

# **Annual Report** **to the** **President** **and the** **Congress**



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# Table of Contents

|  |     |
|--|-----|
| Summary of the National Defense Strategy                 | i   |
| Annual Report to the President and the Congress          |     |
| Force Management Challenges                              | 1   |
| Operational Challenges                                   | 10  |
| Institutional Challenges                                 | 16  |
| Future Challenges  | 24  |
| Reports from the Secretaries of the Military Departments |     |
| Report of the Secretary of the Army                      | 31  |
| Report of the Secretary of the Navy                      | 45  |
| Report of the Secretary of the Air Force                 | 56  |
| Appendices   |     |
| A: Budget Tables   | A-1 |
| B: Personnel Tempo                                       | B-2 |
| C: Resources Allocated to Mission and Support Activities | C-3 |
| D: Goldwater-Nichols Act Implementation Report           | C-4 |

# Summary of the National Defense Strategy of the United States of America

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In March of 2005, the Secretary of Defense issued a new *National Defense Strategy*. This strategy recognizes that America is a nation at war. We face a diverse set of security challenges. Yet, we still live in an era of advantage and opportunity.

The *National Defense Strategy* outlines an active, layered approach to the defense of the nation and its interests. It seeks to create conditions conducive to respect for the sovereignty of nations and a secure international order favorable to freedom, democracy, and economic opportunity. This strategy promotes close cooperation with others around the world who are committed to these goals. It addresses mature and emerging threats.

## STRATEGIC OBJECTIVES

***Secure the United States from direct attack.*** We will give top priority to dissuading, deterring, and defeating those who seek to harm the United States directly, especially extremist enemies with weapons of mass destruction (WMD).

***Secure strategic access and retain global freedom of action.*** We will promote the security, prosperity, and freedom of action of the United States and its partners by securing access to key regions, lines of communication, and the global commons.

***Strengthen alliances and partnerships.*** We will expand the community of nations that share principles and interests with us. We will help partners increase their capacity to defend themselves and collectively meet challenges to our common interests.

***Establish favorable security conditions.*** Working with others in the U.S. Government, we will create conditions for a favorable international system by honoring our security commitments and working with other nations to bring about a common appreciation of threats;

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the steps required to protect against these threats; and a broad, secure, and lasting peace.

## HOW WE ACCOMPLISH OUR OBJECTIVES

*Assure allies and friends.* We will provide assurance by demonstrating our resolve to fulfill our alliance and other defense commitments and help protect common interests.

*Dissuade potential adversaries.* We will work to dissuade potential adversaries from adopting threatening capabilities, methods, and ambitions, particularly by developing our own key military advantages.

*Deter aggression and counter coercion.* We will deter by maintaining capable and rapidly deployable military forces and, when necessary, demonstrating the will to resolve conflicts decisively on favorable terms.

*Defeat adversaries.* At the direction of the President, we will defeat adversaries at the time, place, and in the manner of our choosing – setting the conditions for future security.

## IMPLEMENTATION GUIDELINES

Four guidelines structure our strategic planning and decision-making.

*Active, layered defense.* We will focus our military planning, posture, operations, and capabilities on the active, forward, and layered defense of our nation, our interests, and our partners.

*Continuous transformation.* We will continually adapt how we approach and confront challenges, conduct business, and work with others.

*Capabilities-based approach.* We will operationalize this strategy to address mature and emerging challenges by setting priorities among competing capabilities.

*Managing risks.* We will consider the full range of risks associated with resources and operations and manage clear tradeoffs across the Department.

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This 2005 Annual Report to the President and the Congress will examine the Department's efforts to manage challenges while executing the *National Defense Strategy*.

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# Force Management Challenges

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Our challenge today is to support our forces and to make sure they have what they will need to defend the nation today and in the years ahead. We will do this by:

- Giving them the weapon systems, intelligence, information, flexibility, and organizational support they need to win the global war on terrorism. We must dissuade, deter, and defeat those who seek to harm the United States directly, especially extremist enemies with weapons of mass destruction.
- Transforming for the 21<sup>st</sup> century, so they will have the training and concepts they need to prevail in the next wars our nation may have to fight – wars which could be notably different from today’s challenges, and
- Working to ensure that we manage the force properly – so we can continue to attract and retain the best and brightest, and sustain the quality of the all-volunteer force.

## MAINTAIN A QUALITY WORKFORCE

The global war on terrorism has put great pressure on our military forces – both in terms of the overall numbers of forces we have called upon to deploy and in the demands placed on some service members with special, highly sought-after skills and training. To manage challenges, we must balance among forces and skills that are in high demand (but short supply) and those that are under-used.

*End strength.* Each year, Congress authorizes funds to maintain specific numbers of skilled service members, called “end strength.” Military Departments are required to budget and recruit, retain, or release members to match those authorized end strength numbers by the end of the fiscal year. By law, the Secretaries of the Military Departments may authorize operating up to two percent above the

authorized end strength for active duty personnel and two percent above/below authorized end strength for selected reserves. If the Secretary determines it to be in the national interest, the Secretary of Defense may authorize the Military Departments to operate above their authorized end strength by three percent for the fiscal year. Presently, the nation continues to operate in a state of National Emergency by Reason of Certain Terrorist Threats. Consequently, all end strength requirements are waived.

*Recruiting.* In order to maintain the appropriate end strength, we always watch the numbers of individuals being recruited so that we fill the force to the size and structure our strategic planning process has determined is needed to meet the military tasks assigned to the Department by the President in his national security strategy. Research has demonstrated that two critical components should be monitored when recruiting new enlistees: (1) education levels and aptitudes, which predict an individual's probability of succeeding in his or her military career; and (2) critical skills, which indicate if we are providing the overall capabilities needed to perform our mission. The Department currently has performance measures in place to monitor each of these important components.

*Retention.* Finally, in order to successfully manage the overall force, we must balance the accession of new members with the retention of already trained and skilled personnel. This is particularly important because for many skill categories, retention provides the best return on our investment in training and experience. The Department needs force shaping tools to meet this objective. In order to manage its forces as effectively as possible, the Department tracks both retention and attrition metrics that, when combined with other force management metrics, contribute to maintaining a quality force.

## **ENSURE SUSTAINABLE MILITARY TEMPO AND MAINTAIN WORKFORCE SATISFACTION**

The military lifestyle presents special challenges to family life. Overseas tours away from support networks, frequent moves that disrupt a spouse's career or a child's school routine, and long separations from family members test the strength of our military families every day. The Secretary is committed to providing a high quality of life for those who serve and for their families, who also

serve. The Department's Social Compact (<http://www.mfrc-dodqol.org/socialcompact>) confirms our commitment to the highest standards for health care, housing, and support during family separations, as well as our commitment to meet the changing expectations of a new generation of military service members, such as increased spouse education, training and career opportunities.

*Personnel Tempo.* Of particular concern is how the time a service member must spend away from home station affects his or her family. Accordingly, we monitor where, why and how frequently our military units deploy. This information is helping us build force management tools to more evenly distribute workload among those occupational skill groups called upon most often in times of crisis.

Personnel tempo is the number of days a military unit or individual service member operates away from home station. In the National Defense Authorization Act of FY 2000, as amended by the National Defense Authorization Act of FY 2001, personnel with high military personnel tempo (PERSTEMPO) were to be paid a premium after more than 400 days away from home station over the last two years. The same standard applied to all Military Departments, even though each has different methods of training and deploying. Subsequently, in the National Defense Authorization Act of FY 2004, Congress allowed us to update the high-PERSTEMPO metric to take into account the frequency as well as the duration of deployments. However, we have suspended payment of the high deployment allowance, because the nation is in a state of National Emergency by Reason of Certain Terrorist Threats and want to insure personnel are available to the Combatant Commanders in the numbers and at the times they are needed.

In concert with the new PERSTEMPO standards, we recently developed an approach to measuring PERSTEMPO across occupational groups. This metric portrays the percentage of an occupational group, by Military Department, that has exceeded the 400 PERSTEMPO day constraint within the last 730 days or the 191-day consecutive PERSTEMPO day constraint. By monitoring these trends, we will gain valuable insight into what military specialties are "high deploying" and thus relate them to skill sets already identified with high-deploying/low-density units.



This more refined approach will also enable us to develop optimal military PERSTEMPO profiles tailored to each Military Department's tradition and policy – maximizing readiness, retention, and quality of life, while minimizing time away and dissatisfaction. Furthermore, this connection of PERSTEMPO, quality of life, readiness and other factors is an important benefit of viewing force management across the entire challenge management framework.

*Quality of Life (QoL).* In keeping with the American standard of living, the new generation of military recruits has aspirations and expectations for quality of life services and access to health care, education, and living conditions that are very different from the force of the past. For example, sixty percent of the force has family responsibilities and, like their civilian counterparts, rely on two incomes to maintain their desired standard of living.

In an effort to address this changing environment, the Department is finalizing an index derived from a series of programs included in the Social Compact that will track improvements in QoL programs. The index addresses eight program areas:

- i. Military One Source – 1-800 Family Assistance
- ii. Child Development
- iii. Exchanges
- iv. Commissaries
- v. Housing Assignment
- vi. Off-Duty, Voluntary Education
- vii. Financial Readiness
- viii. Dependent Education – The DoD Education Activity

Recognizing the reciprocal partnership that exists between the Department, the service member, and his or her family, this index will track improvements in QoL and ensure the Department underwrites support to each of its military families.

The Department also developed a commitment index to measure Service member and spouse commitment to military life. Over time, this index will inform the Department on the causal relationships between multiple factors influencing commitment and retention.

***Military Health Care.*** The Department continues to develop and improve measures to monitor the performance of military health care. For example, each year, we ask a sample of our nine million eligible beneficiaries to rate their experiences with the Military Health Care System (MHS) by answering the following types of questions:

*Use any number from 0 to 10 where zero is the worst health plan possible, and 10 is the best health plan possible. How would you rate your health plan now?*

We also monitor how the component parts contribute to overall satisfaction with health care, so as to better manage discrete services provided across the military health care system. Accordingly, we monitor two components of service delivery that beneficiaries rate as very important: (1) how easy it is to make an appointment, and (2) overall satisfaction with the appointment. We monitor beneficiary impressions via a monthly Customer Satisfaction Survey of beneficiaries who had an outpatient medical visit at a military hospital or clinic during the previous month.

## **MAINTAIN REASONABLE FORCE COSTS**

The term “force costs” typically refers to military pay and allowances. However, a much broader pricing strategy is needed to fully capture all the force-related activities that combine to drive overall labor costs in the Department of Defense.

***Personnel Costs.*** Each year, we enlist about 330,000 new recruits (185,000 for the Active Component and 145,000 for the Reserve Component). Most of these young men and women are destined to fill entry-level billets: enlisted soldiers, sailors, airmen and marines who will serve in those jobs for a few years, then return to civilian life or advance to positions in the military that require more skill and experience. This cycle of recruit, train, and replace is a major cost driver for force management.

Two factors combine to provide a rudimentary indicator of the price of replenishing the total force over time: (1) the average annual cost to recruit one new service member and (2) the cost to complete basic training per service member.

Historically, we have found that the cost-per-recruit has increased annually, while the cost of basic training has remained relatively stable. Unlike training costs, recruiting costs vary with economic conditions, national or local unemployment rates, or the level of interest among young people in serving their country.

For both service members and civilian employees, the issue of personnel costs is one of great importance for maintaining reasonable force costs and balancing force management challenges. For example, we have debated at length about how to compare military compensation with the civilian sector. Though a seemingly straightforward task, such comparisons are complicated and can be misleading.

After extended study, the 9<sup>th</sup> Quadrennial Review of Military Compensation recommended that the pay of enlisted service members in their first ten years of military service be compared with the 70<sup>th</sup> percentile of earnings of all high school graduates. When enlisted compensation fell below the 70<sup>th</sup> percentile, recruiting and retention problems appeared. (It is generally very costly, both in terms of dollars and experience mix, to correct recruiting and retention shortfalls after the fact.) After seven years of service, the compensation of mid-grade enlisted members is compared to civilians with some college education. After twenty years of service, the compensation of senior enlisted members is compared to civilians with a college degree.

For officers, the commission recommended that military pay be compared to civilians with college degrees or advanced degrees in managerial and professional occupations.

Although somewhat complicated, these metrics provide meaningful insights into the relationship between military and civilian sector compensation. Over the years, we have made progress in closing this gap in compensation. We will continue to monitor the relationship of military to civilian pay and the effects of pay adjustments on recruiting and retention.

***Quality of Life Investment.*** The “unpaid” compensation for quality of life programs and services provided to our military members and their families is a strong contributor to workforce satisfaction. The

Community QoL Per Capita cost measure monitors the trend in the Department's QoL funding investment per active duty member over time in morale, welfare and recreation; child development; youth; family centers; and voluntary education/tuition assistance. The measure tracks the military Services' progress towards sustaining and improving funding for critical QoL support. We also track future funding to ensure resources are adequate to respond to the unique requirements associated with the military lifestyle. Per capita expenditures must remain stable to prevent a widespread diminishment of levels of QoL support for members and families. This is especially true as we begin implementing the global basing strategy.

The QoL per capita cost measure combines with the Social Compact Improvement Index and the Commitment to Military Life Index to measure the health of QoL programs and services supporting military members and their families. In combination, these metrics will help ensure the Department can maintain reasonable costs while providing the necessary QoL programs needed to support our military members and their families.

*Accounting for America's missing service personnel.* Achieving the fullest possible accounting for Americans unaccounted for from the nation's past conflicts remains a high priority for the Department of Defense. As America's sons and daughters serve our national interests in hostile locations, each must be confident that should something happen to them in the course of their service, we will not abandon them. We will leave nobody behind. The Department is demonstrating its commitment to bring home its personnel who might become missing or fall on today's battlefields by accounting for those who remain missing as a result of past conflicts.

The Department of Defense has dramatically increased the scope of its program to account for the missing from past conflicts. Current efforts include recovery operations in Burma, Papua New Guinea, Hungary, China, and other sites where World War II losses occurred. We have successfully negotiated with the Democratic People's Republic of Korea once again to conduct five joint field activities in that country in 2005, and are pressing the government of the People's Republic of China to open their archival records concerning Americans they held prisoner during the Korean War. The

Department continues to search for Americans still missing from the Vietnam War through its ongoing operations in Vietnam, Laos, and Cambodia. The U.S.-Russia Joint Commission on POW/MIAs, established at the presidential level in 1992, enables the Department to also investigate the fates of servicemen who went missing on the territory of the former Soviet Union. Finally, determining the fate of Captain Michael Scott Speicher, USN, still missing from the 1991 Gulf War, remains a high priority.

The Department is committed to achieving the fullest possible accounting for our missing.

## **SHAPE THE FORCE OF THE FUTURE**

The global war on terrorism has demonstrated that we need a force that is trained and prepared to meet future asymmetric threats and international challenges. Clearly, *status quo* personnel management will not suffice.

In 2004, Congress passed the Department's landmark proposal for a National Security Personnel System (NSPS). This system will make sweeping changes to the way we manage civilian personnel by giving the Department the flexibility to modernize our personnel management system while continuing to preserve merit principles, respect Veterans' Preference, and maintain union involvement.

In addition to the tools provided by NSPS, our Civilian Human Resource Strategic Plan (<http://www.dod.mil/prhome/reports.html>) lays out the way ahead for recruiting and managing an excellent modern workforce. The Strategic Plan encompasses efforts to meet the goals of the Human Capital Initiative of the President's Management Agenda as well as moves us toward efficiency measures like time to fill civilian vacancies and success in filling positions defined as critical skills.

Although measures will be refined as we phase-in the new National Security Personnel System, we are committed to the research and intense developmental activities required by the Strategic Plan. Furthermore, as we have done for the civilian workforce, we have also created a Military Human Resource Strategic Plan, which sets achievable goals for near-, mid-, and long-term implementation.

For our military community, one of the most exciting innovations is a new approach to military force management called “Continuum of Service.” Under this approach, a reservist who normally trains 30 days a year could volunteer to move to full-time service for a period of time – or some increased level of service between full-time and his or her normal reserve commitment, without abandoning civilian life. Similarly, an active service member could request transfer into the reserve component for a period of time, or some status in between, without jeopardizing his or her full-time career and opportunity for promotion. Military retirees with hard-to-find skills could return to service on a flexible basis – and create opportunities for others with specialized skills to serve.

We hope the Continuum of Service and other innovations will improve our ability to manage the military workforce with options that currently exist only in the private sector. In addition to the Continuum of Service initiatives, some 45 research efforts have been or are being undertaken to support the Military Human Resource Strategic Plan. Over the long term, we intend to use the data collected from these many research efforts to design and implement optimal human resource planning – that is, the most advantageous career patterns and service obligations for the force as a whole. Future critical skills, such as information operations, language and foreign area expertise, and space operations will be defined, and progress toward meeting the resulting need will be monitored.

# Operational Challenges

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Operational challenges, in simplest terms, is about whether we can overcome today's threats – about our ability to create plans that can be adapted quickly as events unfold, train for the next real-time mission, and supply the warfighters with what they need *now*. It is about achieving near-term objectives, not long-term outcomes – thus, it is an important dimension of the *National Defense Strategy*, but not the entire strategy.

## **DO WE HAVE THE RIGHT FORCES AVAILABLE?**

Today we increasingly rely on forces that are capable of both symmetric and asymmetric responses to current and potential threats. For example, we must prevent terrorists from doing harm to our people, our country, and our friends and allies. We must be able to rapidly transition our military forces to post-hostilities operations, and identify and deter threats to the United States while standing ready to assist civil authorities in mitigating the consequences of a terrorist attack or other catastrophic event. These diverse requirements will demand that we integrate and leverage other elements of national power, such as strengthened international alliances and partnerships.

