

**NOT FOR PUBLICATION
UNTIL RELEASED BY
THE SENATE ARMED
SERVICES COMMITTEE**

**STATEMENT OF
LIEUTENANT GENERAL JAN HULY
DEPUTY COMMANDANT, PLANS, PROGRAMS AND OPERATIONS
UNITED STATES MARINE CORPS
AND
LIEUTENANT GENERAL JOHN F. SATTLER
COMMANDER
U.S. MARINE FORCES CENTRAL
BEFORE THE
SUBCOMMITTEE ON MILITARY READINESS
OF THE
SENATE ARMED SERVICES COMMITTEE
CONCERNING
READINESS AND RESETTING THE FORCE
ON
March 15, 2006**

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Introduction

Chairman Ensign, Senator Akaka, distinguished members of the Readiness Subcommittee; it is my privilege to report to you on the actions taken to date to maintain essential readiness, and address future requirements to reset the Marine Corps. Today, we are at war and your Marines are performing well due to their extraordinary courage, dedication, and commitment and our Nation's ability to continue to properly train and equip the force. Marines realize the danger to the Nation, their vital role, and the magnitude of their responsibilities.

Marines continue to demonstrate that we are an expeditionary force in readiness – Most Ready When the Nation is Least Ready. Your continued support makes this possible. The Global War on Terror is a generational war; therefore, maintaining our readiness, while modernizing and transforming to meet future challenges, is critical to ensuring that the Marine Corps continues to provide the Nation with the critical capabilities needed to prosecute this war and any future conflict that follows. On behalf of all Marines and their families, I thank this Committee for your sustained and indispensable support during these challenging times.

Manning the Force and Quality of Life

Though we embrace the advances of technology, we believe that the most important asset on any battlefield is a well-equipped, well-trained, and well-led United States Marine—our people make the difference. We hold that today's Marines are unique and special individuals, and the character of their service throughout the Global War on Terror has rivaled that of any preceding generation. Recruiting and retaining a force of this quality requires the dedicated efforts of our recruiters, career retention specialists, manpower experts, and leaders throughout the Corps. Ours is a force of active duty, reserve, and civilian Marines, as well as thousands of Marine families who share in the sacrifices to our Nation. Though the mission must always come first, we continue to search for opportunities to improve the experience of serving as a Marine both during and after their active service—*once a Marine, always a Marine*.

Retention. Retaining the best and the brightest Marines is a top manpower priority. Our future officer and staff non-commissioned officer ranks are dependant on our successful accomplishment of this mission.

We have two enlisted retention measures to ensure healthy service continuation rates. The First Term Alignment Plan (FTAP) involves the first reenlistment of Marines and we have consistently achieved our goals over the past thirteen years. The Subsequent Term Alignment Plan (STAP) involves the subsequent reenlistments of Marines, those who likely remain in the Corps for a career, and we have consistently attained our goals since creating the STAP in 2002. In Fiscal Year 2005, we exceeded the FTAP requirement by achieving 103 percent of this retention mission, with notable success in the infantry community; we also exceeded the STAP retention mission. The substantial increase in the infantry reenlistment rate during Fiscal Year 2005 was influenced by higher Selective Reenlistment Bonuses (SRBs).

Certain Military Occupational Specialties (MOSs) perennially suffer high attrition, such as those involving highly technical skills or extensive security clearances. Contributing factors include lucrative civilian employment opportunities for those Marines who attain these specialized skills and qualifications. We address this challenge by targeting these military specialties with higher SRBs. Retaining high quality and the proper skills in our ranks necessitates military compensation that is competitive with the private sector. Sustainment of SRB funding remains a crucial element to our ongoing efforts to retain these valuable skills.

The retention forecast for the officer corps in the near term is positive and consistent with our historic average of 90.8 percent. The close of Fiscal Year 2005 saw officer retention at 91.3 percent. The Marine Corps has active programs in place, both monetary and non-monetary, to ensure that officer retention remains high. All of these programs provide incentives to officers for continued service even in the face of significant operational tempo, while allowing flexibility for Manpower planners to meet requirements across the Marine Corps Total Force.

Selected Reserve enlisted retention for Fiscal Year 2005 continued to be strong at 79.5 percent, well above our historical norm. Reserve officer retention of 80.1 percent was also above the historical norm of 75.3 percent.

Recruiting. An equally important factor in sustaining a viable force is continuing to recruit tremendous young men and women with the right character, commitment and drive to become Marines. In Fiscal Year 2005, the Marine Corps overcame unprecedented recruiting challenges and achieved over 100 percent of our active component accession goal with no degradation in quality.

The Marine Corps Reserve achieved 101 percent of its enlisted recruiting goals. We achieved our officer accessions goals as well, but reserve officer numbers remain challenging, as our primary accession source is from officers that are leaving active duty. We appreciate the continued authorization for a Selected Reserve Officer Affiliation Bonus in the Fiscal Year 2006 National Defense Authorization Act. It continues to make a significant contribution in this critical area.

We anticipate that both active and reserve recruiting will remain challenging in Fiscal Year 2006, and we welcome the continued support of Congress for a strong enlistment bonus and other recruiting programs, such as recruiting advertising, which will be essential to us in meeting these challenges.

