in particular, and U-CAS (ph) being a demonstration that continues on in F.Y. '15 as well.

in MQ8 (ph), due to affordability, the department made a decision to phase MQ8(ph)'s procurements to the LCS. And there was in prior years a specific notion of procuring MQ8s (ph) specifically dedicated to SOF (ph). And that is a decision now that the department will handle through the global force management allocation process, which is to say, we have (inaudible) an MQ8 (ph) on an LCS when a combatant commander needs support for a specific SOF operation, but that's the way we'll handle that.

So that's what's going on on the line.

Yes, sir?

QUESTION:

John Emberley (ph) of (inaudible) Global.

Could you put the recap for the CH-53-K (ph). I didn't quite catch what the decrease in funding was or what the change was.

LESCHER:

All right. So we essentially slipped it a year or rephased it a year. So if you look at the profile in aircraft procurement, and I should actually say that's in the R&D line. Yeah, so you have to go to the R&D side and show that we rephased it.

And so, essentially, what we did is now milestone C is scheduled for the third quarter of F.Y. '16.

Yes, ma'am?

QUESTION:

(inaudible), Marine Corps Times.

What are you -- what elements of the Marine Corps Pacific rebalancing strategy are funded in this year's budget request?

And if that strategy has been amended at all (inaudible)?

LESCHER:

Maybe you could be a little more specific for me/

QUESTION:

Between UDP to deployments to Australia to (inaudible)?

LESCHER:

Right. So at the levels that we're talking about, the Marine Corps is continuing to execute that plan. There's been no, you know, large deviation away from that. And in particular, what you talked about, with the locational deployments to Australia, and with three MCDAs (ph) in terms of, you know, the Pacific presence, really no changes to that.

In terms of anything you would see in the budget in the terms of their funding for operations, in terms of their funding for their end- strength levels, again, at 1827 (ph) in this budget, you know, that's -- that's on a solid vector.

(CROSSTALK)

LESCHER:

Yes, sir?

QUESTION:

Yeah, hi. Sam McGurr (ph) with the Naval Institute.

Just to follow up on Megan's question, does that mean that the Navy isn't gonna pursue the sea model, the Fire Scout (ph) for the MQ8 (ph) line?

LESCHER:

Ed, do you have any insight on?

(UNKNOWN)

No, I have to get that for you.

Yeah, I'll get that for you.

QUESTION:

And are you all budgeting in for the change orders, taking the DDG-51s (ph) to the flight 3 (ph) variant? And when's that coming in?

LESCHER:

So, the Flight 3 DDG (ph) is scheduled to be the second ship purchased in F.Y. '16. And then from that point forward, we procure Flight 3 DDGs (ph).

QUESTION:

Is there a change order built into the budget? Because that's a lot of work to upgrade, you know, the 2-A model to be able to handle the AMDR (ph).

LESCHER:

It's the funding profile that is supported, that I just described, in the budget.

Amy Clair (ph)?

QUESTION:

Yes. (inaudible) News.

In the QDR it says that by 2020, 60 percent of Navy assets will be stationed in the Pacific, including enhancements to presence in Japan. I was wondering if you could elaborate on what the enhanced presence in Japan will be.

LESCHER:

Let me speak to the broader topic first and then the specifics of what might change in Japan, I think we'll have to get you some data.

But the rebalance to the Pacific was absolutely a focus not only in the QDR, but this budget. So starting with the presence, as you talked about by 2020, we'll have 60 percent of our battle force inventory assigned to the Pacific.

In terms of actual presence, in the slide we showed today -- the Navy today you saw about 49, 50 ships in terms of deployment there. And we expect by 2020, that would be up around 65.

In terms of the rebalance with the capability, so you see the Navy preferentially sending the most advanced and the most capable platforms and payloads to the Pacific, so the F-35C, the E-2D, the P-8, the Triton AMRAAM missile.