***Operational Availability.*** To meet these new missions, and to hedge against an uncertain future, we are developing a broader portfolio of capabilities, and realigning our forces using a building-block approach to match those capability portfolios with mission goals.

We have used this building-block approach to construct a multitude of operational availability assessments. For example, we used this approach to investigate how an alternative mix of active and reserve forces and their capabilities can be aligned to a range of missions, including homeland defense, and also to begin developing the mid-

to long-term scenarios being developed alongside emerging war-fighting concepts (see the discussion of the “Joint Concepts” and “Analytic Baselines,” below).

## **ARE OUR FORCES POSTURED TO SUCCEED?**

Before we deploy forces to deter or fight an adversary, we must first decide whether we have the right capabilities in the right place to achieve the desired effect – and understand how deploying forces from one region to another may impede or enhance our ability to accomplish our strategic goals in another region, or at home.

*Defining Global Posture.* U.S. global defense posture encompasses more than simply forward bases and personnel. It includes a cross-section of relationships, activities, facilities, legal arrangements, and global sourcing and surge. Taken together, these five elements of global defense posture support our security cooperation efforts and, when needed, enable prompt global military action. Our plans to change our global defense posture have been guided by six principal strategic considerations:

- We seek to expand allied roles, build new partnerships, and encourage transformation.
- We seek to create greater operational flexibility to contend with uncertainty.
- We seek to focus and act both within and across various regions.
- We seek to develop rapidly deployable capabilities.
- The United States and its allies and partners need an updated measure of merit: effective military capabilities, not numbers of personnel and platforms, are what create decisive military effects and will enable the United States to execute its security commitments globally.
- Finally, as President Bush has emphasized, the new posture will have a positive effect on our military forces and families.

*Global Force Management.* We are committed to building an analytically-based, interactive management approach to deciding which forces will bring the best mix of capabilities to bear on the mission at hand. The Global Force Management (GFM) process, now being



developed, will provide insights into the global availability of forces, allowing military planners to do quick-turn, accurate assessments of how force changes will affect our ability to execute plans and evaluate associated challenges. These assessments, in turn, will help us match the right force capabilities to emerging missions while providing visibility to stress on the force caused by frequent deployments away from home station.

## ARE OUR FORCES CURRENTLY READY?

*Defense Readiness Reporting System (DRRS).* For many years, we have relied primarily on the classified Status of Resources and Training System (SORTS) reports maintained by all of the military services to track actual personnel levels, equipment stocks, and training performance against standard benchmarks. The Joint Chiefs of Staff and senior civilian leaders then assess these data against a range of operational scenarios during the Joint Quarterly Readiness Review. The resulting evaluations are summarized along with key readiness trends in the Department's classified Quarterly Readiness Report to Congress.

The SORTS system, however, does not capture performance information for joint missions or for the full range of missions beyond a major regional contingency, such as those required to prosecute a successful war on terrorism. Accordingly, we have undertaken a fundamental overhaul of our readiness reporting process. DoD Directive 7730.65, *Department of Defense Readiness Reporting System*, orders three fundamental changes to how we evaluate force readiness:

- Reporting organizations (including tactical level units, Joint organizations, and support organizations) will assess their ability to conduct assigned missions rather than doctrinally based or otherwise generic missions.
- Real-time status reporting and scenario modeling will be used for assessments, not only during peacetime, but also as a crisis unfolds and while operations are ongoing.
- Readiness reporting will become part of a larger force management process that combines the force selection activities of Joint Force Providers, risk assessments and adaptive planning.

When mature, DRRS will prove a capabilities-based, adaptive, near real-time readiness reporting system for all of DoD.

*Analytic Baselines.* Analytic baselines support readily available and collaboratively generated analyses, documentation, and results for use throughout the Department. Each baseline is intended to provide leading indicators by presenting a common set of scenarios that can be used to refine crisis plans for both the near- and mid-term via quick-response, comparative analysis. Supporting data will be reviewed and validated by the military departments and combatant commanders, and reflect actual war plans and the regional outcome goals approved by the President and Secretary of Defense. Future-year baselines will reflect the response options and results of the ongoing operational availability reviews as they are approved (see the discussion of “Operational Availability,” above).

*Operational Lessons Learned.* The key tenet of good performance planning is a strong feedback loop. As such, the *Strategic Plan for Transforming Department of Defense Training* (<http://www.t2net.org>), directs that lessons learned are integrated into the development of new training processes and systems. In their annual updates to the strategic planning guidance, both the Secretary of Defense and the Chairman of the Joint Chiefs of Staff mandate that lessons learned from operational missions be systematically captured and reflected in joint concept development and experiments.

Our long-term goal is to maintain a fully distributed and networked program that captures, analyzes, and implements all significant lessons learned. This future system will include quantitative performance measures linked directly to the capabilities given priority under the defense strategy.

## **ARE OUR FORCES EMPLOYED CONSISTENTLY WITH OUR STRATEGIC PRIORITIES?**

It is not enough to plan effectively – we also must manage how forces are allocated and employed so that we may act in a manner consistent with the overarching objectives of the *National Defense Strategy*. In practice, this can be hard to do as the press of day-to-day business favors a singular focus on immediate events. However, if we are ever to effectively “buy down” operational challenges

for the Department, we must learn to assess near-term tasks within the wider context of our strategic priorities over the long term. Accordingly, we are enhancing our strategic planning process by developing specific analytic tools to better articulate the balance between the deployment and employment of forces and the needs of non-combat activities, such as training, exercises, and contingencies supporting enduring security missions. We are also continuing to build a strong and effective interagency process for analyses and policy development that allows the Department to leverage the talent and capabilities of other elements of national power.

***Enhanced Planning Process (EPP).*** By institutionalizing such capabilities-based planning, we can make better choices as we position to face a wider range of future challenges. This approach will employ tailored, quantitative and qualitative measures that help the Secretary and his senior advisors to decide, “How much is enough?” The analytic tool set required to do this involves developing:

- Alternative courses of action and joint concepts for our operational and contingency plans.
- Common, comparable operational challenges metrics for strategic priorities, individual events, and operations and contingency plans.
- Models and simulations to refine near-term options, supported by a data process that keeps information on U.S. and aggressor capabilities up-to-date and in a form readily available for analysis.

By considering needs and costs simultaneously, the EPP is able to propose cost-effective programmatic options for achieving the Department’s strategic policy objectives.

***Joint Concepts.*** Joint Concepts describe how the Army, Navy, Air Force and Marine Corps coordinate military operations with other U.S. government and international agencies and military forces across the range of military operations 15 to 20 years from now. As such, they guide decisions we make today on what investments we should make to ensure capabilities tomorrow – and affect programmatic decisions across the force, encompassing doctrine, organizations, training, materiel, leadership and education, personnel (military and civilian), and facilities.

The long-term goal is to integrate these concepts into the Department's formal planning process (to include contingency and operational planning). As a first step, the Secretary and the Chairman of the Joint Chiefs of Staff directed that work begin on a group of *operating* concepts, *functional* concepts, and *joint integrating* concepts. Together, these groups make up the Joint Concepts that will provide the operational context for transforming the U.S. Armed Forces. They will do so, by bridging the gap between strategic guidance and the Department's resourcing strategy for capabilities and by guiding transformation of the joint force so that it is prepared to operate successfully over the next 10-20 years.

# Institutional Challenges

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Just as we must transform America's military capability to meet changing threats, we must also transform the way the Department works. For example, our leaders cannot act wisely unless they can get the information they need, at the right time. Also, we must drive a better understanding of how overhead and indirect costs relate to military capability and we must build a base of facilities that are ready and able to meet the highest standards for quality and readiness. Finally, we must continue to transform our military and civilian forces to embrace new ways of working and to pursue creative technology solutions.

## **STREAMLINE THE DECISION PROCESS, IMPROVE FINANCIAL MANAGEMENT, AND DRIVE ACQUISITION EXCELLENCE**

After Secretary Rumsfeld announced his intention to transform how the Department does business, we fundamentally redesigned the way in which we think and act as a management team:

- The acquisition process is benchmarking itself against the private sector,
- Our financial systems are being overhauled entirely, both to address long-standing deficiencies and to leverage new technology, and
- Internal decision processes are undergoing the first major reform since the introduction of the planning, programming, and budgeting system in the 1960's.

Of course, such change does not matter unless it produces results – unless it makes us better able to support the warfighter and provide national security. That is why across the Department – from our underlying financial systems to our military departments and defense agencies – we are committing to specific, measurable, performance goals, such as those included in the Program Assessment

Rating Tools, to track our progress toward achieving the transformation challenge set out by Secretary Rumsfeld.

*Streamline the Decision Process.* Section 113 of Title 10, U.S. Code, requires the Secretary of Defense to give military departments and defense agencies written policy guidance on how to prepare their programs and budgets. This guidance must include “...national security objectives and policies; the priorities of military missions; and the resource levels projected to be available for the period of time for which such recommendation and proposals are to be effective.”

Too often in the past, the program priorities highlighted in the Secretary’s guidance were unaffordable when taken together. Therefore, Secretary Rumsfeld directed his senior aides to completely rethink how defense guidance was drafted. He asked them to use the document to define “trade space” that would help him balance investment – and challenges – across the entire defense program.

Section 113 also requires the Secretary of Defense to give the heads of the components the resource levels projected to be available for the period of time for which national security objectives and policies and military missions established as priorities under the defense strategy are to be effective. In the past, the assumptions used to set these resource controls were not shared with component organizations. Beginning with the first Strategic Planning Guidance, we established shared assumptions about key resource planning factors with all the Department’s resource and budget planners. We then defined those program areas where planners should either accept or decrease challenges, as defined under the Department’s challenge management framework. This approach will provide continuity and give us an opportunity to collect and evaluate lessons-learned from actual performance results.

Finally, as most would agree, accurate information is the keystone of good decisions. Accordingly, we are committed to integrating the program and budget databases maintained by the military departments and defense agencies. This would allow “transactional” updates to the common defense program or budget position. This will also speed processing and streamline workload associated with developing the defense program and budget. Finally, it will make

timely, accurate data more readily available to decision makers for review and analysis.

*Improving Financial Management.* The Department is developing a Financial Improvement and Audit Readiness (FIAR) Plan that will communicate the DoD-wide strategy and systematic approach for making improvements to the financial and business operations within the Department, as it also prioritizes and synchronizes efforts to achieve unqualified audit opinions. The FIAR Plan will align with the Department's Business Management Modernization Program (BMMP) to initiate prioritization, selection, and maintenance of business information technology (IT) systems.

The Department has an urgent need to modernize and transform its business operations, which is the impetus behind the BMMP. The BMMP is intended to drive greater innovation and higher levels of efficiency throughout the Business Mission Area of the Department. This will be achieved through the implementation of DoD enterprise-level capabilities that will serve as transformation catalysts to accelerate broader, Department-wide improvements in business processes and information systems, while enabling financial accountability. We plan to accomplish this purpose by relying on three principles: clear standards, clear lines of authority, and tiered accountability. This, in turn, will provide both oversight and insight into defined capabilities, enterprise-wide acquisitions, and control of IT investments.

## **MANAGE OVERHEAD AND INDIRECT COSTS**

The Department aims to make the best use of its resources in the day-to-day operations of the Defense establishment. In light of emerging requirements, any savings realized from reducing costs and increasing efficiencies would assist the Department in meeting high priority needs. The complexity of the Department has also contributed to the increase in the relative size of the overhead structure. Therefore, it is important for the Department to align systems to effectively produce the most useful business management information possible.

*Reduce Percentage of Budget Spent on Infrastructure.* One way the Department manages overhead and indirect costs is by tracking the

share of the defense budget devoted to infrastructure. This offers a way to gauge progress toward achieving our infrastructure reduction goals. A downward trend in this metric indicates that the balance is shifting toward less infrastructure and more mission programs. In tracking annual resource allocations, we use mission and infrastructure definitions that support macro-level comparisons of DoD resources.

In recent years, the Department has made steady progress in reducing the portion of its total obligational authority (TOA) allocated to infrastructure activities. This measure of efficiency has resulted from initiatives in the 2001 Quadrennial Defense Review and Defense Reform Initiatives, including savings from previous base realignment and closure rounds, strategic and competitive sourcing initiatives, and privatization and reengineering efforts.

Furthermore, as we restructure our program and budget databases, we will gain a clearer understanding of the relationship between overhead and direct cost activities to specific capabilities, and thus will be better able to develop mitigation strategies to limit unnecessary growth in overhead.

***Link Defense Resources to Key Performance Goals.*** In FY 2003 we opened a program office dedicated to combining and aligning program and budget databases that had been previously managed separately. We are now engaged in a major review of the Department's program and budget data structure. This review will ensure our common resource management database:

- More directly aligns with Congressional and other external reporting requirements,
- Better supports internal business and policy decisions by allowing an overlay of issue taxonomies that support strategy development and reviews, and
- More easily manages data structures and improves our ability to validate data.

This review covers almost 4,000 areas. We will modernize or replace outdated activity definitions, and consolidate or create others. Already we are seeing that today's new strategic approach is merging and blurring the traditional lines between tooth (deployable opera-



tional units) and tail (non-deploying units and central support). When the study is complete, we will have a more flexible analysis interface with defense data, allowing us to build alternative ways of mapping our programming data structure and making it easier to crosswalk performance results to resource investments.

## **IMPROVE THE READINESS AND QUALITY OF KEY FACILITIES**

For too long, we neglected our facilities, postponing all but the most urgent repairs and upgrades until the long-term health of our entire support infrastructure was in jeopardy. Therefore, we are investing substantial sums to sustain, restore, and modernize defense facilities worldwide.

*Fund to 67-Year Recapitalization Rate.* Sustainment covers the basic maintenance or repairs needed to prevent deterioration of facilities, and is the first step in our long-term facilities strategy. The Facilities Sustainment Model (FSM) uses common per-square-foot commercial benchmarks for 400 facility categories, adjusted for local area costs.

Recapitalization is the restoration and modernization of existing facilities and is the second step in our long-term facilities strategy. The Facilities Recapitalization Metric (FRM) measures the rate at which an inventory of facilities is being “recapitalized” – that is, modernized or restored. Recapitalization may mean a facility has been totally replaced – or incrementally improved over time to meet acceptable standards.

We are on a downward slope from our 200+ year FRM average in 1999. Yet, despite the improvements made since 1999, many facilities still report deficiencies serious enough to affect mission performance. The Department recognizes the importance of this measure and will continue to monitor our performance closely, as we strive to improve the readiness and quality of key facilities.

*Restore Readiness of Key Facilities.* Rundown facilities are not just uncomfortable places to work; they can generate real military challenges if their deficiencies prevent the delivery of important operational services, such as unit training, logistics support, or medical care. The Secretary had directed that all key facilities across the De-

partment be restored to a high state of military readiness. But how do we define and then measure facility readiness?

In the past, we have used the Installation Readiness Report (IRR) as an indicator of general conditions. But the current IRR cannot be cross-walked to real property inventories, thus it cannot be used to target investments needed to sustain improvements over the long term.

We need a better set of measures for facility readiness, and have chartered a Department-wide effort under the auspices of the Installations Policy Board to standardize individual facility records in real property inventories, and improve the quality of data underpinning IRR summaries. In the longer term, an enterprise-wide real property inventory system is being studied. When implemented, it will replace or improve the three disparate inventory systems with one modern, integrated system.

## **REALIGN SUPPORT TO THE WARFIGHTER**

Transformation of our military forces hinges on being able to reduce redundancy, focus organizations on executive goals, flatten hierarchies, and cut cycle times in the decision and execution processes. If we can find ways to make real progress in these areas, small changes will yield huge gains in technology transfer, which in turn will help drive more effective operational performance.

*Major Defense Acquisition Programs (MDAPs).* Acquisition cycle time is the elapsed time, in months, from program initiation until a system attains initial operational capability – that is, when the product works as designed and is fielded to operational units. A number of years ago, we began measuring the average cycle time across all major defense acquisition programs, or MDAPs (acquisition programs that cost more than \$365 million in FY 2000 constant dollars to research and develop, or more than \$2.19 billion to procure and field). We wanted to understand how quickly new technologies were moving from the drawing board to the field. This performance measure is a leading indicator of technology transfer – typically, the faster a program moves toward fielding, the quicker associated operational improvements can be introduced to the force, and the easier it is to control overall program costs.

Like cycle times, the pace at which acquisition cost increases over time is an indicator of program performance. Acquisition cost growth measures the difference, in percentage, between total program acquisition unit costs estimated in the current selected acquisition report and those estimated in the prior selected acquisition report. The population of programs included in this comparison is all MDAPs common to both budgets—common programs are dollar-weighted.

Although costs can grow for various reasons, including technical changes, schedule slips, programmatic changes, or overly optimistic cost estimates, a steady or downward trend line is a solid indicator of how efficiently acquisition activities are being managed across the Department.

We are also developing a measure similar to the one above to monitor MDAP Operating and Support (O&S) cost growth. This measure will monitor the growth in O&S costs—that is, the projected costs of people and material required to operate and maintain systems. It will compare the difference, in percentage, between estimates of O&S costs associated with the current-year President's Budget and those estimates done for the past-year's budget. This measure will be an indicator of how effective our efforts are at designing systems that cost less to support and operate. This indicator, when combined with the performance indicator for acquisition cost growth, will represent the entire life-cycle cost of a typical new defense acquisition, like a new tactical jet fighter.