Reserve Marines. To date, more than 39,393 Reserve Marines have served, or are currently serving, on active duty in the Global War on Terror. As part of an integrated Total Force, our Reserve Marines and units receive the same pre-deployment training and serve alongside their Active Component counterparts. Currently, over 6,000 reserve Marines are on active duty, and the Marine Corps Reserve expects to provide approximately 4,250 Marines in support of operations in Iraq in 2006. Overall, our Reserves provide personnel for a wide-variety of operations and activities, including Iraq military transition, Afghan National Army embedded training, civil affairs, and personnel recovery and processing. They also perform anti-terrorist and humanitarian duties in the Horn of Africa, Afghanistan, Central America, and the Caribbean.

The strength of integrating our Active and Reserve components into a Total Marine Corps Force epitomizes the warrior concept of "one team, one fight."

Civilian Marines. Civilian Marines (18,386) continue to provide an invaluable service to the Corps as an integral component of our Total Force. Working in true partnership with Marines, Civilian Marines will continue to play an important role in supporting the mission of the Marine Corps and the Global War on Terror. Our commitment is to define for them what the Marine Corps will offer its Civilian Marines, and what the Corps expects from this select group who support our Marines.

Military to Civilian Conversions. The Marine Corps continues to pursue sensible military-to-civilian conversions in support of Marine Corps Warfighting initiatives. These conversions are important because they increase the number of Marines in the operating force and help reduce stress on the force. Funding remains a critical issue to the success of this initiative. Congressional cuts in both the Fiscal Year 2005 Appropriations Bill (\$35 million) and Fiscal Year 2006 Appropriations Bill (\$20 million) have impacted our ability to execute our planned Fiscal Year 2005 program and will reduce our planned Fiscal Year 2006 conversions.

National Security Personnel System. The Marine Corps is committed to successful implementation of the National Security Personnel System and creating and maintaining an innovative and distinctive Civilian Marine workforce capable of meeting the ever-changing requirements of today and the challenges of tomorrow. The Marine Corps is actively participating with the Department of Defense in the development and implementation of this new personnel system. Following an intensive training program for supervisors, managers, human resources specialists, employees, commanders and senior management, we will begin implementation.

Quality of Life for Our Marines and Their Families

For Marines, success has always been measured first on the battlefield, but part and parcel to this is the health and welfare of Marines and the families who support them. As an expeditionary force, Marines are accustomed to frequent deployments, yet the current

environment contains increased elements of personal danger and family risk that must be addressed with appropriate and timely support. We have been careful to monitor our programs to ensure our Marines and their families receive the necessary care to sustain them throughout the deployment cycle. In this regard, our Marine Corps Community Services (MCCS) organizations' combined structure of Family Services, Morale, Welfare and Recreation Programs, Voluntary Off Duty Education, and Exchange operations has positioned us to efficiently and effectively leverage and direct community services assets to help Marines and their families meet the challenges associated with the Marine Corps lifestyle and current operational tempo.

For Marines in theater, few things are more important than staying in touch with their loved ones at home. To keep communication open between deployed Marines and their families, we provide phone service, mail service, and our Internet-based mail service, "MotoMail," which has created more than half a million letters since its inception in December 2004.

Combat and Operational Stress Control. While our Marines and their families have proven to be resilient "warriors," combat and operational stress is not an uncommon reaction. We closely interact with Marines and their families to reassure them; we provide many services and programs for help and urge service members and their families to seek the help they require.

To integrate our combat and operational stress control (COSC) programs and capabilities properly, we have established a COSC Section within our Manpower and Reserve Affairs department. To gain clarity of mission, we instituted a tracking system that allows Commanders to monitor COSC training and decompression requirements. As a component of COSC, we created a web-based information and referral tool that leaders at all levels can readily access. The "Leader's Guide for Managing Marines in Distress" provides specific guidance on 40 distress areas.

The Marine Reserves, through their Chaplain Corps, have developed Marine and Family Workshops (MFW), which are a post-deployment program designed to assist Marines and their family members with return and reunion stressors and adjustment difficulties. The goals and

objectives of the workshop are to: 1) provide an opportunity for Marines and their family members to strengthen their coping skills; 2) mitigate the impact of traumatic events and war zone stressors; 3) accelerate the normal recovery process; and 4) identify those who might need additional help and provide resources.

Casualty Support. Our support and dedication to the families of our fallen Marines and their survivors is especially strong. Casualty support is a duty and honor. It is also a human process requiring a measured and thoughtful engagement by our Casualty Assistance Calls Officers (CACOs). As with our other deployment-related programs, our casualty process has evolved and improved significantly. Our CACOs monitor the survivor's transition through the grief process—from casualty notification, to burial, to ensuring survivors receive the appropriate benefits. CACOs connect families needing extended support to a Long-Term Survivor Case Manager who personally monitors and communicates with them to ensure they receive the support they need for as long as it is required.