And in terms of the ships, you see the Zumwalt, the Flight III DDGs, the fourth SSN going to Guam in F.Y. '15. You've got the rotational Marine Forces in Australia, as well as the ongoing work of three MEFs there.

So you see a very strong focus overall and support in this budget for that shift to the Pacific. And so we'll get you some data on specifically any sort of changes within Japan.

Yes, ma'am?

QUESTION:

(inaudible) in the opportunity, growth and security initiative side, you have future force (inaudible) modernization. And it list a few aircraft programs. F-35 is not listed. Does that mean even if you all did have the funding, you would not increase the numbers across the FYDP (inaudible) buy (inaudible) cut so many?

LESCHER:

Right.

(CROSSTALK)

QUESTION:

(inaudible) in the cards (ph)?

LESCHER:

Right. It's not -- exactly -- it's not part of the funding.

QUESTION:

OK. Well, why is that, if it was an affordable decision and not a (inaudible)?

LESCHER:

Yeah. You know, I would really have to say we'd have to look at more broadly what's in that -- that initiative. So, yes, so I would have to get back to you on that.

QUESTION:

OK.

QUESTION:

Yes, thank you.

The Marine Corps embassy augmentation program, there have been some question about where those bodies would come from, whether it would be an additional, you know, additional force structure added onto the Marine Corps or whether they were just going to have to find it out of their existing size. The slide that said \$182.7 million implied that they would get some extra people, but not the full 1,000 that (inaudible) Congress is going to require.

LESCHER:

Right. So, the \$182.7 million is the F.Y. '15 number, which was, like, for 600 additional that are being brought in F.Y. '15 as we ramp up to the higher number.

QUESTION:

So they're likely to have, if sequestration is held off, somewhere in the neighborhood of \$183 million at the end of the day?

LESCHER:

So, I think the nonsequestered number that the secretary has alluded to is \$182 million -- \$182.1 million is the Marine Corps number.

QUESTION:

What's the \$182.7 million, then?

LESCHER:

That's the F.Y. '15 level. So in terms of a steady- state level, what is being talked about is \$182.1 million.

QUESTION:

(inaudible) follow up, the 600 additional may be 900 additional for embassy (inaudible)?

LESCHER:

Right.

QUESTION:

Nine-hundred?

LESCHER:

So, we'll get you a specific number. It's either high- 900 or 1,000. It's in that area.

QUESTION:

OK. Do you have a cost estimate for that?

LESCHER:

I'm sure we -- we will give you -- we'll get you a specific dollar figure for that end-strength.

QUESTION:

And the overall -- the overall Marine Corps budget, does \$22 billion sound like -- is that -- is that the number we're talking about and that's about \$1.8 billion down from last year?

LESCHER:

So, I think that's part of the earlier question. And do you have data, (inaudible)?

(CROSSTALK)

QUESTION:

\$22.8 billion?

(CROSSTALK)

LESCHER:

OK. Yes, ma'am?

QUESTION:

(inaudible). I was wondering if you could highlight a little bit of the LCS mission modules? What is (inaudible) on the (inaudible) that there's one ship that's been pushed to the right?

LESCHER:

All right. So that's a great question. I think I'm going to ask -- ask -- say what?

(CROSSTALK)

LESCHER:

OK. To give you that level of detail on specifically what the testing is and how they're projecting, we'll get that to you.

Sir?

QUESTION:

You mentioned the next generation (inaudible) missile that would come after the Tomahawk. Has there been any actual work done on that or budgeting for that program?

LESCHER:

So...

(CROSSTALK)

(UNKNOWN)

(inaudible) money in this year, in the '15 budget (inaudible) starting R&D on it.

LESCHER:

OK, so an R&D line is starting in F.Y. '15. Again, so that's kind of managing that transition from the Tomahawk going to sustainment and to the initial R&D on that. The Tomahawk is going to be a viable weapon well into the late '20s. So that's -- that's kind of how that phase is being done.

All right. Appreciate it. Thanks for your time today.

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List of Speakers

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