***Logistics Balanced Scorecard.*** Response time is a commonly used business measure for evaluating whether an organization's logistics operations are organized to deliver effective, efficient performance. DoD adapted this best-practice to military logistics in FY 2001, when we began measuring the elapsed time from a customer's order to receipt. At that time, we developed the Customer Wait Time metric, or CWT, to track orders filled from assets on hand at the customer's military installation or naval vessel or through the DoD wholesale logistics system. CWT is a transformational approach to evaluating performance. In the past, good logistics meant holding large inventories—today, all the military services have agreed on a common set of business rules for monitoring the performance of the entire logis-

tics enterprise. In addition, the Military Departments and primary DoD logistics support elements have greatly increased their emphasis on DoD-wide asset visibility, using such rapidly evolving tools as Radio Frequency Identification (RFID) to help improve asset utilization and overall logistics awareness, responsiveness, and performance tracking. We are also exploring ways logistics supports the warfighter, by developing measures of our ability to support current operations, such as the percentage of material or services provided in theater by a specified date. By reviewing how orders are filled (right product to the right place, correct condition and packaging, etc.), we can gauge how accurately we are meeting customer needs for products and services.

## Future Challenges

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The *National Defense Strategy* calls for the transformation of the U.S. military and the Defense establishment over time. Yet a balance must be struck between the need to meet current threats while transforming the force for the future. The Department is committed to undertaking a sustained process of transformation – based on clear goals – and strengthening the spirit of innovation in its people, while remaining prepared to deal with extant threats.

### DRIVE INNOVATIVE JOINT OPERATIONS

Fashioning joint concepts to guide the conduct of joint operations is our leading priority for transformation. In order to advance U.S. transformation efforts, the 2005 *National Defense Strategy* identified eight key operational capabilities for deterring conflict and conducting military operations:

- Strengthen intelligence.
- Protect critical bases of operation.
- Operate from the global commons.
- Project and sustain forces in distant anti-access environments.
- Deny enemies sanctuary.
- Conduct network-centric operations.
- Improve proficiency against irregular challenges.
- Increase capabilities of partners, both international and domestic.

These capabilities are used to focus the Department's investment resources and improve the linkage between strategy and investments.

*Experiment with New Warfare Concepts.* The goal of the Department's experimentation program is to rapidly convert innovative warfighting concepts to prototypes to fielded capabilities. Accord-

ingly, the April 2003 Transformation Planning Guidance directed the development of the Joint Concept Development and Experimentation (JCDE) Campaign plan to describe the role of joint experimentation as a major generator of transformational change.

The JCDE follows two paths: (1) joint concept development and (2) joint prototyping. The joint concept development program explores innovative concepts for improving future joint warfighting. These concepts result from an iterative experimentation program that relies on frequent, small-scale sets of experiments conducted in a joint wargaming environment. Once concepts prove viable through continuous refinement and experimentation, they are transferred to the prototype team.

The joint prototype program improves current warfighting capabilities and matures new capabilities through continuous experimentation as part of Combatant Command joint exercise programs. The JCDE will identify capability proposals for rapid prototyping and provide actionable recommendations for future resource investments based on experimentation results. For more discussion of ongoing and planned joint experiments and concept development, visit the Joint Forces Command website at <http://www.jfcom.mil>.

***Maintain Balanced and Focused Science and Technology (S&T).*** It is imperative that the U.S. invest in research and development to transform its forces and capabilities. Our ultimate objective is to fund S&T at a level adequate to ensure our technological superiority – specifically, sufficient to provide the technology foundation we need to modernize our forces, and develop “leap ahead” technologies that produce transformational capabilities. Accordingly, we must continue to invest broadly in defense-relevant technologies, because it is not possible to predict in which areas the next breakthroughs will occur or what specific capabilities will be required to meet the challenges of the uncertain future.

To make sure key priorities are supported by investment funds, the Director of Defense Research and Engineering continues to set targets and monitor performance for basic research, applied research, and advanced technology development.

## DEVELOP MORE EFFECTIVE ORGANIZATIONS

As discussed above, our continuing change in culture allows us to shift our focus to enabling joint operations – the ability of our land, sea, air, and space forces to be combined under the control of a single combatant commander and used in ways that are most appropriate to achieving the objectives of the campaign that he has laid out.

Yet it is not enough to say we want to *fight* joint – we have to *think* joint, too. Accordingly, we are dedicating a substantial amount of funding to bring a joint perspective to how we structure, train, deploy, and manage forces and organizations.

***Transform Joint Training.*** To win militarily in the new global operational environment, our forces must be trained effectively to decisively overcome asymmetric adversaries and deal with surprise. Our vision for training transformation, therefore, is to provide dynamic, capabilities-based training in support of national security requirements across the full spectrum of service, joint, interagency, intergovernmental, and multinational operations. Specifically, our long-term goal is to be able to measure training “value” by evaluating the: (1) throughput, (2) innovation, and (3) transparency of training.

***Establish Standing Joint Force Headquarters (SJFHQ).*** Four years ago we took steps to create a permanent joint headquarters for each of our combatant commanders worldwide. Staffed with a 58-person core, the SJFHQ serves as a planning staff during day-to-day operations. In the event of a crisis, the in-place SJFHQ is immediately prepared to execute command and control functions for the integrated employment of air, land, maritime, and information forces. Furthermore, the SJFHQ is made up of joint-trained personnel skilled in using computer-based analysis tools and joint information and processes.

## DEFINE AND DEVELOP TRANSFORMATION CAPABILITIES

We have fashioned a new *National Defense Strategy* and sustained our approach to balancing challenges – one that takes into account not just the challenges to immediate war plans, but also the chal-

lenges to people and transformation. We have moved from a “threat-based” to a “capabilities-based” approach to defense planning, focusing not only on who might threaten us, or where, or when – but more on how we might be threatened, and what portfolio of capabilities we will need to deter and defend against those new threats. In acquiring these capabilities, we must be able to develop and test them in the requisite joint mission environment.

***Continuous Transformation.*** Continuous defense transformation is part of a wider governmental effort to transform America’s national security institutions to meet 21<sup>st</sup>-century challenges and opportunities. Just as our challenges change continuously, so too must our military capabilities.

The purpose of transformation is to extend key advantages and reduce vulnerabilities. We are now in a long-term struggle against persistent, adaptive adversaries, and must transform to prevail.

Transformation is not only about technology. It is also about:

- Changing the way we think about challenges and opportunities;
- Adapting the defense establishment to that new perspective; and,
- Refocusing capabilities to meet future challenges, not those we are already most prepared to meet.

***Defense Technology Objectives.*** Our science and technology investments are focused and guided through a series of defense technology objectives (DTOs), developed by senior planners throughout the Department. Each of these objectives highlights a specific technological advancement that will be developed or demonstrated, the anticipated date the technology will be available, the specific benefits that should result from the technological advance, and the funding required (and funding sources) to achieve the new capability. These objectives also specify milestones to be reached and approaches to be used, quantitative metrics that will indicate progress, and the customers who will benefit when the new technology is eventually fielded.



Every two years, independent peer review panels assess the DTOs – at least two-thirds of the panel members are from academia, private industry, and other U.S. government agencies. The reviews are conducted openly and observation by stakeholders is welcomed. The teams assess progress against three factors – technical approach, funding, and technical progress. The ratings not only reflect the opinions of independent experts, but are also accepted and endorsed by stakeholders. These reviews result in near real-time adjustments being made to program plans and budgets based on the awarded rating.

*Intelligence Capabilities.* Our global intelligence capability is the foundation of U.S. military power. It enables our leaders to decide how and when to apply military force, and provides a capability to ensure allies and friends of our purpose and resolve, dissuade adversaries from threatening ambitions, deter aggression and coercion, and decisively defeat an adversary on our terms.

We are committed to developing capabilities that provide insights into our adversaries' intentions and secrets without their knowing that we know. This means closing the gap in time and culture between intelligence and military operations. To do so is to enable a seamless transition from the collection of information, to its employment, to assessments of the effects of that employment.

A critical step on this path is shifting from a collection-focused intelligence system to a user-driven system. This will fundamentally change the way in which we plan and operate. It will facilitate joint and combined intelligence operations and will exploit the advantages of information technology to provide knowledge to our customers when they need it.

## **DEFINE SKILLS AND COMPETENCIES FOR THE FUTURE**

History has shown that rapid and unexpected change can transform the geopolitical landscape. New technologies can revolutionize the character of armed conflicts in ways that render previous doctrine and capabilities obsolete. Although contending with such uncertainty is a key challenge for the Department, certain features and trends of the security environment not only define today's geopoliti-

cal and military-technical challenges, but also highlight critical challenges that we must master in the future.

*Strategic Transformation Appraisal.* One trend is clear: the Department's transformation will be shaped by the emerging realities of the information age. Just as the move from the industrial age to the information age is changing the relative value of the sources of economic wealth (land, capital, and labor), it is also altering the relative value of capabilities, assets, and skills that underwrite national security. Processes and organizations that cannot adapt to a networked, interoperable environment will not provide the knowledge, speed, precision, and agility we will need in the future.

More important, old ways of thinking will not foster the human skills demanded by our emerging security environment. Intellectual agility, adaptability, and the capacity to act in the midst of dynamic complexity and uncertainty have increased importance in information-age warfare.

Integral to the Department's transformation, are the initiatives being conducted by each of the Military Departments. These coordinated efforts are fundamentally changing processes and products by enhancing efficiency, joint interoperability, and warfighting effectiveness. These initiatives, furthermore, will make Net-Centric Operations/Warfare an operational reality by integrating weapons, sensors, command/control, platforms, and warriors into a secure networked, distributed joint combat force as part of the DoD Global Information Grid.

To guide transformation efforts and help keep the Department on-track, the Director of the Office of Force Transformation prepares an annual assessment of progress being made toward transformational goals. The appraisal emphasizes defense-wide transformational trends and recommends whether plans or resources should be adjusted to maintain progress toward the Secretary's transformational priorities.

To better meet future warfare challenges, DoD must be able to network and integrate combat organizations to fight jointly, experiment with new approaches to warfare, develop transformation capabilities through technological innovation and ensure we have a skilled, trained and ready workforce for the future landscape.

# REPORT OF THE SECRETARY OF THE ARMY

## Introduction

The 21<sup>st</sup> Century has dawned with an uncertain and unpredictable security environment. New adversaries threaten the ideas that form the bedrock of our society, endangering our freedoms and way of life. They achieve their ends through unconventional ways and means, such as asymmetric threats and weapons of mass destruction. There is potential for a protracted struggle, blurring the familiar distinctions between war and peace.

In light of the uncertainty and the challenges inherent to the 21st Century security environment, the Army's overarching strategic goal is to be relevant and ready by providing the Joint Force with dominant capabilities across the full range of military operations. The Army will be:

- **Relevant** to the challenges posed by the global security environment as evidenced by the organization and training of our forces, the innovation and adaptability of our leaders and the design and practices of our institutional support structures.
- **Ready** to provide the combatant commanders with the capabilities – well-led, trained and equipped forces – required to achieve operational objectives across the range of military operations.

To be relevant and ready in the future, the Army must address the tension that exists between current and future demands. Using the Defense Strategy's four spheres of Force Management Challenges, Operational Challenges, Institutional Challenges and Future Challenges, this report describes how the Army will balance these challenges. It describes Army initiatives and programs to meet Defense goals in each area and our desired performance outcomes through the end of fiscal year 2006. Using the fiscal year 2006 President's Budget, along with supplemental appropriations, the Army will be relevant and ready to meet the needs of the 21<sup>st</sup> Century security environment.

## Force Management Challenges

The pace of operations in the new security environment presents a number of significant force management challenges to the Army. The number of Soldiers deployed is significant; of the approximately 640,000 Soldiers serving on active duty, 315,000 are deployed or forward stationed in more than 120 countries to support operations in Iraq, Afghanistan and other theaters. These Soldiers are from all components: Active (155,000), Army National Guard (113,000) and Army Reserve (47,000). Frequent deployments impact recruiting, retention, and our ability to care for our Soldiers and their families.

To meet these challenges both today and in the future, the Army is pursuing numerous initiatives to reduce force management challenges. We are working to maintain the viability of the All-Volunteer Force, and we are enhancing our recruiting and retention programs. By developing the Army Modular Forces, we will significantly increase the pool of rotating units and, thereby, reduce the stress on the force. We are working to stabilize the force, to improve unit cohesion and readiness, and to reduce uncertainty for families. Also we are pursuing personnel management improvements to position the force for the future.

**Maintaining the Viability of the All-Volunteer Force.** (Defense Goal: Maintain a Quality Force)

The United States Army owes its success to the All-Volunteer Force which provides the high-quality, versatile young Americans we depend on to serve as Soldiers. This is the first time in our history that the Nation has tested the All-Volunteer Force during a prolonged war. Our programs to recruit and retain Soldiers, along with the quality-of-life programs that support our Soldiers, their families, and our civilian workforce, will play a major role in maintaining the overall viability of this concept.

**Recruiting and Retaining Soldiers.** (Defense Goal: Maintain a Quality Force)

To maintain its end-strength the Army must recruit over 165,000 Soldiers in fiscal year 2006. This includes 80,000 for the active forces and over 85,000 for the reserve components. While the recruiting environment is challenging, our goal is to continue to recruit high quality Soldiers, without changing standards. Our goal is for 100 percent of the Soldiers we enlist in 2006 to be high school graduates (diploma or equivalent, with no less than 90 percent holding high school diplomas).

The Army is aggressively reshaping the recruiting resources of all components to address our recruiting challenges. For example, the fiscal year 2006 budget provides \$1.6 billion for recruiting programs, which increases our recruiting force by over 3,000 recruiters (to 6,129 active, 1,774 Army Reserve and 4,100 Army National Guard recruiters). The Army provides its recruiters the most up-to-date training to align them to their centers of influence and demographic trends in their area. The Army has also increased College Fund grants to \$70,000 for qualified active-component applicants and increased the maximum enlistment bonus from \$8,000 to \$10,000 for reserve-component, non-prior-service accessions.

There are some special skills in high demand due to the Global War on Terrorism that require additional recruiting and retention incentives. For example, to retain quality Special Forces Soldiers, the Army has instituted a bonus program that pays up to \$150,000 for senior Non-Commissioned Officers to remain in the service. Also, the

Army is developing an Assignment Incentive Pay program for retirement eligible Special Forces Soldiers who have more than 25 years of service to retain them in the service.

Retaining Soldiers is also essential to the continued viability of the volunteer force. In fiscal year 2006, the Army's goal is to retain 64,000 active Soldiers (23,635 initial-term, 27,156 mid-career and 13,209 career Soldiers) and 48,800 for the reserve components. The Army has many programs and incentives, such as increasing reenlistment bonuses to \$40,000 and instituting the Special Forces incentive discussed above to attain these goals. These programs are not enough; they must be matched with the Army's commitments to Soldiers and their families.

**Caring for Army Families and Soldiers.** (Defense Goals: Maintain a Quality Force, and Ensure Sustainable Military Tempo and Maintain Workforce Satisfaction)

To retain our Soldiers and their families, we need to care for them with exceptional well-being programs. Our overarching strategy is to attain a quality-of-life and well-being for our people that matches the quality of their service. To better meet the demands during war, we have initiated programs to improve spouse employment, ease the transitioning of high school students during moves, and extend in-state college tuition rates to military families. We are improving healthcare, childcare, youth programs, schools, and facilities for our families. In fiscal year 2006, we complete a multiyear initiative to eliminate Soldier's out-of-pocket housing expenses. The Army will spend over \$14.6 billion in fiscal year 2006 for this strategy.

Housing programs are another way in which we manifest our care for Soldiers and their families. We continue to focus considerable effort on our Residential Communities Initiative and Barracks Modernization Program (discussed in greater detail later). Congressional support for these initiatives has had a dramatic effect on improving the quality of life for our Soldiers and their families. The Army has already privatized more than 59,000 housing units.

Our Warrior Ethos says: "I will never leave a fallen comrade." We will never forget those who have fought and fallen. The Disabled Soldier Support System synchronizes Army programs that care for severely disabled Soldiers and their families. The Disabled Soldier Support System is an advocacy system that provides personal support and liaison to resources that assist a Soldier's return to active duty or transition from military service. Following a Soldier's rehabilitation from severe wounds, the staff helps the Soldier find a job in the active Army, as an Army civilian employee or in the corporate sector.

**Stabilizing Soldiers and Units to Enhance Cohesion and Predictability.** (Defense Goal: Ensure Sustainable Military Tempo and Maintain Workforce Satisfaction)

To improve unit cohesion and readiness, while reducing both turbulence in units and uncertainty for families, we are changing how we man our units. Under Force Stabilization, we plan to stabilize Soldiers for longer periods and synchronize assignments to maneuver Brigade Combat Teams (BCTs). Stabilization will build more deployable, combat capable units while also improving long term stability, predictability, and quality of life for Soldiers and their families. Stabilizing Soldiers will allow their families to build deeper roots within their communities and to enjoy better opportunities for spouse employment, continuity of healthcare, schooling, and access to stronger support networks that enhance well-being. In 2004 we stabilized personnel in three brigades, in 2005 we will stabilize six more brigades, and plan to stabilize 10 more by the end of fiscal year 2006.

**Increasing the Pool of Rotating Units.** (Defense Goal: Ensure Sustainable Military Tempo and Maintain Workforce Satisfaction)

The Army Modular Force is a major initiative designed to reduce the Army's operational challenges (discussed later in greater detail). This initiative increases the pool of rotating units and will increase the time at home after deployment for our Soldiers. As we restructure from a division-based to a brigade-based force, the objective is to increase the total number of self-sufficient, Brigade Combat Teams from 29 to 77. Fiscal year 2006 will be the largest year for these conversions, with 17 brigades converting and four new active component units forming. By the end of fiscal year 2006, the pool of active brigades will increase by ten (from 33 to 43, an increase of 30%) and 46 of the eventual 77 active and reserve brigades will reorganize. This will support the Army's goal of being able to schedule two years at home following each deployed year for active forces, five years at home following each year deployed for Army Reserve units, and five years home for Army National Guard forces.