Critical Incident Stress Management Teams. In cases of mass casualties experienced by a command or unit, whether combat, natural disasters, training, or missions, we use a Department of Defense sponsored Managed Health Network capability where trained Critical Incident Stress Management teams provide crisis management briefings to family members and friends of the unit. During the briefings, Marine Corps personnel, Chaplains, and Managed Health Network counselors provide information and answer questions concerning the casualties. These crisis response teams provide support at remote sites throughout the country, making them highly useful in situations where Reserves are involved. In particular, after Lima Company, 3rd Battalion, 25th Marines experienced mass casualties in Iraq last summer, crisis management briefings were conducted at various cities in Ohio where questions about the unit were answered, briefs were provided on helping children cope, individual counseling was offered to family members, and materials on support services were distributed.

Marine for Life--Injured Support. Built on the philosophy "Once a Marine, Always a Marine" and fulfilling our obligation to "take care of our own," the Marine For Life program

offers support to approximately 27,000 honorably discharged Marines transitioning from active service back to civilian life each year.

Leveraging the organizational network and strengths of the Marine for Life program, we implemented an Injured Support program during January 2005 to assist combat injured Marines, Sailors serving with Marines, and their families. The program essentially seeks to bridge the gap that can exist between military medical care and the Department of Veterans Affairs, providing continuity of support through transition and assistance for several years afterwards.

The program recently assigned two full-time Marine Corps liaison officers to the Seamless Transition Office at the Veterans Affairs. These liaison officers interface between the Veterans Health Administration, the Veterans Benefits Administration, and the Marine Corps on individual cases to facilitate cooperative solutions to transition issues.

Additionally, the Injured Support program conducts direct outreach to injured Marines and Sailors via phone and site visits to the National Naval Medical Center, Walter Reed, and Brooke Army Medical Centers. On average, 30 percent of our seriously injured Marines requested and received some type of assistance.

Lastly, the program continues to work closely with Office of the Secretary of Defense (OSD) on Marine Corps-related injury cases. Information sharing between the program and OSD contributes to developing capabilities for the Military Severely Injured Center (formerly known as The Military Severely Injured Joint Support Operations Call Center).

Healthcare. Marines receive high quality, state of the art care from a worldwide Military Health System. We enjoy the lowest disease, non-battle injury rates in history and our Marines know that if they are injured or wounded in action they have an unprecedented better than 97 percent survival rate once they arrive at one of our Forward Resuscitative Surgical units. The Military Health System provides a superb care and health benefit program for our Marines, their families, and our retired population—services we must sustain. Unfortunately, at its current rate

of cost growth, the program is unsustainable. We fully support changes in legislation that would allow the Department of Defense to “renorm” the cost of health care.

Current Operational Requirements

Today, your Marines are fully engaged across the spectrum of military capabilities in prosecuting the Global War on Terror. Since the watershed events of September 11, 2001, the core competencies, capabilities, and emphasis on readiness that the Marine Corps has structured itself around have repeatedly proven their value in the numerous and varied operations this conflict demands. Currently, we have over 40,000 Active and Reserve Marines forward deployed in support of Regional Combatant Commanders.

I recently had the opportunity to visit our Marines in Afghanistan and Iraq. I can assure you that they are well trained, well equipped and well led. The 26,000 Marines and Sailors under the command of I Marine Expeditionary Force (MEF) in the Al Anbar province Iraq and the more than 500 Marines assigned to transition teams assigned with Iraqi forces have made significant progress in their efforts to develop credible Iraqi capabilities and defeat those who cannot envision a free and democratic Iraq. In setting the conditions for the historic constitutional referendum and national elections, they have distinguished themselves in places like Fallujah, Ramadi, and the Euphrates River Valley. Another 5,000 Marines support CDRUSCENTCOM in the form of the Marine Expeditionary Unit Special Operations Capable (MEU) (SOC) that serves as the Theater Strategic Reserve, the VMAQ-4 squadron providing Electronic attack capability, security forces at the US Embassy in Baghdad and in Camps outside of the Al Anbar province, coordination elements in Kuwait, and Individual Augmentation to the MNF-I, MNC-I, and CFLCC staffs. In all, the Marine Corps represents over 21% of the current force with nearly 28,000 Marines deployed in support of OIF/OEF.

In Afghanistan we have 1,200 Marines and Sailors providing support to an increasingly capable Afghan National Army. As part of Combined Joint Task Force-76 (CJTF), the 1st Battalion, 3rd Marines, is conducting operations in northeastern Afghanistan against remnants of the Taliban, Al Qaeda, and Anti-Coalition Militia. More than 50 Marine officers and senior enlisted leaders continue to train, mentor and operate embedded with their Afghan National

Army counterparts as part of Task Force Phoenix and nearly 100 Marines augment the staffs of Combined Forces Command-Afghanistan (CFC-A), the Office of Security Cooperation-Afghanistan (OSC-A), and CJTF-76.