**Increasing the Personnel Strength of the Operational Army.** (Defense Goals: Ensure Sustainable Military Tempo and Maintain Workforce Satisfaction, and Maintain Reasonable Force Costs)

To man the brigade-based modular forces, we are working to increase the end-strength of the operational Army. Congress has authorized the Army to temporarily increase end-strength by 30k to a total of 512k through fiscal year 2009. Additionally, in this new security environment, we are rebalancing the active and reserve components to decrease force structure in skills with lower demand while increasing skills needed to rapidly deploy a unit. By the end of fiscal year 2006, we will have restructured over 44,000 of 100,000 positions. We will complete the rebalancing by 2011. Furthermore, we are identifying and converting positions from military to civilian to free up additional Soldiers for a larger pool of rotating units. Our target is to convert at least 10,500 positions through fiscal year 2006. This increases the size of the operational Army to man modular forces without large, permanent increases to our end-strength.

## **Improving Personnel Management.** (Defense Goal: Shape the Force of the Future)

To support the Army, we must employ the tools of modern business to better manage our military and civilian workforces: more flexible compensation packages, contemporary recruiting and retention techniques, and improved training. Implementation of the National Security Personnel System (NSPS) is planned to begin in early FY 2006, beginning with the Labor Relations system for all DoD bargaining unit employees. Performance management and other elements of the Human Resources and Appeals systems will follow for approximately 69,000 civilians as part of the first group to transition to NSPS. NSPS will help shape the civilian workforce to meet the challenges of the 21<sup>st</sup> Century security environment.

## **Operational Challenges**

Since September 11, the new security environment has caused the Army to reevaluate the balance between current and future demands and to substantially increase investments that decrease operational challenges. Global contingency operations coupled with austere operating extremes have increased our mileage and flight hours and have placed greater stress on our equipment than expected. To reduce our operational challenges and be relevant and ready, the Army has initiated changes, including: creating modular units; fielding Stryker Brigade Combat Teams; restructuring Army aviation; restationing forces to improve our global force posture; resetting forces following deployment; and rapid fielding and equipping initiatives to spiral high payoff technology developed for future forces to current forces.

## **Converting to a Brigade-based Army Modular Force.** (Defense Goal: Do We Have the Right Forces Available?)

The Army Modular Force initiative, which involves the total redesign of the operational Army, will allow us to generate force packages optimized to meet the demands of a particular situation without the overhead and support provided by higher commands. These units, known as Brigade Combat Teams (BCTs), are more robust, require less augmentation, and are standardized in design to increase interoperability as well as improve planning and logistical support. These self-sufficient tactical forces consist of 3,500 to 4,000 Soldiers and are organized and train the way they will fight.

By creating a modular, brigade-based Army, we are creating forces that are more rapidly deployable and more capable of independent action than our current division-based organization. Modularity increases each unit's capability by building in the communications, liaison and logistics capabilities needed to permit greater operational autonomy and to conduct joint, interagency multinational operations. The 3rd Infantry Division and the 101st Airborne Division have already reorganized their existing



brigades and added a new brigade each. The 3rd Infantry Division is the first converted unit returning to Iraq. The 10th Mountain Division and the 4th Infantry Division will soon follow. By the end of 2006, we will have added 10 new brigades and have 46 of the 77 currently planned brigades reorganized.

**Fielding of Stryker Brigade Combat Teams.** (Defense Goal: Do We Have the Right Forces Available?)

The Stryker Brigade Combat Teams come closest to the fully networked force of the future that we are working towards. They are deployed within Operation Iraqi Freedom, where they have demonstrated the advantages of increased situational awareness and rapid deployability. The third Stryker Brigade Combat Team (SBCT) achieved initial operating capability (IOC) in May 2005, and the fourth SBCT is scheduled to achieve IOC in December 2006. In fiscal year 2006, we begin fielding the fifth SBCT, and we will purchase 240 Stryker vehicles for \$905 million for the sixth brigade.

**Restructuring Army Aviation.** (Defense Goal: Do We Have the Right Forces Available?)

The Army also is transforming its aviation structure to develop modular, capabilities-based forces that are optimized to operate in a joint and expeditionary environment. In February 2004, the Army cancelled the Comanche helicopter program. Reallocation of Comanche funding allowed the Army to modularize, modernize and improve force protection for aviation units, to include accelerated fielding of aircraft survivability equipment. We have budgeted over \$2 billion during the next two years for new aircraft and modifications to our fleet, including 41 new Blackhawk helicopters in fiscal year 2006, 23 new or remanufactured heavy lift helicopters, 28 light utility helicopters, and 10 armed reconnaissance helicopters. Additionally, we will spend over \$700 million on sensor improvements, safety and reliability modifications and other aircraft survivability equipment. Over the next six years the Army will purchase 800 new aircraft and modernize 200 airframes. Modernizing our fleet will reduce maintenance costs, increase survivability and improve readiness rates. Key components of the aviation modernization plan include accelerating modernization of reserve forces aviation and of unmanned aerial vehicle programs and include developing a common cockpit for cargo and utility aircraft.

**Improving Global Force Posture.** (Defense Goal: Are Our Forces Postured to Succeed?)

In addition to making the right forces available for the combatant commanders, the Army will improve its global force posture to increase strategic responsiveness while decreasing its overseas footprint and exposure. In place of traditional overseas bases with extensive infrastructure, we intend to use smaller forward operating bases with pre-

positioned equipment and rotational presence of personnel. We will adjust our permanent overseas presence to a unit-rotation model supported by the increased pool of rotating units. In Europe, both heavy divisions will return to the United States. To replace these divisions we will expand the airborne brigade in Italy, enhance the Army's training center in Germany, and possibly establish a rotational presence in Eastern Europe. We will maintain a rotational presence in the Middle East while eliminating many of our permanent bases. We will maintain a smaller forward-presence force in the Pacific while also stationing agile, expeditionary forces capable of rapid responses at our power projection bases. Finally, we will leverage our improved readiness to increase our rotational training presence among our security partners.

**Resetting the Force.** (Defense Goal: Are Our Forces Currently Ready?)

Major combat and stability operations in Iraq and Afghanistan are placing tremendous demands on our equipment and our Soldiers. As a result, we must reset those units as they return from deployments to prepare the Soldiers and their equipment for future missions. Units that are reset after a deployment will be configured in the new modular design.

The Reset program is designed to address the effects of combat stress on our equipment. Because of higher operational tempo, rough desert environments and limited depot maintenance available in theater, on the average our operational fleets are aging four years for every year in theater — dramatically shortening their life. The fiscal year 2006 cost to reset equipment returning from deployments in Iraq and Afghanistan is expected to be approximately between \$6 and \$10 billion.

**Training the Force.** (Defense Goal: Are Our Forces Currently Ready?)

Maintaining or controlling operational tempo (OPTEMPO), which supports the combat readiness of our troops, is among our top priorities. Our strategy incorporates an appropriate mix of live, virtual and constructive training. In fiscal year 2006 we have budgeted \$5.9 billion and are committed to fully execute the active and reserve components' ground and air OPTEMPO training plans. These plans include actual miles driven and hours flown, as well as virtual miles associated with the use of simulators. The 2006 OPTEMPO goals are: 850 annual ground miles for our armor crews and 13.1 flight hours per aircrew per month for the active component; 247 ground miles and 7.6 live flying hours for the Army National Guard; and, 189 tank-equivalent miles and 6.4 live flying hours per aircrew per month for the Army Reserve.

**Equipping Our Soldiers.** (Defense Goal: Are Our Forces Currently Ready?)

Our Soldiers rely on and deserve the very best force protection and equipment we can provide. The Rapid Fielding Initiative is designed to fill Soldier equipment shortfalls by

quickly fielding commercial off-the-shelf technology rather than waiting for standard acquisition programs to address these shortages. We equip deploying Soldiers with 49 items including body armor, advanced ballistic helmets, hydration systems, ballistic goggles, kneepads, elbow pads and other items. The equipment issued to units reflects the lessons learned during three years of fighting in complex environments, including optical sights for weapons, grappling hooks, door rams, night vision goggles, and fiber optic viewers that support Soldiers' ability to observe from protected positions. We plan to equip about 258,000 Soldiers in 2005 and the entire operational force by September 2007.

Additionally, the Army continues two parallel efforts to provide vehicle armor protection of our soldiers in Iraq. First, we have increased the production of factory-built up-armored Humvees to 550 a month. Second, the Army is working aggressively to provide additional armor on its existing fleet of vehicles. Today there are a total of 22 different facilities involved in this effort to include Army depots, Army arsenals, and the commercial sector. Together they have up-armored over 23,000 wheeled vehicles, with proven solutions, in a little over 16 months. As of February 2005, these efforts have ensured that all U.S. forces in Iraq can conduct operations outside of base camps in up-armored vehicles.

## **Institutional Challenges**

We must transform our institutional process to generate resources for the operational Army. This includes improving management and business processes, implementing financial improvement initiatives, improving our installations, and providing support to the warfighter.

**Business Transformation.** (Defense Goal: Streamline the Decision Process, Improve Financial Management and Drive Acquisition Excellence)

Transformation of our business processes promotes the long-term health of the Army. It will free human and financial resources that can be better applied towards accomplishing our warfighting requirements and reducing challenges across the force. We are currently conducting process improvement initiatives in a number of our institutional areas, including the requirements determination process, the resource allocation process, recruiting, and by taking advantage of commercial off the shelf products.

Additionally, we are also examining all aspects of the institutional Army to improve both its effectiveness and efficiency. The institutional Army helps to accomplish our Title 10 functions to recruit and train our Soldiers, to generate and sustain the force, and to prepare the force for the future. We are developing a comprehensive plan for adapting the Institutional Army, process-by-process, structure-by-structure, over a multiyear period. The Army will develop this plan during this fiscal year and begin implementation

in fiscal year 2006. The Army is targeting over \$300 million in efficiencies through improved business processes and practices.

**Implementing the Presidents Management Agenda.** (Defense Goal: Streamline the Decision Process, Improve Financial Management and Drive Acquisition Excellence)

The Army is achieving management improvement results through the implementation of the five government-wide initiatives of The President's Management Agenda (PMA). In all five areas, the Army is showing sustained progress and improved results. For fiscal year 2006 the Army has the following PMA objectives to support management improvement Army wide.

- **Strategic Management of Human Capital** – update development of new performance management system, gather data on competencies for mission critical occupations, and develop new SES pay for performance system in the Department;
- **Competitive Sourcing** – use the A-76 process to examine 8,400 spaces in fiscal year 2006 through fiscal year 2008;
- **Improvement of Financial Management** – conduct a technical demonstration of General Fund Enterprise Business System at one installation;
- **Budget Performance Integration** – develop performance measures for 100 percent of the budget; and
- **eGovernment** – attain satisfactory Information Technology business plans (OMB Exhibit 300 forms) for all of major IT systems under development and ensure that 90 percent of IT circuits and networks meet Federal Information Security Management Act (FISMA) requirements.

**Improving Financial Management Information Systems.** (Defense Goal: Streamline the Decision Process, Improve Financial Management and Drive Acquisition Excellence)

The fiscal year 2006 budget includes \$78 million for initial implementation of the General Fund Enterprise Business System (GFEBS). The Army will field an integrated financial management system that will provide web-based, online, real-time transaction and information capability and will be accessible to all Army and DoD components. The GFEBS application will fulfill the requirements of the Federal Financial Management Improvement Act and will be certified by the Joint Financial Management Improvement Program. GFEBS will allow the Army to comply with the Chief Financial Officer Act by improving performance, standardizing processes, reducing legacy stove-piped systems and providing all levels of leadership reliable, relevant, and timely financial information.

**Maintaining our Installations as “Flagships of Readiness.”** (Defense Goal: Improve the Readiness and Quality of Key Facilities)

Our installations are an essential component in maintaining our Army. They are the platforms from which we rapidly mobilize and deploy military power and sustain our military families. Installations also play a vital role in training the force and in reconstituting it upon return from deployment. They also provide deployed commanders with the ability to reach back for information and other support through advanced communications technology.

Installations continue to face many challenges, as we focus on the demands of current operations. For example, to enable the creation of new modular brigades the Army needs new facilities, and this requires installation commanders to find innovative solutions. Often we must acquire temporary structures to satisfy facility shortfalls. We must allocate construction funding for permanent facilities once the 2005 base closure and permanent-stationing decisions are completed. Additionally, we are unable to meet the Defense goal of a facilities recapitalization rate of 67 years. In fiscal year 2006, the Army's facilities recapitalization rate is 112 years, and funding plans indicate the Army will not achieve the 67-year recap rate until fiscal year 2011.

Two areas of success at our installations are in Army family housing and barracks modernization. Our housing programs are on track to eliminate inadequate housing in the United States by 2007 and worldwide by 2008, through privatization, construction and divestiture of units. The fiscal year 2006 budget request contains \$1.3 billion to help us reach our goal and we will privatize another 24,000 units in addition to those already completed. The Army's fiscal year 2006 military construction budget request also contains \$716 million for barracks modernization projects.

### **Sustaining the Joint Force.** (Defense Goal: Realign Support for the Warfighter)

The critical task for Army logistics is to sustain the combat readiness of deployed forces and to maintain the materiel readiness of the current force. This requires a fundamental shift from supply-based to distribution-based logistics and conversion to modular support structures. To meet this requirement, the Army logistics community is focusing on the following areas:

- **Communication Connectivity for Army Logisticians:** Connecting logisticians through a communications network is the linchpin of a strategy to dramatically improve the Army's ability to support joint war fighting.
- **Modernize Theater Distribution:** To meet the requirements of today's operating environment, an effective distribution system must guarantee delivery on time.
- **Improve Force Reception:** The Army must have a force reception organization capable of performing the major tasks critical to open a theater regardless of the type of environment in which we are required to operate.
- **Integrate the Supply Chain:** The Army, as part of the Joint Force, requires support from a flexible, response, and lean distribution-based logistics system.

Army logisticians will be an integral part of the joint battlefield network, with satellite-based communications that provide full-time connectivity enabling logisticians to pass and receive key data from the battlefield to the industrial base. These capabilities will allow joint force commanders to make decisions based upon accurate, real-time logistics information. Our goal in fiscal year 2006 is 95 percent network connectivity and terminal-to-terminal availability of combat service support VSATs (very small aperture terminal nodes).

Satisfying the warfighter's requirement in the most expeditious manner is the goal of the supply chain. To ensure that we are meeting the combatant commander's needs, we have set a customer wait time goal of not more than 15 days for requests to be filled.

Additionally, the Army is building business efficiencies by using information technology to develop integrated processes and information systems architecture. These include: leveraging commercial Enterprise Resource Planning (ERP) software; implementing the Single Army Logistics Enterprise (SALE); employing the Global Combat Service Support – Army (GCSS-A) for tactical level logistics; expanding the Logistics Modernization Program (LMP) for wholesale logistics; and integrating seamlessly into Product Life Cycle Management Plus (PLM+).

## **Future Challenges**

Our funding challenge in the years ahead is to establish a balance between current and future investments and keep challenges at moderate levels as we support our global commitments while preparing for future challenges. In the near-term, we plan to minimize our future challenges by spiraling higher payoff technologies into the current force as they become available. Increased funding will be required to accomplish our current tasks and simultaneously prepare for the future.

To meet our future challenges the Army is taking steps to become a more effective member of the joint team, improving our operational headquarters, and developing transformational capabilities.

### **Building a Campaign-Quality Force with Joint and Expeditionary Capabilities.** (Defense Goal: Drive Innovative Joint Operations)

Building a "Campaign Quality Force" enables the Army to win decisively in the conduct of combat on land and also in its ability to sustain operations. The Army supports the combatant commanders and the Joint Force, other agencies, and coalition partners for as long as may be required. The Army continues to improve strategic responsiveness by becoming more expeditionary. To improve on our joint warfighting proficiency we are embracing these conditions in deployment scenarios, training and education.

**Enhancing Joint Interdependence.** (Defense Goal: Drive Innovative Joint Operations)

We are working aggressively with the other services to improve the ability to dominate across the range of military operations. Our new modular formations will operate better in joint, interagency multinational environments. These formations are designed to enhance joint concepts for battle command, fires, logistics, force projection, intelligence, as well as air and missile defense. Our joint training opportunities will continue to improve as we work with Joint Forces Command and the other services to develop a Joint National Training Capability. The planning, scenarios, connectivity and overall realism we are working to create will enhance critical joint operations skills for commanders and Soldiers.

**Improving Operational Headquarters.** (Defense Goal: Develop More Effective Organizations)

In addition to developing modular, brigade-based units, we are also eliminating an entire echelon of command above the brigade, moving from three levels to two. This new higher-level headquarters will become significantly more capable and versatile than comparable headquarters today, and it removes redundancies in command structure. These modular headquarters will be able to command and control any combination of capabilities: Army, joint or coalition. Their design, training and mindset will allow them to serve as the core of joint or multinational task force headquarters, with significantly reduced personnel augmentation. By 2006, we will have reorganized one of our current corps headquarters and six of our current division headquarters into this design. The eight Army National Guard divisions will convert to eight units of employment headquarters between fiscal years 2005 and 2010.

**Developing Transformational Capabilities.** (Defense Goal: Define and Develop Transformational Capabilities)

Information technology is a key element of the Army's transformation. The long-term goal of the information-age transformation is network-centric operations, both military and business, conducted in a totally joint fashion, to include our allies and partners.

We will spend \$3.4 billion on the Future Combat System (FCS) program in fiscal year 2006. The FCS program, in combination with the Joint Tacital Radio System (JTRS) and the Warrior Information Network-Tactical (WIN-T), is the principal means through which advanced information and communication technologies will be spiraled into the current force. We have restructured this program in order to accelerate the spiraling of information as well as other technologies to the current force while continuing to develop the future force which will eventually include FCS Units of Action with 18 different platforms (manned and unmanned, ground and air) connected by one network.

Accelerating the fielding of battle command capabilities to establish a more capable and reliable network will support the Defense goal to bring the joint community closer to a common operational picture. The linkage brings improved situational awareness, which will allow our units to see first, understand first and strike first. The deployment of three systems: Force Battle Command, Brigade and Below (FBCB2), digital battle command information; Single Channel Ground and Airborne Radio System (SINCGARS), digital and voice radio communications; and Enhanced Position Location Reporting System (EPLRS), mobile wireless data communications; lay the groundwork for a more capable network in the future. In fiscal year 2006, the Army plans to spend over \$146 million for equipment that will form the backbone of the Army Tactical Internet.

## **Conclusion**

To accomplish our mission of providing the necessary forces and capabilities to the combatant commanders in support of the national security and defense strategies, we have developed and are executing four overarching and interrelated strategies supported by twenty initiatives. Transformation is ingrained in these strategies as well as in all of the supporting initiatives. These strategies are:

- Providing relevant, ready land power to the combatant commanders;
- Training and equipping our Soldiers to serve as warriors and growing adaptive leaders;
- Attaining a quality-of-life for our Soldiers and their families that matches the quality of their service; and
- Providing the infrastructure to enable the force to fulfill its strategic roles and missions.

As we implement these strategies, we will continue to balance the challenges between the many competing current and future demands. The programs and resources outlined in our fiscal year 2006 budget and supplemental requests are vital to these ends.

While transforming and seeking processes to make us more efficient, everything we do boils down to enabling Soldiers to continue to fight and win our Nation's wars. We must give the Soldier the equipment to fight and win, and we must lighten the load in their pack. To retain Soldiers, we must care for both them and their family. We owe them quality-of-life programs and well-being support that matches their quality service and support.



The Warrior Ethos resonates across the Army – from the American Soldier who embodies it to the people who prepare, train, equip, and support the Soldier.

- We will always place the mission first.
- We will never accept defeat.
- We will never quit.
- We will never leave a fallen comrade.

# REPORT OF THE SECRETARY OF THE NAVY

## Introduction

The Navy and Marine Corps Team continues to answer our Nation's call in the Global War on Terrorism (GWOT) and in the establishment of stability and security in the world's trouble spots. From combat operations in Iraq and Afghanistan to tsunami relief efforts in Southern Asia, the Navy and Marine Corps Team has proven ready to meet any task and answer any challenge. Throughout 2004, the unique capability of the Naval Services provided to our joint forces was a central element of our Nation's military power. Our outstanding performance in 2004 validated the high return on past investment in our combat readiness, people, and unique maritime warfighting capabilities.

Guided by the President's National Security Strategy and the Secretary of Defense's (SECDEF's) Strategic Planning Guidance, we continue to maintain superiority over a broad range of innovative and determined enemies. Our vision and our way ahead – *Naval Power 21* and the *Naval Transformation Roadmap* – provide the framework to align, organize, prepare, and integrate our Naval Forces to meet the wide array of challenges that lie ahead. The Department of the Navy (DON) FY 2006 performance plan consolidates performance management goals of the President's Management Agenda with the Quadrennial Defense Review goals. It also designates metrics the DON will use to track associated performance results.

DON performance measures are designed to ensure that we are sized, shaped, postured, committed, and managed to achieve our key goals. These goals include maintaining a ready and sustainable force to meet today's challenge, investing in tomorrow's capabilities, and making effective and efficient use of our resources. Our efforts are summarized below and are aligned with the Department of Defense (DoD) balanced scorecard approach to challenge management across the Force Management, Operational, Institutional, and Future Challenges focus areas. The DON's FY 2006 performance plan will continue to deliver the right readiness at the right cost to prosecute the Global War on Terrorism and support the Nation's warfighting needs, while simultaneously transforming our Naval forces to prepare for tomorrow's fights.

## Force Management Challenges

The DON is reducing challenges by improving force management and reducing stress on the force. We continue to explore new manning practices and workforce balance options, including military-to-civilian conversions. Our goal remains attracting, developing, and retaining highly skilled, diverse, and educated Sailors, Marines, and civilian workforce.

## **Maintain a Quality Force**

We are committed to taking care of our Sailors and Marines by sustaining our quality of service/quality of life programs, including training, compensation and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. We continue to focus on three fronts: recruiting the right people, increasing retention, and attacking attrition. As such, we continue to dedicate resources to those programs best suited to ensure the proper combination of grade, skill, and experience in the force.

The end strength limits authorized for the Navy and Marine Corps under the National Defense Authorization Act for 2005 are adequate to meet all contingency missions. As a result of increased efficiencies ashore and a reduction in legacy force structure, the Navy has planned a reduction in end strength from 373,800 in FY 2004 to 352,700 in FY 2006. The Navy's planned end strength reflects a commitment to proper sizing through implementation of best human systems integration practices from optimal manning experiments, implementation of new technologies and continuation of force shaping tools such as the Sea Swap rotational crew program. The Marine Corps is restructuring its force to increase mission capabilities in support of the GWOT and reduce stress on the individual Marine. The Marine Corps projects to end FY 2006 with 3,000 Marines above the baseline strength of 175,000 to meet critical mission requirements for the GWOT.

The DON again met enlisted recruiting and accession goals in FY 2004, and continues to attract America's finest young men and women to national service. The Navy has met its recruiting goals for the last 41 consecutive months, while the Marine Corps achieved its ninth year of meeting monthly and annual enlisted recruiting goals and its fourteenth year of success in officer recruiting. In measuring recruit quality, the Navy exceeded its goal with 95% of new recruits having high school diplomas, while also raising the percentage of recruits in the top 50<sup>th</sup> percentile of those taking the AFQT to 70%. Similarly, the Marine Corps exceeded its quality goal with over 97% Tier I high school graduates.

Retaining the best and brightest Marines and Sailors is as important as recruiting them. The Marine Corps continued their strong performance in this area by meeting their retention goals for the 14<sup>th</sup> consecutive year, for both first-term and career Marines. Navy retention numbers for CY 2004 remained strong, exceeding goals in Zone B with 70.4%, and Zone C with 85.6% retention. The Navy's Zone A reenlistment rate was 54.4%, which reflects Perform-to-Serve initiatives and early release programs that create a more experienced, better trained, and smaller force. The Navy also updated attrition and retention methodologies to better analyze unplanned losses, while developing accession metrics to improve the predictability of a recruit's likelihood to succeed in the Navy.

In order to preserve and protect our quality force, the Navy and Marine Corps are also

working to meet SECDEF's goal of reducing the number of mishaps and accident rates by 50% by the end of FY 2005. The DON has developed detailed plans that serve as foundations for mishap reduction. The Navy and Marine Corps Safety Council, in conjunction with the Marine Corps Executive Safety Board, provides a Flag/General Officer forum that is improving advocacy for safety and is driving toward achieving reduction goals in each Service. DON continues to make strong progress. At the end of calendar year 2004, we were on track to meet the 50% mishap reduction in over 70% of the targeted areas. For example, the Marine Corps FY 2004 class A aviation mishap rate was reduced by over 76% and Marine Corps personal motorized vehicle fatalities dropped 30% from the FY 2002 baseline.

### **Shape the Force of the Future**

We are developing a Human Capital Strategy appropriate to the 21st Century in order to create and shape a workforce that provides the right skills, at the right time, to accomplish the right work. Our goal in shaping the force of the future is to properly shape and size Naval manpower to meet current and future requirements. To better meet these demands, we are implementing *Marine Corps Strategy 21* and *Sea Warrior* (the human resource components of *Naval Power 21*). *Sea Warrior* is the cornerstone initiative that will strategically align the Navy's human resources alongside mission accomplishment and system development and design. It combines a continuous career management, growth and development perspective on the Sailor (active and reserve) and civilian workforce that is critical and relevant to the Navy's overall mission.

With respect to force manning initiatives, we are continuing our Sea Swap experiments with USS *Gonzales*, *Laboon*, and *Stout* crews, as we examine results from previous DD/DDG experiments to determine this concept's applicability to other ship classes. As we continue to augment and replace manpower with technology, the Navy is producing a more senior force to lead and manage an increasingly technical workforce. The Navy will attain 73.2% of the force in the ranks of E-4 through E-9 in FY 2006.

Under the guidance of the Total Force Flag Steering Group, implementation of the Active-Reserve Integration program has been extremely successful. We have created flexible contracts to give reserve personnel and commands more drill options, expanded our reserve recruitment base, executed reserve integration into the *Sea Warrior* model, established reserve tours as part of the active duty career track, and created a program for Full Time Support personnel to perform fleet tours.

The DON's military-to-civilian conversions are progressing. This transformation of our force will pay dividends through improved cost savings by reducing the recruiting, training, and integrating costs involved with adding new military personnel. The programmed conversions target non-warfighting functions currently staffed and performed by military personnel. The Navy is scheduled to convert 2,047 military billets

to civilian positions in FY 2005. In FY 2004, the Marine Corps converted 664 billets, and is on course to achieve 2,397 conversions through September 2006.

The National Security Personnel System (NSPS) for the civilian workforce is progressing at a rapid pace. Realizing the importance of NSPS to the effective accomplishment of the DON's mission, we can report that we have accomplished much in this regard. We plan to transition over 80,000 of our dedicated, hard-working civilians to the new system during the initial phase (Spiral 1), which is scheduled to start in July 2005.

## **Operational Challenges**

The DON is reducing operational challenges by emphasizing capabilities that better address irregular, disruptive and catastrophic challenges. Our focus is on winning the GWOT. In FY 2006, key readiness accounts are funded to ensure that our forces are prepared to meet any tasking. The power of our combat capability has been strong in the areas of forward presence forces and our ability to surge. The Fleet Response Plan (FRP) currently provides five or six rapidly deployable Carrier Strike Groups (CSGs) within 30 days, with the ability to surge up to two additional CSGs within 90 days. The FRP yields an increased surge capability and a more responsive force.

The value of Naval combat capabilities was again proven by the successful support provided to joint commanders around the globe in 2004. Due to our emphasis on maintaining readiness, and our ability to exploit the vast maneuver space provided by the sea, we were able to answer the call to redeploy 25,000 Marines back to Iraq on short notice. Marine forces have led the Multi-National-Force-West, responsible for the stability and security in the Al Anbar Province in Iraq. Additionally, at the end of FY 2004, we had 100 ships forward deployed (34% of the total) and 134 underway, supporting the GWOT, drug interdiction, joint maneuvers, multi-national training exercises, humanitarian assistance, and other contingency operations.

### **Do We Have the Right Forces Available?**

During FY 2004, we continued our readiness transformation under the FRP. The FRP provides the Nation with increased Naval capabilities and more employment options, to better meet the objectives of the *National Security Strategy* and the *National Defense Strategy*, as well as to respond to the dynamic international security environment. In the pre-FRP deployment and maintenance cycle, a ship was surge ready or deployed 9.5 months out of a 24-month cycle. Under FRP, that ship is now surge ready or deployable for 15.8 months of a 27-month cycle. The FRP was validated during Exercise Summer Pulse '04, successfully demonstrating the Navy's ability to operate seven carriers simultaneously in five theaters. Our readiness efforts also allowed us to quickly surge the USS *Bataan*, *Boxer*, and *Kearsarge* to enable Marine forces to redeploy to support ongoing operations in Iraq.

## **Are the Forces Currently Ready?**

Over the past two years, our Naval forces, as part of an integrated joint force, have participated in the successful execution of two conflicts in support of national objectives. Our Naval Expeditionary Forces (CSGs and Expeditionary Strike Groups (ESGs)) provide the capability of the National Military Strategy to shape the international environment and respond to the full spectrum of crises. Our plan provides for operational levels that will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. Successes in Operations Enduring Freedom (OEF) and Iraqi Freedom (OIF) demonstrate the effectiveness of current readiness levels.

In order to meet training and readiness requirements, the Navy sets operational tempo (OPTEMPO) goals in the form of ship steaming days per quarter. These OPTEMPO goals are considered the minimum required for maintaining a combat ready and rapidly deployable force. The Navy exceeded its FY 2004 OPTEMPO goals by steaming 54 days per quarter for deployed forces, and 28 days per quarter for non-deployed forces due to support of real world operations. In FY 2006, our plan provides for 51 steaming days per quarter for deployed forces and 24 steaming days per quarter for non-deployed forces to support the Global Naval Forces Presence Plan in terms of CSG and ESG requirements.

Similarly, the FY 2004 Flying Hour Program met 100% of the required flying hour goals identified as necessary to maintain effective aviation readiness. Our FY 2006 plan provides for the operation and training of ten active Navy carrier air wings and three Marine Corps air wings to meet those same goals. Improvements in readiness and availability envisioned in the FRP will also allow for an overall increase in the average training readiness rate of all aircraft squadrons.

We improved our maintenance processes to support FRP criteria. The DON's FY 2006 ship maintenance budget supports 97% of the notional operations and maintenance requirements and 100% of ship refueling overhaul requirements. The FY 2006 budget also reflects the new FRP, which lengthens periods between shipyard availabilities, yet creates a more employment-capable and responsive fleet that is able to surge and reconstitute rapidly.

The DON met its FY 2004 aviation depot maintenance goal of providing 100% Primary Aircraft Authorization (PAA) for deployed squadrons and 100% of engine availability for all aircraft. The DON exceeded its goals of 90% PAA for non-deployed squadrons and 90% allocation of spare engine inventories. To support a wide range of fleet operations and training, the Navy targeted and achieved a 73% aircraft Mission Capable rate and a 56% Full Mission Capable rate. Similarly, the DON's FY 2006 plan is sufficient to achieve the engine and airframe readiness goals for deployed and non-deployed squadrons.

The DON also measures depot maintenance for Marine Corps ground equipment. The depot maintenance program for systems such as combat vehicles, ordnance, and missiles, provides overall repair and maintenance to ensure that all deployed equipment is fully mission capable. The Marine Corps continues to focus on fighting the GWOT while resetting force capabilities and modernizing ground equipment to effectively meet the demands of future conflicts. A vital part of the ground maintenance effort is to ensure the reconstitution of Maritime Prepositioning Force (MPF) equipment for strategic readiness following OIF. In 2004, the DON completed reconstitution of one MPS Squadron in less than one year. A sixth MPS ship was added to MPSRON 3, increasing its operational capability and strategic relevance. The FY 2006 Marine Corps Depot Maintenance program is funded at 50% of the estimated requirement, which balances mid-term readiness with the need to enhance modernization and transformational programs.

In response to growing force protection concerns in Iraq and Afghanistan, the DON stood up Operation Respond to support the Secretary of the Navy's desire to provide maximum support to deployed Marines by expeditiously acquiring technology and hardware to equip our Marines and Sailors for current wartime operations. In order to meet this need we adjusted our goals to reprogram in excess of \$520 million to support over 120 war-fighting requirements, including those focused on counter-fire, counter-improvised explosive device, and counter-rocket propelled grenade technologies.

## **Institutional Challenges**

The DON is balancing institutional challenges in order to meet operational and future challenge goals and objectives. Our commitment is to improve acquisition processes, make facility infrastructure more efficient, and better manage resources for improved business. The Navy/Marine Corps Intranet, Converged Enterprise Resource Planning, and NAVSUP Business Innovation Office are examples of innovative changes that will significantly improve connectivity, financial and business reporting, and management performance. We continue to aggressively challenge our Systems Commands and other shore activities to find efficiencies, reduce contractor support and eliminate legacy information systems. Additionally we are actively seeking opportunities through the BRAC 2005 process to reduce infrastructure and increase efficiencies, while generating revenue to invest in future capabilities.

## **Streamline the Decision Process, Drive Financial Management and Acquisition Excellence**

We have substantially streamlined our business practices to work toward a more efficient Navy and Marine Corps. By emulating smart business practices from commercial industry, we have made management teams more product-oriented, pushing down responsibility, authority and accountability to the operational unit(s) or performing

activities wherever possible. We are developing leaders with a better understanding of business strategies, cost control, program challenges and rapid flexible design. We are doing this, in large part, by continuing to build on the world-class career management and development program we implemented for our Navy and Marine Corps acquisition team under the Defense Acquisition Workforce Improvement Act.

### **Improve the Readiness and Quality of Key Facilities**

Appropriate investments of facility sustainment, recapitalization, and demolition funds are designed to maintain an inventory of facilities in good working order and preclude premature degradation. The DON has achieved DoD's goal to program a minimum of 95% of the DoD's sustainment model into the FY 2006 budget. We use an industry-based facility investment model to keep the facility inventory at an acceptable level of quality through life-cycle maintenance, repair, and disposal. While our goal is to fully fund the requirement for restoration and modernization, competing priorities to maintain force readiness and to invest in essential combat capability have led to the decision that a level of risk was acceptable in this area. Thus, the FY 2006 budget does not meet the DoD facility recapitalization rate goal of 67 years by FY 2008.

The consolidation of all Navy shore installations under Commander, Navy Installations Command has achieved economies of scale, increased efficiency, and reduced headquarters staffs while also standardizing policies and service levels across all Navy installations. By consolidating all base operations worldwide and implementing common support practices, the Navy expects to achieve substantial savings in the coming years.

We also continue to pursue our goal of improving housing for members and their families through increased BAH compensation, partnering with the private sector in Public/Private Ventures (PPV), and budgeting for traditional military construction where appropriate. We met our goal of awarding 14 PPV projects for some 23,000 homes through FY 2004, with plans to award projects totaling over 32,200 homes at 11 Navy and Marine Corps locations during FY 2005 and FY 2006. Consequently, we are on track to eliminate all inadequate housing by FY 2007.