With your assistance we have been able to provide our Marines with the capabilities to adapt to change on a dynamic battlefield. Unable to match our conventional force capabilities in like fashion, our enemies have resorted to asymmetric tactics such as the Improvised Explosive Device (IED). Marines in the Al Anbar province of Iraq leave their bases in vehicles fully equipped with the most advanced armoring available. The High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) Marine Armor Kit installations (2,545 required/2,698 completed) were complete in November 2005, and our Medium Tactical Vehicle Replacement (MTVR) Armor System will be completed in May 2006. In Afghanistan all of our HMMWVs are equipped with Marine Armor Kits. Fielding of the Up-Armored HMMWV, the M1114 (2,814) to the Marine Forces Central Command Theater (Operations Iraqi Freedom (OIF), Enduring Freedom (OEF), and the Combined Joint Task Force-Horn of Africa (CJTF-HOA)) will be completed in November 2006. We have augmented the protection of our Marines with remote control improvised explosive device (RCIED) jammers. We have also procured two new engineer vehicles – the Cougar (27) and the Buffalo (4) - to protect Marines in theater from IEDs and mines. These vehicles provide Explosive Ordnance Disposal Combat Engineers the ability to safely carry out their missions in the current Improvised Explosive Device (IED) environment.

The highest priority individual capability gaps of our deploying forces have also been addressed. Examples of new or soon to be fielded equipment includes the Lightweight Helmet (179,888), Enhanced Small Arms Protective Insert (E-SAPI) (146,075), QuadGuard (arm and leg fragmentation protection) (4,500), and Individual Load Bearing Equipment. The Lightweight Helmet provides increased ballistic protection capability over the existing helmet while reducing weight by one-half pound and introduces an improved suspension system for enhanced comfort. The E-SAPI provides increased ballistic protection over the existing SAPI plate. The QuadGuard system is designed to provide ballistic protection for arms and legs in response to blast weapon threats and other combat casualty trends in OIF. This system is an additive capability that integrates with existing armor systems.

Your Marines have proven to be flexible across the full range of military operations demonstrating their capabilities to respond in support of humanitarian operations. In the aftermath of Hurricane Katrina and Rita, and following the earthquake in Pakistan and mudslide in the Philippines, Marines were quickly on the scene. In response to Katrina and Rita, 2,650 Marines and Sailors from our Active and Reserve components deployed to conduct Search and Rescue, Humanitarian Relief, and Disaster Recovery Operations in Louisiana and Mississippi. Survivors were rescued, streets were cleared, food and water was distributed, transportation provided, and medical care administered in six separate locations. Our contribution totaled 815 helicopter sorties, which transported 1.1 million tons of cargo and 5,248 survivors. A total of 446 rescue missions were conducted resulting in the rescue of 1,467 people. After the devastating earthquake in Pakistan, your Marines deployed to the cities of Shinkhari and Muzaffarabad providing a hospital, Helicopter Support Teams, and Air Traffic Control in support of the Combined Joint Task Force. The Marines and Sailors treated more than 11,600 Pakistani patients. Most recently, over 500 Marines and Sailors from 31st Marine Expeditionary Unit (MEU) responded to the Mudslide on Leyte Island, Republic of the Philippines, in order to provide support to their government's rescue and recovery operations. From 18 – 27 Feb 2006, 415 civilians were rescued and provided medical treatment. More than 1,000 meals and 3,500 gallons of potable water per day were provided to those in need. With the thanks of the Government of the Philippines, 31st MEU re-embarked aboard Amphibious Shipping and immediately returned to their Training/Exercise schedule.

Impact of Current Operations on Readiness

Extended operations in Iraq and Afghanistan have placed extraordinary demands on our Marines and their equipment. Your support ensured our near-term readiness remains strong, even while current demand on the force is high. The entire Marine Corps is supporting the Global War on Terror, and no forces have been fenced. In the past three years, we have gone from a pre-GWOT deployment rotation of just over a one-to-three (~6 months deployed / ~18 months home) to our current ratio of just above a one-to-one (~7 months deployed / ~7 months home), primarily in our infantry battalions, rotary-wing aviation squadrons, and other, high demand capabilities. This means that many Marine units in the operating forces are either

deployed, recently returned from a deployment or are training to relieve deployed units. Today the Marine Corps has units that have completed or are preparing for their third combat deployment. Thirty-four percent of the available Marine operating forces and twenty-three percent of the total active force is currently deployed.

In an effort to sustain and regenerate Marine Forces for service in Iraq, and in response to lessons learned, the Marine Corps has trained and deployed a sizable number of provisional units. These provisional units have generally fallen into 2 categories: those units that have cross-trained to enhance capabilities inherent, but secondary, within their mission sets and those units that have trained to a completely new mission set. Cross-training, where clearly the majority of Marine Corps actions have focused, include training artillery, tank and engineer units in security, MP and transportation missions. Complete new missions for units/Marines, while limited but required, have included training engineer units in civil affairs, creating small detachments of foreign military trainers and training a small number of Marines in personnel retrieval from the Personnel Retrieval Company in the 4th Marine Logistics Group. Our Reserve component has not been insulated from these efforts; they too have created provisional civil affairs units, trained to the MP and transportation missions while also creating provisional security units for use in Iraq and Horn of Africa. While these innovative solutions have helped reduce operational tempo for high demand/low density units in the near term, they have also caused the Marine Corps to evaluate our entire active and reserve force structure in the context of not only the GWOT, but other enduring requirements in as yet unforeseen conflicts.

To mitigate our unit and personnel challenges, we also have relied heavily on Selected Marine Corps Reserve (SMCR) units and Marines from the Individual Ready Reserve (IRR). For example, we have involuntarily activated all nine of our reserve infantry battalions over the last four years. Those infantry battalions deployed to the CENTCOM Theater in support of OIF/OEF mission requirements and filled other Marine Corps global commitments. Currently over 1,900 Marine reservists are serving in Iraq. We simply could not meet our Global War on Terror (GWOT) responsibilities and maintain acceptable levels of operating and personnel tempo without the significant contribution of our citizen-Marines. The total number of number Reservists deployed in support of GWOT since the inception of OIF/OEF is 32,148 or 80

percent. Of that number, 5,920 or 15 percent of our Reservists have deployed twice, and 220 have a third deployment.

The Global War on Terror ground equipment usage rate averages range from four to nine time normal peacetime usage depending on the end item, hours/miles, and operational conditions over normal peacetime usage due to continuous combat operations (see page 17 for additional details). Our readiness priority is the support and sustainment of our forward deployed forces. High usage rates in a harsh operating environment, coupled with the added weight of armor and unavoidable delays of scheduled maintenance due to operational tempo, are degrading our equipment at an accelerated rate. More than 3,434 principal end items valued at \$196.2 million, have been destroyed. Those figures do not reflect our aircraft losses but are for ground systems alone. Repairs on 3,590 damaged end items will require additional depot maintenance at a cost to repair of \$157.1 million.

Ground Equipment: The ground equipment readiness (mission capable) rates of our deployed forces average above 95 percent. Our pre-positioned stocks, within both the Marine Corps Preposition Program – Norway and Maritime Prepositioned Shipping – ensured the sustained readiness of our deployed ground units. We continue to sustain our readiness in theater through organic maintenance capabilities, contractor support, coordination with the Army leveraging their ground depot maintenance capability, an established principle end item rotation plan, and the established pool of ground equipment (Forward In-Stores) which expedites the replacement of damaged major end items. The corresponding ground equipment readiness (mission capable) rates for non-deployed units average 85 percent. The continued improvement of the ground equipment readiness (mission capable) rates relies on the procurement of replacement equipment identified in our reset the force estimate.

Aviation Equipment: The aviation equipment readiness (mission capable) rates of our deployed forces averaged 82 percent over the past 12 months. In order to improve our readiness rate in theater, we are creating a limited aircraft depot maintenance capability. The corresponding aviation equipment readiness (mission capable) rates for units remaining in garrison average 74 percent over the past 12 months. Our legacy aircraft are performing their

assigned missions and our maintenance folks are providing constant perpetual care required to sustain them despite the higher utilization rates. The CH-46 assault support helicopter has been flown and utilized in support of OIF at 200 percent of its peacetime usage rate. At such rates, maintaining the readiness of our aviation assets presents a considerable challenge and constant demand for maintenance.

We have also experienced a number of aircraft losses that we have not been able to immediately replace because we are in the midst of a transition from the legacy systems to their more capable successor platforms. Due to the lack of an active production line for our CH-46, H-1, CH-53 platforms, we are managing these assets on the backs of our Marines, until the next generation of replacement aircraft becomes available. There are risks associated with this strategy, and we are managing those risks through a variety of approaches, including sustainment and individual component upgrade programs. We are also requesting funding in the FY06 Supplemental to take an additional two CH-53E aircraft out of desert storage and refurbish them to replace aircraft destroyed during operations in support of the Global War on Terror. As the next generation of replacement aircraft complete their operational evaluations and move from low rate to full rate production, there may be additional opportunities to reduce operational risk.

Prepositioning Programs

While we have placed the highest priority on sustaining the readiness of our forward deployed forces, the equipment readiness of our strategic prepositioning programs has been degraded. Equipment from the Marine Corps' two prepositioning programs (the Maritime Prepositioning Force and Marine Cope Prepositioning Program – Norway) has been employed in support of the Global War on Terror.

Maritime Prepositioning Ships Squadrons 1 and 3 remain fenced as a strategic response capability and are fully mission capable with over 98 percent of all capabilities and supplies attained. However, the majority of Maritime Prepositioning Ships Squadron 2's equipment was downloaded in support of OIF II. This squadron will complete its initial reconstitution in April 2006, but will only be partially mission capable due to reduced attainment of USMC ground equipment. Within Maritime Prepositioning Ships Squadron 2 the average attainment for

Principal End Items is 60 percent, and all other capabilities and classes of supply are being reconstituted to 98 percent or higher. We intend to complete reconstitution of Maritime Prepositioning Ships Squadron 2 during its scheduled maintenance period of February 2008 through February 2009.

We utilized our Marine Prepositioning Program-Norway to reconstitute Maritime Prepositioning Ships Squadron 1 and round out the capability of Maritime Prepositioning Ships Squadron 2 prior to its download in support of OIF II. As a result, our Norway program has been reduced to approximately 32 percent of its readiness reportable ground equipment. Funding to fully restore those stocks is reflected in our FY 2006 Supplemental funding request before the Congress. We believe we can reconstitute this program by FY 2010, depending upon equipment delivery schedules and operational commitments.