### **Manage Overhead and Indirect Cost**

To re-capitalize our weapon systems, we must make our organization more effective and efficient. Sea Enterprise, as the *Naval Power 21* resource enabler, seeks to improve organizational alignment, refine requirements and invest resources to re-capitalize, transform, and increase the combat capability of our Naval force. Drawing on lessons from the business revolution, Sea Enterprise is improving productivity and cost effectiveness, and reducing manpower investments by adopting best practices, streamlining processes and organizations, and leveraging technology. Under Sea Enterprise Board of Directors auspices, Echelon II commanders undertook numerous



major efficiency initiatives in 2004. These efficiency opportunities included, but are not limited to, divestitures, retirements, and improvements in the areas of operations, acquisition, infrastructure, and adoption of business processes. We stressed existing efficiency/mitigation initiatives valued in excess of \$50B across the Future Year Defense Plan (FYDP). The Board of Directors made significant progress. We focused on execution and fostered an enterprise-wide approach to transformation, view of targeted efficiencies, and decision-making processes. In addition, we established a Corporate Business Council to facilitate business process transformation, and to foster a culture of productivity and continuous improvement. Initiatives such as AirSpeed, Task Force Lean, SHIPMAIN, and NAVRIIP are also improving ship and aircraft support processes while sustaining readiness.

## **Future Challenges**

Over the past several years, the DON has invested heavily in transformational research, development, testing, and evaluation (RDT&E) programs. As these RDT&E efforts mature, they are enabling transformational acquisition programs to proceed. Several of these programs began acquisition funding in 2006. The FY 2006 budget contains funding for four transformational ships and 138 aircraft, as well as transformational RDT&E initiatives supporting LCS, DD(X), CVN 21, priority aviation capabilities, and advanced communications. Our planning also reflects a shift from research and development to production in a number of critical aviation programs, such as EA-18G and unmanned aerial vehicles. Funding also continues for development of FORCEnet to enable the DON to achieve information dominance across all warfare areas. Our goal is to maximize the yield and degree of innovation.

## **Drive Innovative Joint Operations**

We have taken the lead in developing and implementing joint initiatives. With the Seabasing Joint Integrating Concept, we are working through the joint capabilities planning process to provide future Joint Force Commanders with the ability to project power, reconstitute forces and sustain operations from the one domain over which the U.S. maintains decisive control – the sea.

In order to strengthen joint and combined warfighting capabilities, we have increased our emphasis on Joint Professional Military Education (JPME) completion by expanding the number of officers enrolled in the Naval War College's intermediate level, CJCS-accredited JPME program at the Naval Postgraduate School by 16%.

The Chief of Naval Operations was designated a senior steering group (SSG) co-executive agent with the United States Coast Guard to develop and unify efforts for Maritime Domain Awareness (MDA). The MDA SSG will plan for and coordinate MDA

related programs, ensure interagency alignment of MDA policy and requirements, and design enterprise architecture for shared situational awareness.

The DON also provided funding to enable the Navy/Joint Explosive Ordnance Disposal and Exploitation Teams to continue forward-deployed coalition joint operations to counter and exploit Improvised Explosive Devices (IED). These teams are critical to enhancing Joint Force Tactics, Techniques and Procedures against the constantly changing IED threat.

### **Transforming Human Capital Skills and Competence**

We have accelerated Sea Warrior initiatives in training and detailing. Specific initiatives have included: alignment of our training and education processes to better target needed skill sets; institution of Navy-wide, web-based counseling and professional development tools giving Sailors the ability to map progress toward skill and educational goals, to include professional and college-level objectives; continued promotion of a culture of personal and professional development; establishment of the Human Performance Center to apply Human Performance, Human Systems Integration, and Science of Learning principles in research, development, and acquisition.

The DON is actively involved in DoD-wide training initiatives associated with the Joint National Training Capability (JNTC) and Joint Knowledge Development and Distribution Capability. The USS *John F. Kennedy* CSG participated in Combined Joint Task Force Exercise 04-02, the first fully integrated JNTC implementation event, in June 2004. Joint forces conducted live exercises throughout the southeastern United States and along the Atlantic seaboard, while other participants joined virtually from sites as far away as NAS Fallon, Nevada.

The DON is tracking OIF and OEF lessons learned through the Marine Corps Center for Lessons Learned (MCCLL). The MCCLL deployed more than 100 Marines to Afghanistan, Iraq, Haiti, Horn of Africa, and more recently, the Indian Ocean in support of lessons learned collection, analysis, and dissemination. The MCCLL SIPRnet website contains over 14,000 lessons and documents (after action reports, briefs, and interviews). In addition, the Marine Corps Combat Development Command continues collaboration with the other Services, Joint Forces Command, other government agencies, and our coalition partners to collect and implement recommended doctrine, organization, training, material, leadership, personnel, and facilities adjustments in the face of ongoing threats to forces in Iraq.

### **Develop More Effective Organizations**

To make the FRP a reality, the Navy/Marine Corps Team has completed the CSG alignment, and has embraced the ESG concept. The ESG, centered on the proven

flexibility and combat power of a combined Marine Expeditionary Unit and Amphibious Readiness Group, adds the robust strike, anti-air, anti-surface, and anti-subsurface capabilities of surface combatants and an attack submarine. Three ESGs have already proven their capability by successfully deploying in support of OIF and OEF. ESG-5 was most currently involved in humanitarian assistance and disaster relief as a result of the tsunami disaster in Southern Asia.

Additionally, in FY 2006, the DON will continue the integration of Navy and Marine Corps tactical aviation (TACAIR) power that will provide a more potent, cohesive, and affordable fighting force that is in concert with enhanced Seabasing concepts, guaranteeing more responsive Naval TACAIR support to the joint warfighter. The TACAIR integration plan reduces the Services' tactical aviation force structure by disestablishing five squadrons, decreasing the number of Navy and Marine Corps squadrons to 59, and reducing planned aircraft procurement across the FYDP to 1290.

### **Define and Develop Transformational Capabilities**

We continue to develop transformational capabilities enhanced through new systems/platforms, including: next-generation aircraft carrier (CVN 21) development; Littoral Combat Ship (LCS) and DD(X); Virginia class SSN with Advanced Sail; SSBN-to-SSGN conversion; accelerated investment in transformational platforms to move troops and equipment (MPF(F) and LPD 17). The DON is also increasing warfighting capabilities by modernizing Ticonderoga class cruisers and attack submarines, commissioning the new USS *Virginia*, and continued timely delivery of Arleigh Burke class guided missile destroyers.

The DON's plan continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement for the F/A-18E/F, EA-18G, E-2C, and MH-60S programs. Development funding is provided for Joint Strike Fighter (JSF), MV-22, AH-1Z/UH-1Y, CH-53X, EA-18G and the Multi-mission Maritime Aircraft (MMA). The plan reflects an amended acquisition strategy for the V-22 to fund interoperability issues and cost reduction initiatives.

Additionally, our investment of \$18B in RDT&E accounts reflects our commitment to future transformational capabilities and technology insertion for major platforms including DD(X), LCS, CVN-21, V-22, JSF, Executive Transport Helicopter (VXX), Advanced Hawkeye, and MMA.

We also achieved an important milestone in the continued development of Aegis Ballistic Missile Defense. USS *Curtis Wilbur* conducted the Nation's first ballistic missile defense patrol on 27 September 2004.

To accelerate the transformation of our Naval forces, we are also continuing to improve the inter-operability among networks, sensors, weapons, and platforms through FORCEnet. FORCEnet is the warfare capability enabler that networks sensors with platforms with weapons to make Network Centric Operations/Warfare an operational reality. A critical subset application already being procured is the Cooperative Engagement Capability (CEC), which will enable real-time data exchange between battle force units, each having the identical tactical picture. CEC will be installed on 40 ships and the aircraft of five squadrons by the end of FY 2006.

Our FY 2006 performance plan supports the development and fielding of equipment used by the Marine Corps ground forces. As the number one Marine Corps ground priority, the Expeditionary Fighting Vehicle will join the MV-22 and the LCAC as an integral component of the amphibious triad required for executing Expeditionary Maneuver Warfare. Marine Corps modernization efforts within the FY 2006 plan also include the Lightweight LW-155 Howitzer (M 777), the High Mobility Artillery Rocket System, the Expeditionary Fire Support System, High Mobility Multi-Purpose Wheeled Vehicle program and the Light Armored Vehicle Product Improvement Program.

## **Conclusion**

The Navy and Marine Corps Team is providing great value to our Nation. Today, the Navy and Marine Corps Team is forward deployed answering the call in protecting America's strategic interests. "Being there" around the world, around the clock, with combat ready forces – we will continue to be ready to win the fight across a wide range of contingencies. Our FY 2006 performance plan is both about prevailing in today's environment and bridging for a successful future. While we are balancing between today and tomorrow's force, we are clear in purpose and focused on success in the future.

# REPORT OF THE SECRETARY OF THE AIR FORCE

## Introduction

Today's dynamic strategic environment presents frequent and varied threats to the security of the United States and our allies. Many challenges have surfaced in this new environment and the Air Force has risen to successfully meet each one. Through our distinctive air and space capabilities, we are sustaining an unprecedented level of operations, and we are developing innovative applications of air and space power to provide combat effects essential to joint operations in the Global War on Terrorism. We are engaged around the world. From our vigilance on the Korean Peninsula and our surveillance for weapons proliferation, to delivering humanitarian aid to the Tsunami-stricken countries of South Asia, to flying combat air patrols over our nation's skies, we are ensuring America's security. Our ability to defeat any threat to American interests around the world is steadfast and strong.

The Global War on Terrorism demands continuous evaluation of how our military force structure is designed to simultaneously execute operations in multiple conflicts while supporting operations other than war across theaters. American air and space power is evolving to effectively do this by transforming our capabilities, our operational concepts, and our Airmen culture to meet today's needs while preparing for tomorrow's threats. The Department of the Air Force FY 2006 performance plan consolidates performance management goals of the President's Management Agenda with the Quadrennial Defense Review goals. It also designates metrics the Department of the Air Force will use to track associated performance results.

We are capitalizing on the lessons from all our operations to learn what we have done well and to learn what we can develop or improve. However, our success in these campaigns validates the incredible capabilities of our Armed Forces. They demonstrate the maturity of our ability to plan and execute an array of complex, integrated, simultaneous coalition operations. As our enemies continue to advance their military capabilities, we need to set the standard for technological growth. We must emphasize flexibility with responsive planning and budgeting, better challenge management, shorter procurement cycles, and a resolve to integrate all of our combat, information, and support systems into architecture for joint execution of air and space operations.

The Expeditionary Air Force transformation is realizing its goal of adapting to this new era of joint execution. We view it as a process by which the military achieves and maintains advantages over potential enemies and enables our forces to fight and win, in any type of contingency and in every phase of a campaign. Improving and adapting our force involves challenges. The technological integration of machine-to-machine interfaces between manned, unmanned, and space assets, as well as real-time global command and control of joint, allied and coalition forces, seal our abilities to achieve air dominance whenever and wherever it is required.

## **Force Management Challenges**

Our focus for the ongoing Force Management Challenges is to maintain a quality military force with reasonable costs, sustain military tempo, maintain workforce satisfaction, shape the force of the future, and develop and sustain the readiness of our Total Force.

To meet current and future requirements, we need the right people in the right specialties. The post-September 11th global security environment has taxed our equipment and our people, particularly those associated with force protection, intelligence, surveillance, and reconnaissance (ISR), and the buildup and sustainment of expeditionary operations. To meet the demands of this new steady state, we have realigned some personnel into our most stressed career fields and hired additional civilians and contractors to free military members to focus on military-specific duties.

Today, we identify “critical skills for retention” based on capabilities we need now and/or will need in the future. We have shaped our definition of “critical skill” by determining historically chronic shortages in some specialties. We are working with our fellow services to develop a common definition of “critical skills for retention” and plan to use bonuses and other incentives to encourage individuals with scarce or highly technical skills to remain in the armed forces.

At the same time, the Air Force’s need for motivated men and women continues to strike a chord with our nation’s young people. Recruiting programs remain strong. Even though the President waived limits on aggregate force levels due to our national emergencies, the military departments intend to meet mission requirements within authorized ceilings. The Air Force has addressed this issue in two ways: first, by reducing personnel overages in most skills, and second, by shaping the remaining force to meet mission requirements. To reduce personnel, we are using a number of voluntary tools to restructure manning levels in Air Force specialties, while adjusting our active force size to the end-strength requirement. As we progress, we will evaluate the need to implement additional force-shaping steps.

In this new era, successful military operations demand much greater agility, adaptability, and versatility to achieve and sustain success. This requires a force comprised of the best our nation has to offer, from every segment of society, trained and ready to go. Our focus is building a force consisting of men and women who possess keener international insights, foreign language proficiency, and wide-ranging cultural acumen, as well as new levels of technical expertise. Diversity of life experiences, education, culture, and background is essential to help us achieve the asymmetric advantage we need to defend America’s interests wherever threatened. Our strength comes from the collective

application of our diverse talents and is a critical component of the air and space dominance we enjoy today.

The Air Force has assessed sexual assault prevention and response capabilities, identified areas for improvement and is aggressively implementing initiatives to enhance prevention efforts and response to victims. We identified 5 major areas for improvement to include policy/leadership; education/training; improved response; Air Expeditionary Force (AEF) challenges; and improved reporting.

We recognize that the military lifestyle presents special challenges to family life. Overseas tours away from support networks, frequent moves that disrupt a spouse's career or a child's school routine, and long separations from family members can create great stress for our military families. Of particular concern is the impact our high operations tempo has on families. Accordingly, we monitor where, why, and how frequently our military units deploy. This information is helping us build force management tools to distribute workload more evenly among those occupational skill groups called upon most often in times of crisis.

We are continually reviewing our Air Reserve Component (ARC) manpower to minimize involuntary mobilization of ARC forces for day-to-day, steady state operations while ensuring they are prepared to respond in times of crisis. Today, 20 percent of our Air Expeditionary Force packages are composed of citizen Airmen, and members of the Guard and Reserve are responsible for executing nearly all Operation NOBLE EAGLE missions to protect the skies over the U.S. Our Reserve component accounts for more than 72 percent of our tactical airlift capability, 42 percent of our strategic airlift capability, 52 percent of our air refueling capability, and possesses more than one-third of our strike fighters. The ARC also makes significant contributions to our rescue and support missions and has an increasing presence in space, intelligence and information operations.

**AIR RESERVE COMPONENT MOBILIZATION  
(As of 4 Jan 2005)**

|  | <b>ANG</b>    | <b>AFRC</b>   | <b>TOTAL</b>  |
|--|---------------|---------------|---------------|
| <b>Mobilized</b>                                       | <b>2,838</b>  | <b>3,995</b>  | <b>6,833</b>  |
| <b>MPA Volunteers</b>                                  | <b>4,589</b>  | <b>2,271</b>  | <b>6,820</b>  |
| <b>Demobilized<br/>Processed<br/>(since 15 Apr 03)</b> | <b>18,866</b> | <b>14,956</b> | <b>33,822</b> |

**Maximum Mobilized: 36,261 (4 Jan 05)**

Since the Guard, Reserve, and Active Duty seamlessly form integrated operational wings in combat, the Air Force is exploring this type of integration at home through "Future

Total Force” organizational constructs. Such integration allows the Air Force to include the Air Reserve Component in new weapons systems and emerging mission areas, such as ISR and space, to ensure they remain relevant as their legacy systems are retired. Furthermore, utilizing Guard members and Reservists in future weapons systems allows the Air Force to substantially increase crew ratios, maximizing output of these high performance air and space systems. Integration will also relieve stress on the Active Duty force and provide a cost effective force multiplier. Finally, it will leverage the high experience levels of Air Reserve Component personnel and enhance retention of Airmen who have decided to leave active service, saving countless dollars in training expenses.

## **Operational Challenges**

In 2004 we continued to successfully execute our missions around the world – in Joint and Coalition efforts, in combat and supporting humanitarian relief operations. Operational Challenges refers to our ability to sustain these continuous efforts. This includes planning and reshaping the force as events unfold; training and exercising for the next mission; and above all, sustaining the warfighters. Our top priority is clear--to win the “Global War On Terrorism, overseas and over our homeland.”

Operational challenges result from factors shaping the ability to achieve military objectives in a near-term conflict or other contingency. As such, the primary area for assessing Air Force operational challenges is the relationship between its missions and the structure of our forces within the U.S. global force posture.

To complete our mission of deterring or responding rapidly to terrorist attacks wherever and whenever they occur, the Air Force must maintain a high state of operational readiness. People, training, equipment, logistics, and infrastructure are combined to define and measure that readiness. The Air Force remains ready to meet today’s demands, but the combination of high operations tempo, aging equipment, and the cumulative effect of funding shortfalls put the Service’s future readiness levels at risk.

We continue to invest in technologies that will enable us to create a fully integrated force of intelligence capabilities--manned, unmanned and space assets that communicate at the machine-to-machine level--and real-time global command and control (C2) of joint, allied and coalition forces. Collectively, these assets will enable compression of the targeting cycle and near-instantaneous global precision-strike.

Investment in our core competencies is the foundation of our preparation for future threats. With relentless technological progress--and potential parity of foreign nations--the mere maintenance of our aging aircraft and space systems will not suffice and our technological superiority could be the cost. Simply stated, our current fleet of legacy systems cannot ensure air and space dominance in the future.

Despite increased focus and significant investment in maintenance, we cannot stop the effect of time. The age of our fleet continues to grow in all categories except strategic lift.