Other Strategic Material

Our in-stores equipment stocks managed by Marine Corps Logistics Command have also been depleted due to continuing use in support of OIF/OEF rotations. In-stores material is critical to the readiness of our operating forces and particularly important to ensure the readiness of our Reserve component.

Resetting the Total Force

Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF) have placed severe demands on the ground and aviation equipment supporting Marine Air Ground Task Force (MAGTF) operations. Specific factors leading to the high demands placed on our equipment include the following:

-- Approximately 40 percent of all Marine Corps ground equipment, 50-55 percent of communications equipment, and 20 percent of aircraft assets are being used in OIF/OEF/HOA (compared to approximately 21 percent of active Marine forces deployed in support of those combat operations). Much of this equipment is not rotating out of theater with each force rotation; hence it is being used on a near continuous basis at operating tempos that far exceed normal peacetime use. To source this warfighting requirement, the Marine Corps forces

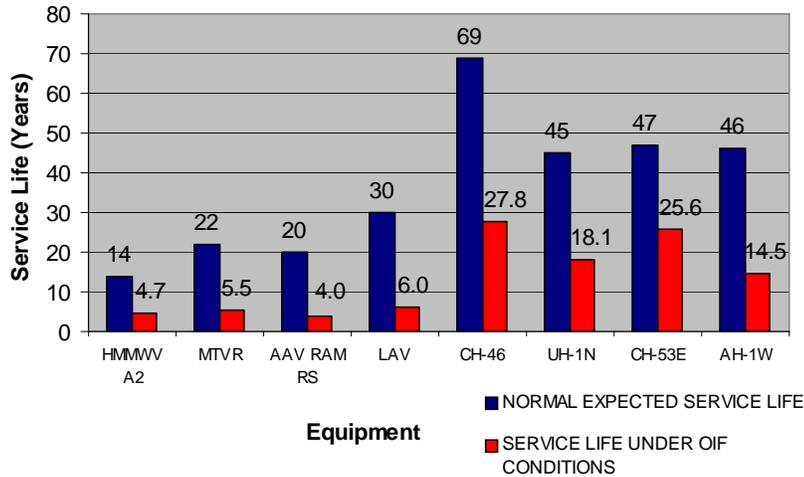
deployed with equipment that was retained in theater upon force rotation, the Maritime Prepositioning Ships Squadron – 2 (MPSRON-2), the Marine Corps Prepositioning Program – Norway (NCPN), and Marine Corps Logistics Command In-Stores Ready-for-Issue equipment was employed. This was first reported last year when I MEF returned from Iraq to a degraded readiness level due primarily to leaving so much of its equipment (particularly communications gear) behind for II MEF to fall in on.

-- The Marine Corps is executing a number of operational missions, including Stability and Support Operations (SASO), Counter-Insurgency (COIN), Area and Point Defense, Civil Military Operations, and Foreign Military Training, which require additional equipment over the levels programmed for expeditionary warfare requirements.

-- The Marine Corps is operating in western Iraq's (Al Anbar province), which constitutes over 28,000 square miles (roughly equivalent to the area of the state of Utah). Operations across such a wide area necessitates additional convoys/vehicles, communications connectivity and crew served weapons over the standard unit equipment density list.

-- The Inspector General of the Marine Corps conducted an in-theater review of the material condition of equipment in Iraq in early 2005, which identified the much higher than forecast use of equipment and the attendant consequences for which replacement procurement/repair needs to be addressed. The levels of useful life expenditure for both ground and aviation equipment exceeded those forecast in our original FY 2004 Demand on Equipment evaluation, and the primary impacts are displayed on chart A-1 on the next page.

Current Optempo Reduces Equipment Service Life



A-1

-- Recent operations in support of GWOT have highlighted the limitations of Marine Aviation legacy platforms operating in the harsh environments of OIF and OEF. CH-46E performance has reduced the number of available aircraft to the point where available aircraft deployed to GWOT aircraft are flying at 200% of their planned utilization rate to successfully accomplish the mission. Resetting the Marine Aviation force means not merely replacing damaged/destroyed aircraft but getting *better* aircraft in the field sooner. The operational capability enhancements afforded by the MV-22, AH-1Y/Z, KC-130J and Heavy Lift Replacement (HLR) (CH-53K replacement for the CH-53E) would enhance our effectiveness in the *current* fight and serve as the cornerstone of our future operational assault support capabilities.

-- Higher aircraft utilization rates in extreme temperatures, high altitudes, and the corrosive desert environment have created maintenance challenges for Marine Aviation. We have mitigated our aircraft reset requirements as much as possible through specific aircraft modifications, proactive inspections and corrective maintenance. While these efforts have successfully increased aircraft reliability, sustainability, and survivability, significant reset efforts exist. Additional requirements for depot level maintenance on airframes, engines, weapons, and support equipment will continue well after hostilities end and our aircraft have returned to their home stations. With no active production lines for our existing rotary-wing aircraft, addressing

near-term inventory shortfalls requires revisiting the production ramp-up rates for the procurement of the replacement MV-22 and H1Y/Z aircraft. To accomplish this and in view of inventory shortfalls we are examining the H-1Y/Z program for expansion from a remanufacture-only program to include new procurement as well.