And, even with an accelerated investment in our tanker fleet, we expect to be flying many of these aircraft after they reach more than 70 years of operational employment. Efforts to improve readiness have been at the expense of system modernization and infrastructure. Without increased funding levels, aging systems, with their increased maintenance demands, will continue to siphon funds from modernization programs. Today, the average aircraft is approximately 24 years old. Even with currently programmed procurements the figure will continue to increase, reaching 30 years by 2020. In order to support these aging weapon systems, selected high-priority avionics, engine, and structural modernization programs have been developed to extend their life cycles. Continued recapitalization of these systems is essential to ensure the Air Force capability to meet any future challenges.

**AVERAGE AGE OF AIR FORCE SYSTEMS (as of 18 Feb 05)  
2004 to 2011**

| <b>MISSION</b>                     | <b>AVERAGE AGE<br/>2004</b> | <b>AVERAGE AGE<br/>2011</b> |
|------------------------------------|-----------------------------|-----------------------------|
| <b>Fighter/Attack</b>              | <b>17</b>                   | <b>21</b>                   |
| <b>Bombers</b>                     | <b>30</b>                   | <b>35</b>                   |
| <b>Tankers</b>                     | <b>41</b>                   | <b>46</b>                   |
| <b>Strategic Lift</b>              | <b>17</b>                   | <b>16</b>                   |
| <b>Tactical Lift</b>               | <b>25</b>                   | <b>25</b>                   |
| <b>Operational Support Airlift</b> | <b>23</b>                   | <b>28</b>                   |
| <b>C4&amp;ISR</b>                  | <b>23</b>                   | <b>21</b>                   |

We have established a capabilities-based approach to war planning that is closely aligned with National Security Strategy and DoD priorities, allowing us to focus investments on those key weapon systems we need to support the joint warfighter. The Air Force CONOPS that support capabilities-based planning and the joint vision of combat and combat support operations are listed below. The CONOPS help analyze the span of joint tasks we may be asked to perform and define the effects we can produce. Most important, they help us identify the capabilities an expeditionary force will need to accomplish its mission, creating a framework that enables us to shape our portfolio.

The Air Force transformation to a capabilities-focused Expeditionary Air and Space Force drives the need to make the manpower requirements determination process more responsive to the war fighter and enable manpower to be quantified and programmed by capability. The new Capability Based Manpower Determinants (CBMD) process determines manpower requirements to execute wartime and home-station capabilities supporting Air Force CONOPS by Air Force Specialty through CBMD studies. As the CSAF stated, “Our goal is to make warfighting effects, and the capabilities we need to achieve them, the drivers for everything we do. The centerpiece of this effort is the

development of new Task Force CONOPS that will guide our planning and programming, requirements reform, and acquisition.” CBMD will provide Air Force leaders at all levels the ability to systematically identify essential manpower required for effective and efficient accomplishment of capabilities supporting Air Force CONOPS.

- **Homeland Security CONOPS** leverages AF capabilities with joint and interagency efforts to prevent, protect from, and respond to threats against our homeland - within or beyond U.S. boundaries.
- **Space and Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance CONOPS (Space and C4ISR)** encompasses the integration of manned, unmanned, and space systems to provide persistent situation awareness and decision-quality information to the Joint Forces Commander.
- **Global Mobility CONOPS** provides Combatant Commanders with the planning, command and control, and operational capabilities to enable timely and effective projection, employment, and sustainment of U.S. power in support of U.S. global interests - precision delivery for operational effect.
- **Global Strike CONOPS** employs joint power projection capabilities to engage anti-access and high-value targets, gain access to denied battlespace, and maintain that operational access for required joint/coalition follow-on operations.
- **Global Persistent Attack CONOPS** provides a spectrum of capabilities from major combat to peacekeeping and sustainment operations. Global Persistent Attack assumes that once access conditions are established via the Global Strike CONOPS, there will be a need for persistent and sustained operations to maintain air, space, and information dominance.
- **Nuclear Response CONOPS** provides the deterrent “umbrella” under which conventional forces operate, and, should deterrence fail, provides options for a scalable response.
- **The Agile Combat Support CONOPS** details the capability to create, protect, and sustain Air and Space Forces across the full spectrum of military operations. It is the foundational and cross-cutting, distinctive capability that enables Air Force Operational Concepts and is highly mobile, technologically superior, robust, responsive, flexible, and fully integrated with combat operations.

The Air Force is committed to a strong science and technology program to help achieve the Air Force vision of an integrated air and space force capable of rapid and decisive global engagement. By investing in a broad and balanced selection of technologies, the Air Force will be able to continue a successful legacy of superior technology development and transition more into warfighting capabilities. The challenge now is to adapt to the faster pace of technology introduction, the widespread proliferation of high-tech products, and the challenges of affordability.

In space, our capstone objectives are to realize the enormous potential of the air and space medium, to employ the full spectrum of space-based capabilities to enable joint

warfighting, and to protect our national security. The key to achieving this end is wholesale integration through air, land, space, and sea; across legacy and future systems; among existing and evolving concepts of operations; and between organizations across all sectors of government. We will continue to deliver the unity of vision and effort required toward fulfilling our mission of delivering the most advanced space capabilities for America.

During FY 2005, the Air Force will more closely examine capabilities-based plans needed for homeland defense, strategic deterrence, joint force capabilities and equivalencies, mobility, and the force structure needed to support overseas rotations (called “rotation base”). Before we deploy forces to deter or fight an adversary, we must first decide whether we have the right capabilities in the right place to achieve the desired effect and understand how deploying forces from one region to another may impede or enhance our ability to accomplish our strategic goals in another region, or at home.

## **Institutional Challenges**

As mandated by the Department of Defense (DoD), the Air Force is shifting its focus and resources from bureaucracy to battlefield, from tail to tooth. Winning future conflicts depends on how effectively and efficiently we deliver mission essential resources to the warfighter. As we continue to support a high level of contingency operations, we will evaluate, implement, and validate a host of breakthrough technologies, organizational changes, and operational concepts that enable our Airmen to achieve desired effects on the battlefield faster and with greater precision than at any time in the history of warfare.

We have revectoring our Air Force Effects Management Program (AFEMP) to ensure greater accountability and improve performance throughout the organizational Air Force. It is a more effective, better-integrated, “strategy-focused” performance management program and is key to linking strategic objectives and effects-based planning, programming, and budgeting to warfighter performance.

In an effort to integrate production and business, we are streamlining our acquisition and contracting regulations. Air Force teams continue working on spiral plans to deliver initial capability to the warfighter so that mission execution occurs more rapidly, as well as linking these added capabilities to increments in future development spirals. We are implementing a Contractor Supported Weapon System to improve the spares acquisition process by integrating the support contractor into the government supply system.

Our Agile Acquisition initiative emphasizes speed and credibility: we must deliver what we promise on time and on budget. Our goal is to deliver affordable, sustainable capabilities that meet the operational needs of joint warfighters. We continue to improve our acquisition system by breaking down organizational barriers, changing work culture through aggressive training, and reforming processes with policies that encourage innovation and collaboration.

Developing and fielding weapon systems in today's dynamic threat environment with rapidly evolving technologies demand changes to the process the Air Force uses to acquire those systems. The Air Force has made progress in adopting innovative business “best practices” to decrease acquisition cycle time and increase flexibility in program performance. Achieving these goals requires closer collaboration among all the stakeholders in the acquisition process, including the warfighter, financial management, the labs, engineering, testing, program management, contracting, and the industrial base.

Our steps toward Agile Acquisition include developing a collaborative requirements process, a seamless verification process, and a focused technology process. A collaborative requirements process, starting with joint and AF CONOPS, will demand that the warfighter, acquirer, and tester work as one team from the outset and throughout the development of a weapon system. A seamless verification process will necessitate the merger of developmental and operational tests into complementary, synergistic activities from when warfighter requirements are identified to the system fielding. Closer collaboration with the science and technology communities will bring more mature technologies into programs, adding operational capabilities and avoiding delays.

The Air Force is in position to meet the challenges of a rapidly changing and increasingly threatening global environment. We are continuing to rebuild an aging infrastructure and modernizing weapons platforms and systems that are issues of major importance. The key to Air Force readiness is a dynamic, well structured recapitalization planning process that will ensure tomorrow's warfighters have the advanced tools, technology, and equipment they need to win the battle for airspace dominance.

We have a great number of aircraft that are simultaneously getting older, less capable, and more expensive to maintain, just as our nation is facing dynamic challenges and new threats in a different kind of widespread, asymmetric, protracted conflict. To meet this challenge, the Air Force will follow a logical approach to acquisition planning that accelerates recapitalization. Such an approach will prevent the need for large-scale procurement spikes and avoid critical modernization gaps.

## **Future Challenges**

National security realities have forced us to redefine our enemies as well as our concepts of defense. As we prepare to fight these new enemies, we recognize the campaigns of the future will involve all elements of our Nation's might--economic, diplomatic, information, investigative, and military power--and will require us to develop new CONOPS, technologies, and organizational constructs that will enable us to address these new challenges. It is these new challenges, as well as historic opportunities to exploit revolutionary technology, that underscore the absolute necessity of transforming our military capabilities.

Despite significant gains in information superiority capabilities over the past decade, there are still many obstacles to achieving the full potential of information superiority under many circumstances today:

- There is still significant progress to be made in getting timely, accurate, and relevant intelligence from sensors to shooters (actionable intelligence in a usable format) in single-digit minutes.
- Battlespace awareness information is often reactive in nature and rapidly loses relevance.
- Targeting decisions often are made too far away from the warfighter to effectively engage mobile targets. (NOTE: assumption is “too far away” is defined as outside the Area of Responsibility).
- It is still very difficult to integrate rapidly expanding data streams from multiple sources in a timely manner.
- Commanders often do not have a clear, accurate, real-time integrated picture of the battlespace.
- The military still cannot assess, plan, and direct air and space operations from anywhere or from multiple locations in near real-time, something the Air Force believes will be necessary in the future to give the commander the greatest flexibility to meet national tasking.

The ability to protect and ensure the survivability of vital space systems is essential to make certain that an adversary cannot disrupt, deny, degrade, deceive, or destroy America’s ability to exploit space-based C4ISR assets as previously described. This capability encompasses: (1) space-based space surveillance systems that provide details of space objects unattainable by ground-based systems; (2) an attack detection and reporting architecture capable of detecting, characterizing (identify and geo-locate), and reporting attacks on space systems and of assessing the resulting mission impacts; (3) on-board capabilities to protect friendly space systems from man-made or environmental threats; (4) adequately protecting key ground systems, to include backup command and control capabilities; and (5) fielding space systems that can withstand attacks without the benefit of tactical warning. This transformation will be enabled by both material and nonmaterial solutions such as doctrinal and organizational changes and improvements to tactics, techniques, and procedures.

The ability to deny an adversary’s access to space services would be essential if future adversaries choose to exploit space in the same way the United States and its allies can. It would require counterspace systems capable of preventing unauthorized use of friendly space services and negating adversarial space capabilities if needed. The focus will be on denying adversary access to space on a temporary and reversible basis. In addition, offensive counterspace may be used to generate or support counterair, countersea, counterland, counterinformation, or strategic effects when the adversary’s vulnerable node is a space system. Effective space situational awareness is a key enabler of this capability.

The ability to field adequately trained operators and proven space systems are also an essential element in achieving space superiority. These Space Test and Training Range capabilities include dedicated space-based assets and ground control/processing centers. The development, operations, and management of an integrated Space Test and Training Range capability will support combined air, space, sea, and land operations testing and training operations under realistic “battlefield” conditions. In addition, these capabilities will interact with Distributed Mission Operations and OSD’s Joint National Training Capability initiatives.

Currently, striking targets conventionally across the globe from the United States requires employing long-range bombers, which takes many hours and enables mobile targets to hide before the strike force arrives. In addition, legacy bombers can only operate in permissive and moderate threat environments. A non-nuclear, prompt, global attack capability will provide the United States with a range of options for deterrence and a flexible, rapid response. This global attack capability would be a key enabler of the Global Strike CONOPS’ mission of holding terrorist-related targets at risk everywhere. It would also allow the United States to project power almost immediately in areas with no forward-deployed forces or easy access. Indeed, the traditional U.S. method of deploying air and ground forces at or through ports and airfields will grow more problematic as adversarial access to government and commercial reconnaissance satellite services increase, and the threat of missiles, and chemical, biological, radiological/nuclear, and explosive (CBRNE) technology rapidly evolves. This capability would also buy valuable time should additional forces need to be deployed to the theater.

## **Conclusion**

Now is the time for our Air Force to engage in developing new strategies and new CONOPS to meet an entirely different set of challenges and vulnerabilities. Technology is creating dynamic advances in information systems, communications, and weapon systems, enabling the joint commander to understand the enemy, plan and deploy forces, and deliver more precise effects faster than ever before. Airmen are better educated, more motivated, and better trained and equipped than at any time in the past.

The warriors of America’s Air Force demonstrate their expertise and value in their contributions to the joint and coalition fight. Recent operations were made possible by Air Force investments in realistic training and education, superior organization, advanced technology, and innovative tactics, techniques, and procedures. We are determined to provide the right capabilities mix to the joint warfighter with maximum effect from, through, and in air and space.

The Air Force excels at providing air- and space-focused capabilities, enhancing the missions of joint and coalition forces. The diversity and flexibility of Air Force efforts and capabilities through concepts of operation, technology, and organizational structure provide unparalleled value to our Nation and will continue wherever and whenever they are called upon.

# APPENDIX A

## Budget Tables

APPENDIX A:  
BUDGET TABLES

| Table A-1  |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Department of Defense—Budget Authority by Appropriation <sup>1 2 3 4</sup> (Dollars in millions) |                |                |                |                |                |                |                |                |
|  | FY 1985        | FY 1990        | FY 2000        | FY 2002        | FY 2003        | FY 2004        | FY 2005        | FY 2006        |
| <b>Current Dollars</b>   |                |                |                |                |                |                |                |                |
| Military Personnel   | 67,773         | 78,876         | 73,838         | 86,957         | 109,062        | 116,111        | 105,563        | 111,286        |
| O&M  | 77,803         | 88,309         | 108,776        | 133,851        | 178,316        | 189,763        | 138,396        | 148,437        |
| Procurement  | 96,842         | 81,376         | 54,973         | 62,740         | 78,490         | 83,073         | 78,260         | 78,041         |
| RDT&E <sup>5</sup>   | 31,327         | 36,459         | 38,706         | 48,718         | 58,103         | 64,641         | 68,798         | 69,356         |
| Military Construction  | 5,517          | 5,130          | 5,106          | 6,631          | 6,670          | 6,137          | 6,098          | 7,809          |
| Family Housing   | 2,890          | 3,143          | 3,543          | 4,048          | 4,183          | 3,829          | 4,077          | 4,242          |
| Defense-wide Contingency   |                |                |                | 83             |                |                | -300           |                |
| Revolving & Management Funds & Other   | 5,097          | 566            | 7,314          | 4,389          | 4,154          | 7,977          | 2,383          | 3,120          |
| Trust & Receipts   | -426           | -832           | -1,571         | -1,552         | -947           | -347           | -1,111         | -1,038         |
| Deduct, Intragovernment Receipt  | -21            | -27            | -150           | -234           | -231           | -174           | -133           | -137           |
| <b>Total, Current Dollars</b>  | <b>286,802</b> | <b>292,999</b> | <b>290,534</b> | <b>345,632</b> | <b>437,801</b> | <b>471,011</b> | <b>402,031</b> | <b>421,116</b> |
| <b>Constant FY 2006 Dollars</b>  |                |                |                |                |                |                |                |                |
| Military Personnel   | 137,268        | 137,449        | 91,684         | 98,932         | 119,475        | 123,172        | 108,612        | 111,286        |
| O&M  | 138,881        | 135,028        | 129,859        | 150,505        | 194,143        | 200,547        | 141,312        | 148,437        |
| Procurement  | 152,001        | 107,492        | 60,947         | 67,786         | 83,384         | 86,511         | 79,878         | 78,041         |
| RDT&E  | 50,402         | 49,252         | 43,383         | 52,818         | 62,007         | 67,504         | 70,211         | 69,356         |
| Military Construction  | 8,941          | 6,929          | 5,743          | 7,218          | 7,111          | 6,404          | 6,226          | 7,809          |
| Family Housing   | 4,556          | 4,228          | 3,936          | 4,370          | 4,454          | 3,993          | 4,159          | 4,242          |
| Defense-wide Contingency   |                |                |                | 89             |                |                | -306           |                |
| Revolving & Management Funds & Other   | 8,088          | 761            | 8,056          | 4,708          | 4,409          | 8,300          | 2,431          | 3,120          |
| Trust & Receipts   | -676           | -1,119         | -1,664         | -1,664         | -1,004         | -361           | -1,133         | -1,038         |
| Deduct, Intragovernment Receipt  | -33            | -36            | -165           | -251           | -245           | -181           | -135           | -137           |
| <b>Total, Constant Dollars</b>   | <b>499,428</b> | <b>439,984</b> | <b>341,779</b> | <b>384,511</b> | <b>473,734</b> | <b>495,889</b> | <b>411,255</b> | <b>421,116</b> |
| <b>% Real Growth</b>   |                |                |                |                |                |                |                |                |
| Military Personnel   |                | -1.0           | -0.2           | 7.1            | 20.8           | 3.1            | -11.8          | 2.5            |
| O&M  |                | -0.9           | 1.6            | 13.1           | 29.0           | 3.3            | -29.5          | 5.0            |
| Procurement  |                | -1.2           | 6.0            | -1.1           | 23.0           | 3.8            | -7.7           | -2.3           |
| RDT&E  |                | -6.5           | -0.8           | 15.1           | 17.4           | 8.9            | 4.0            | -1.2           |
| Military Construction  |                | -13.5          | -6.9           | 20.1           | -1.5           | -9.9           | -2.8           | 25.4           |
| Family Housing   |                |                |                |                |                |                |                |                |
| <b>Total</b>   |                | <b>-2.1</b>    | <b>1.6</b>     | <b>8.5</b>     | <b>23.2</b>    | <b>4.7</b>     | <b>-17.1</b>   | <b>2.4</b>     |

<sup>1</sup> Numbers may not add to total due to rounding.