In spring 2004 the Marine Corps initiated an effort to assess the magnitude of the requirement to repair or replace equipment being used at high operating tempos under the harsh environmental conditions of Iraq and Afghanistan. At the direction of the Secretary of Defense, the Marine Corps prepared a Demand on Equipment (DOE) analysis. That analysis was performed for a select number of large dollar value ground and aviation systems, and it revealed that the additional wear on this equipment in theater was rapidly accelerating platform/equipment aging.

After completing the DOE analysis of all aircraft and 96 major ground systems, the Marine Corps identified \$2.2 billion in executable repair and replacement costs to begin resetting the force, which was reflected in the Marine Corps FY 2005 Supplemental request.

The Marine Corps also expanded its evaluation of reset requirements and reviewed the top 300 high cost/high interest items for proper quantities, costs, executability and resourcing strategy (these 300 items equate to approximately 96 percent of the total reset cost estimate). For the remaining 2,100 items (approximately six percent in terms of cost), a common sense review was undertaken. Appropriate, approved modernization items (i.e., later type, model, series or enhanced capability) were included in the reset estimate.

Marine Corps reset costs do not reflect all GWOT equipment-related costs, some of which are categorized as costs of war. Such items as future attrition losses, spares replenishment and other ongoing sustainment, which are dependent upon force levels in theater and operating tempo, are inherently difficult to forecast with any accuracy beyond one year and those costs have been categorized as costs of war that will continue to be incurred as long as Marines are deployed in support of OIF/OEF.

The Reset Requirement

Supplemental funding is absolutely essential to continue to address resetting the force. The reset requirement is in addition to the ongoing cost of war requirement, which addresses annual equipment attrition, intermediate and organizational maintenance, second destination transportation, replenishment spares and other sustainment costs. As an example, our annual Procurement, Marine Corps (PMC) baseline budget averages approximately \$1.3-\$1.5 billion. If PMC were required to absorb this cost to reset within the current annual resource profile, it would effectively create a pause to all modernization and replacement programs for approximately five years (see figure A-3).

Industrial capacity constraints added to the anticipated decline in readiness rates make it prudent to begin the reduction of the bow wave of resetting the force requirements as soon as possible. Changes to the defense industrial base have sharply limited the ability to surge requirements without additional facilitization costs. For these reasons the Marine Corps has phased its reset requirements over a period of several years and believes that Supplemental funding will be necessary after the completion of OIF/OEF in order to address all reset costs resulting from those operations.

Accurately forecasting the total cost to reset the force is dependent upon calculations as to what percentage of the current inventory in theater will be repairable or will need to be replaced, how much equipment may be left behind for Iraqi forces, and other such determinations which are highly dependent upon circumstances and conditions that cannot be easily predicted years in advance.

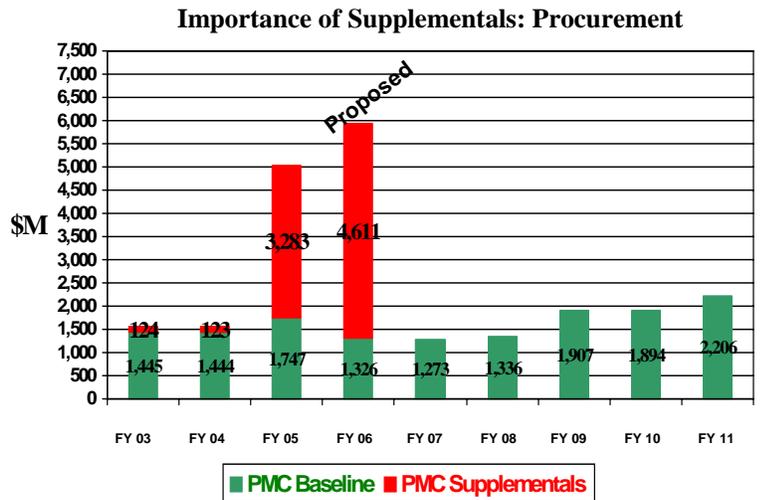


Figure A-3

Training

While we adjust to the current operational environment, we also keep our eye on the future. We are undertaking initiatives to strengthen the training and education of our Marines. In the joint arena, we are supporting Department of Defense efforts to create a flexible and dynamic Joint National Training Capability, and we are making large infrastructure investments at our Combat Training Center at Twentynine Palms, California. With recent large-scale joint urban operations added to our extensive history of urban combat experience, the U.S. Marine Corps has a vested interest in the preparation of our forces to fight in this challenging environment. Experience shows the need for large-scale, purpose-built, urban training facilities capable of training Marine Expeditionary Brigade (MEB) sized units. This is required in order to conduct joint live-fire combined-arms combat training, concurrent with live stability, security, transition and reconstruction operations in a complex, dynamic, multicultural urban environment.

In CMC's Revised Guidance issued in mid April 2005, the endstate is stated in part as "a Marine Corps that is a learning organization: Embracing innovation and improvement in order to increase its effectiveness as part of the joint force." Over the past three plus years the Marine Corps Center for Lessons Learned (MCCLL) has provided briefings, information papers and reports on observations and lessons from ongoing operations to decision makers and resource managers, Joint and Joint Forces Command "lessons learned" organizations, coalition partners and others. MCCLL routinely has a total of three to five MCCLL team members embedded in the MEF units in Iraq, and a team just returned from Afghanistan. MCCLL members continue active collection of lessons and observations from current operations, and are training units on the MCCLL Lessons Management System. Concurrent collection, dissemination, archiving, and integrating into our Expeditionary Force Development System (EFDS) continues in CONUS.

To focus our training efforts, all deploying Marine units continue to rotate through a standardized training package. Building on home station training in mission essential skills, ground units deploy to the Marine Air Ground Task Force Training Center at Twentynine Palms, California, for in-depth training in current operating environment skills to include urban and convoy operations, fire support, rules of engagement and escalation of force, detainee handling

and counter-IED operations, culminating in a 3-day full profile mission rehearsal exercise utilizing interaction with Iraqi-Americans serving as key role players. Our Marine Corps aviation units participate in a standardized training package, Desert Talon, in Yuma, Arizona. All of these training events are founded on lessons learned from our operating forces. With your continued support, all of these efforts will ensure your Marine Corps retains the ability to respond and contribute whenever and wherever the Nation calls.

Modernization and Transformation

As we look into the future, the requirements for Naval forces to maintain presence, engage allies and potential coalition partners, build understanding and operational relationships, relentlessly pursue terrorist organizations, and project sustainable forces ashore for a wide variety of operations will increase. While we continue to focus our efforts on sustaining the current requirements for Global War on Terror, we must not sacrifice our modernization and transformation initiatives in the process. Our modernization and transformation accounts cannot bear the unfunded costs associated with sustaining the Global War on Terror, which is why the Administration is requesting funds in the Fiscal Year 2006 Supplemental to continue addressing the resetting of our forces. Our modernization and transformation initiatives must plan for the procurement of replacement equipment that will enable our Corps to be ready for future conflicts and contingencies.

Resource Strategy

While more work and analysis needs to be done, the Marine Corps has established a consistent pattern of identifying and acquiring the material solutions necessary to sustain the GWOT while continuing to modernize and transform. First, we have embraced the fact that the GWOT has, and continues to have, an impact on our ability to restore our warfighting capability. Second, we have implemented procedures to allow for the identification of all GWOT-related funding requirements, including both the ongoing costs of war and our requirements to reset the force. Finally, we have adjusted acquisition strategies to maximize procurement efficiencies. As a part of this process we have worked within the constraints of several planning factors. Most notable amongst these factors is the consistent, sustained deployment of approximately 40% of our ground assets and 18% of our aviation assets in support of the GWOT. Exacerbating the

reality of that fact is the quantifiable assumption that all the equipment in theater eventually will be attrited or beyond economical repair--specifically, it will need to be replaced. In some cases, both ground and aviation assets will be replaced through normal, yet accelerated, procurement methods making maximum use of both the Bridge and full Supplementals to maintain the cash flow necessary to maintain uninterrupted equipment deliveries from our vendors. The continuing use of Supplemental funding requests to address our GWOT and reset requirements is obvious in the context of the magnitude of those requirements in comparison with our annual allocated baseline budget, and based on the very real difficulties in projecting out future costs of war when conditions such as operating tempo, the speed with which Iraqi security forces can transition to full mission capability, insurgent activity and sectarian violence cannot be accurately predicted. Our supplemental requests are based on our best assessment of what is required to address essential wartime readiness tasks, with consideration for what is already in our peacetime operating budget to maintain readiness.

In all instances we have rigorously assessed our ability to contract for and obligate our Supplemental funding requested to expedite the delivery of this equipment; however, due to industrial base and other execution issues, a portion of our requirements must be deferred until FY 2007 and subsequent fiscal years. To date we have obligated over 94 percent of the FY 2005 Bridge and 85 percent of the FY 2005 Supplemental funds received, and have obligated or committed over forty percent of the FY 2006 Bridge Supplemental funds we received on 27 December 2005, with 85-90 percent obligations anticipated by May 2006. This prudent yet expedited execution approach will allow us to mitigate some of the readiness issues associated with the heavy utilization of Marine Corps equipment in OIF/OEF; however, continuing congressional support for our future Supplemental funding requests will be necessary to address the totality of the requirement. The Marine Corps, while continuing to meet GWOT mission requirements, is operating with increasing risk in equipment readiness to support deployed forces. Resetting the force requires timely resourcing if the Marine Corps is to remain the nation's premier force in readiness.

Conclusion

The readiness of our Corps remains dependent on our ability to continue to attract and enlist young men and women dedicated to the preservation of freedom and to service to our great Nation. We must not take them or their families for granted. With the support of the American people, we continue to access and retain the highest quality and proper numbers of Marines for our Corps during war. We must continue to inspire, train, and equip them for success. Our Fiscal Year 2007 budget and our Fiscal Year 2006 Supplemental request work together to address our essential operational and maintenance requirements to sustain our readiness, while providing opportunity for investment in the resetting and continued modernization of our Corps. On behalf of all Marines and their families we greatly appreciate the unwavering support of Congress in the readiness and resetting of the Marine Corps.