<sup>2</sup> Tables A-1 and A-2 show the total DoD budget, which consists of both discretionary spending and direct spending. These terms were defined by the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act), which was extended and amended extensively by the Budget Enforcement Act of 1990 and the Omnibus Budget Reconciliation Act of 1993. Discretionary spending is controlled through annual appropriations acts. Direct spending (sometimes called mandatory spending) occurs as a result of permanent laws. For DoD, mandatory spending consists mostly of offsetting receipts.

<sup>3</sup> Extensive budget data is available on the DoD web site—[www.dod.mil/comptroller](http://www.dod.mil/comptroller). Click on Defense Budget, then National Defense Budget Estimates (Green Book).

<sup>4</sup> FY 2005 funding includes a \$1.1 billion supplemental for Hurricane Relief costs. FY 2006 funding does not include supplemental appropriations.

<sup>5</sup> RDT&E=Research, Development, Test and Evaluation

| Department of Defense—Budget Authority by Component <sup>6 7 8</sup> (Dollars in millions) |                |                |                |                |                |                |                | Table A-2      |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | FY 1985        | FY 1990        | FY 2000        | FY 2002        | FY 2003        | FY2004         | FY 2005        | FY 2006        |
| <b>Current Dollars</b>   |                |                |                |                |                |                |                |                |
| Army   | 74,270         | 78,479         | 73,165         | 85,918         | 121,132        | 153,105        | 100,173        | 98,460         |
| Navy   | 99,015         | 99,977         | 88,795         | 102,376        | 124,057        | 124,284        | 119,625        | 125,413        |
| Air Force  | 99,420         | 92,890         | 83,050         | 100,228        | 125,245        | 125,536        | 117,825        | 127,408        |
| Defense Agencies/OSD/JCS   | 14,096         | 21,652         | 45,524         | 57,109         | 67,366         | 68,086         | 64,408         | 69,835         |
| <b>Total, Current Dollars</b>  | <b>286,802</b> | <b>292,999</b> | <b>290,534</b> | <b>345,632</b> | <b>437,801</b> | <b>471,011</b> | <b>402,031</b> | <b>421,116</b> |
| <b>Constant FY 2006 Dollars</b>  |                |                |                |                |                |                |                |                |
| Army   | 134,933        | 122,067        | 86,525         | 95,618         | 130,790        | 160,739        | 102,529        | 98,460         |
| Navy   | 171,404        | 149,587        | 104,098        | 113,166        | 133,972        | 130,603        | 122,176        | 125,413        |
| Air Force  | 168,690        | 137,631        | 96,821         | 110,278        | 134,971        | 131,862        | 120,091        | 127,408        |
| Defense Agencies/OSD/JCS   | 24,401         | 30,699         | 54,335         | 65,450         | 74,000         | 72,685         | 66,459         | 69,835         |
| <b>Total, Constant Dollars</b>   | <b>499,428</b> | <b>439,984</b> | <b>341,779</b> | <b>384,511</b> | <b>473,734</b> | <b>495,889</b> | <b>411,255</b> | <b>421,116</b> |
| <b>% Real Growth</b>   |                |                |                |                |                |                |                |                |
| Army   |                | -2.1           | 3.5            | 7.7            | 36.8           | 22.9           | -36.2          | -4.0           |
| Navy   |                | -0.7           | 2.7            | 4.2            | 18.4           | -2.5           | -6.5           | 2.6            |
| Air Force  |                | -4.5           | -0.8           | 9.2            | 22.4           | -2.3           | -8.9           | 6.1            |
| <b>Total</b>   |                | <b>-2.1</b>    | <b>1.6</b>     | <b>8.5</b>     | <b>23.2</b>    | <b>4.7</b>     | <b>-17.1</b>   | <b>2.4</b>     |

<sup>6</sup> Numbers may not add to total due to rounding. Entries for the three military departments include Retired Pay accrual.

<sup>7</sup> FY 2005 funding includes a \$1.1 billion supplemental for Hurricane Relief costs. FY 2006 funding does not include supplemental appropriations.

<sup>8</sup> Extensive budget data is available on the DoD web site—[www.dod.mil/comptroller](http://www.dod.mil/comptroller). Click on Defense Budget, then National Defense Budget Estimates (Green Book).

Each year's multi-volume Budget of the United States Government is the most widely available source for data for National Defense (Function 050 – includes Dept of Energy defense activities) and for the Department of Defense (DoD) (Function 051). The President submits his proposed budget to Congress on the first Monday in the February preceding the October 1<sup>st</sup> start of a new fiscal year. Each year's Budget is available in most public libraries and many Congressional offices. It also is on line at [www.gpo.gov/usbudget/](http://www.gpo.gov/usbudget/), where one can select:

- Budget of the US Government, the main document, includes chapter on national security.
- Historical Tables: Include tables showing total budget authority and total outlays (total equals discretionary plus mandatory).
- Budget System and Concepts for explanations of the federal budget process and terms like budget authority, discretionary spending, and mandatory spending.



## APPENDIX B

### Personnel Tempo

This appendix responds to Title 10 United States Code, Section 487 requirement for the Secretary of Defense to provide an annual report on the operations and personnel tempo for each of the Military Services. Personnel Tempo (PERSTEMPO) measures the time a member is deployed. This includes much more than the highly visible current operations in Iraq, (Operation Iraqi Freedom), and Afghanistan, (Operation Enduring Freedom). PERSTEMPO attempts to capture all the time individuals are deployed away from their place of normal residence and as such also includes, other contingency operations, various homeland security operations, training exercises, and schools.

A Service member is considered “deployed” when that member is:

- On orders and;
- Performing duties in a training exercise or operation at a location or under circumstances that make it impossible or infeasible for the member to spend off-duty time in the housing at the member’s permanent duty station or home port.

In the specific case of a member of a Reserve Component performing active service, the member is considered “deployed” when that member is:

- On orders that do not establish a permanent change of station; and,
- Performing active service at a location that is not at the member’s permanent training site and is at least 100 miles or 3 hours driving time from the member’s permanent civilian residence; and,
- Performing active service that is not as a student or trainee at a school (including any government school); or,
- Hospitalized at a location not in the immediate vicinity of the member’s permanent residence.

The Department now has a system in place to track individual deployment information uniformly based upon the above definition. These data are shown in the following table, (Table B-1).

Table B-1 depicts the total end strength of each of the military services for FYs 2000-2004. For Fiscal Year 2000 the end strength is calculated by counting those members on active duty or in the ready reserve as of the end of the fiscal year. For 2001-2004, the end strength is an average over the year. To calculate deployment days, the military departments collect deployment data for each individual service member and send the data to the Defense Management Data Center (DMDC), who then aggregate and average. The table shows the number of members deployed, average days deployed per member (who had deployed) and deployment days per end strength. Prior to 2001, the Services

did not have a uniform definition for deployed personnel therefore; the chart shows deployment data from 2001 and onward.

The Reserve and Guard End Strength numbers represent those reserve component forces categorized as the “Ready Reserve,” which includes both the “Selective Reserve” and “Individual Ready Reserve / Inactive National Guard.” The remaining reserve forces, categorized as “Standby Reserve” and “Retired Reserve,” are not included as they are not readily available for involuntary deployment. Additionally, their contribution to FY04 PERSTEMPO, amounted to only 577 deploying for an average of 3 months each, accounting for less than half a tenth of a percent of the DoD total (0.047%).

The increased need for deployed forces, throughout the world and in the United States, is reflected in Table B-1. The table also shows that reserve components throughout DoD are bearing a larger share the deployed PERSTEMPO requirements than they have in the past. To alleviate this burden, the department is continuing transformation and rebalancing efforts.

Data for “Low Density /High Demand” assets and units of battalion size or larger participating in named contingency operations or major training events, contain classified or sensitive information. Requests for these data should be directed to the Deputy Under Secretary of Defense (Readiness).

**Service Size and Deployment Summary**

| Component          | FY 2000*           | FY 2001            |                    |                        |                    | FY 2002          |                  |                        |                    | FY 2003          |                  |                        |                    | FY 2004          |                  |                |              |             |
|--------------------|--------------------|--------------------|--------------------|------------------------|--------------------|------------------|------------------|------------------------|--------------------|------------------|------------------|------------------------|--------------------|------------------|------------------|----------------|--------------|-------------|
|                    | End Strength       | End Strength       | Members Deployed   | Deployed               |                    | End Strength     | Members Deployed | Deployed               |                    | End Strength     | Members Deployed | Deployed               |                    | End Strength     | Members Deployed | Deployed       |              |             |
|                    |                    |                    |                    | Days/ Deployed Members | Days/ End Strength |                  |                  | Days/ Deployed Members | Days/ End Strength |                  |                  | Days/ Deployed Members | Days/ End Strength |                  |                  |                |              |             |
|                    |                    |                    |                    |                        |                    |                  |                  |                        |                    |                  |                  |                        |                    |                  |                  | Average        | Average      | Average     |
| Days/ End Strength | Days/ End Strength | Days/ End Strength | Days/ End Strength | Days/ End Strength     | Days/ End Strength |                  |                  |                        |                    |                  |                  |                        |                    |                  |                  |                |              |             |
| Army               | Active             | 482,170            | 480,801            | 255,853                | 51.3               | 27.6             | 486,542          | 202,969                | 81.1               | 34.4             | 499,301          | 226,274                | 160.8              | 74.4             | 499,543          | 232,822        | 147.7        | 69.9        |
|                    | Reserve            | 370,192            | 357,373            | 74,214                 | 17.2               | 3.5              | 345,328          | 81,135                 | 34.8               | 8.4              | 329,295          | 80,586                 | 65.9               | 15.7             | 321,536          | 89,986         | 66.8         | 18.3        |
|                    | Guard              | 357,257            | 355,981            | 189,578                | 17.5               | 9.3              | 354,451          | 199,065                | 49.3               | 27.7             | 353,229          | 219,230                | 108.9              | 68.1             | 345,056          | 212,638        | 110.6        | 67.8        |
|                    | <b>Total</b>       | <b>1,209,619</b>   | <b>1,194,155</b>   | <b>519,645</b>         | <b>34.1</b>        | <b>14.9</b>      | <b>1,186,321</b> | <b>483,169</b>         | <b>60.2</b>        | <b>24.9</b>      | <b>1,181,825</b> | <b>526,090</b>         | <b>124.6</b>       | <b>55.7</b>      | <b>1,166,135</b> | <b>535,446</b> | <b>119.4</b> | <b>54.8</b> |
| Navy               | Active             | 373,193            | 377,810            | 183,340                | 118.9              | 59.4             | 383,108          | 190,915                | 121.3              | 61.4             | 382,235          | 177,726                | 126.7              | 59.6             | 373,197          | 173,946        | 99.2         | 46.3        |
|                    | Reserve            | 183,933            | 168,454            | 61,305                 | 87.3               | 31.0             | 158,698          | 51,798                 | 98.7               | 33.1             | 153,656          | 44,159                 | 105.3              | 30.1             | 159,958          | 20,061         | 154.0        | 20.7        |
|                    | <b>Total</b>       | <b>557,126</b>     | <b>546,264</b>     | <b>244,645</b>         | <b>111.0</b>       | <b>50.3</b>      | <b>541,806</b>   | <b>242,713</b>         | <b>116.4</b>       | <b>53.2</b>      | <b>535,891</b>   | <b>221,885</b>         | <b>122.5</b>       | <b>51.0</b>      | <b>533,155</b>   | <b>194,007</b> | <b>104.8</b> | <b>39.0</b> |
|                    | Active             | 173,321            | 172,934            | 96,756                 | 67.6               | 38.1             | 173,733          | 96,672                 | 84.4               | 47.7             | 177,779          | 109,294                | 126.7              | 78.6             | 177,480          | 109,535        | 104.0        | 64.7        |
| Reserve            | 99,855             | 96,632             | 9,376              | 15.6                   | 1.5                | 97,944           | 15,411           | 73.1                   | 11.7               | 98,868           | 25,989           | 147.5                  | 39.7               | 98,952           | 23,998           | 93.7           | 22.7         |             |
| <b>Total</b>       | <b>273,176</b>     | <b>269,566</b>     | <b>106,132</b>     | <b>63.0</b>            | <b>24.8</b>        | <b>271,677</b>   | <b>112,083</b>   | <b>82.9</b>            | <b>34.7</b>        | <b>276,647</b>   | <b>135,283</b>   | <b>130.7</b>           | <b>64.8</b>        | <b>276,432</b>   | <b>133,533</b>   | <b>102.1</b>   | <b>49.6</b>  |             |
| Air Force          | Active             | 355,654            | 353,571            | 190,178                | 43.7               | 23.8             | 368,251          | 190,666                | 55.9               | 29.8             | 375,062          | 206,626                | 69.8               | 39.4             | 376,616          | 217,467        | 64.2         | 37.3        |
|                    | Reserve            | 128,340            | 130,869            | 46,775                 | 25.4               | 6.2              | 128,632          | 38,905                 | 46.8               | 15.9             | 121,429          | 35,258                 | 49.3               | 15.2             | 121,997          | 36,678         | 45.8         | 15.1        |
|                    | Guard              | 106,365            | 108,485            | 55,833                 | 21.3               | 9.8              | 112,075          | 40,717                 | 42.3               | 15.5             | 108,137          | 39,722                 | 45.0               | 16.3             | 106,715          | 40,516         | 37.1         | 14.0        |
|                    | <b>Total</b>       | <b>590,359</b>     | <b>592,925</b>     | <b>292,786</b>         | <b>36.5</b>        | <b>16.2</b>      | <b>608,958</b>   | <b>270,288</b>         | <b>52.6</b>        | <b>24.4</b>      | <b>604,628</b>   | <b>281,606</b>         | <b>63.7</b>        | <b>30.4</b>      | <b>605,328</b>   | <b>294,661</b> | <b>58.2</b>  | <b>29.0</b> |
| <b>DoD Total</b>   | <b>2,630,280</b>   | <b>2,602,910</b>   | <b>1,163,208</b>   | <b>53.5</b>            | <b>23.4</b>        | <b>2,608,762</b> | <b>1,108,253</b> | <b>73.0</b>            | <b>31.7</b>        | <b>2,598,991</b> | <b>1,164,864</b> | <b>110.2</b>           | <b>49.9</b>        | <b>2,581,050</b> | <b>1,157,647</b> | <b>99.4</b>    | <b>45.0</b>  |             |

\* Prior to 2001 the Services did not consistently track deployed data.

Deployment data from Defense Manpower Data Center

Reserve and Guard data includes Selective Reserve forces and Inactive Ready Reserve/Inactive National Guard force.

## APPENDIX C

### Resources Allocated to Mission and Support Activities

Section 113(1) of Title 10, United States Code, requires the Department of Defense (DoD) to identify resources allocated to mission and support activities in each of the five preceding fiscal years. In response to that requirement, Appendix C provides year-by-year comparisons of:

- DoD funding (in constant dollars) allocated to forces and infrastructure (Table C-1).<sup>1</sup>
- DoD manpower allocated to forces and infrastructure (Tables C-2 through C-7).
- DoD manpower in management headquarters and headquarters support activities, compared to active-duty military end-strength (Table C-8).

Data for the reporting period (FY 2001-2005) have been normalized for definitional or accounting changes.

As shown in Table C-1, the Department is allocating about 42% of Total Obligational Authority (TOA) to infrastructure activities in FY 2005, about the same percentage as the preceding year. Tables C-2 through C-8, which address DoD manpower, also show that the Department has maintained about the same allocation of manpower for infrastructure activities as the preceding year. This is an important measure of the Department's progress in improving the efficiency of its support operations over the long term. The efficiencies achieved result from initiatives in the Quadrennial Defense Review and Defense Reform Initiatives, including savings from previous base realignment and closure rounds, strategic and competitive sourcing initiatives, and privatization and reengineering efforts.

### DEFINITIONS

In tracking annual resource allocations, this appendix uses mission and infrastructure definitions adopted by the Department for the 1993 Bottom-Up Review and used in the 1997, 2001 and 2005 Quadrennial Defense Reviews. The definitions support macro-level comparisons of DoD resources such as those presented here. They are based on the Quadrennial Defense Reviews, the Future Years Defense Program (FYDP), and Institute for Defense Analyses publication, *DoD Force and Infrastructure Categories: A FYDP-Based Conceptual Model of Department of Defense Programs and Resources*, prepared for the Office of the Secretary of Defense. The definitions are consistent with the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (P.L. 99-433). This act requires that combat units, and their organic support, be routinely assigned to the combatant commanders and that the military departments retain the activities that create and sustain those forces. This feature of U.S. law provides the demarcation line between forces (military units assigned to combatant commanders) and infrastructure (activities retained by the military departments). In addition to distinguishing forces from infrastructure, the force subcategories reflect current operational concepts. The infrastructure subcategories likewise have been updated and streamlined.

The sections that follow define the force and infrastructure categories addressed in this appendix. Each FYDP program element is assigned to one and only one force or infrastructure category.

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<sup>1</sup> In this appendix, the term "forces" is synonymous with mission and the term "infrastructure" is synonymous with support.

## FORCE CATEGORIES

- ***Expeditionary Forces.*** Operating forces designed primarily for nonnuclear operations outside the United States. Includes combat units (and their organic support) such as divisions, tactical aircraft squadrons, and aircraft carriers.
- ***Deterrence and Protection Forces.*** Operating forces designed primarily to deter or defeat direct attacks on the United States and its territories. Also includes those agencies engaged in U.S. international policy activities under the direct supervision of the Office of the Secretary of Defense.
- ***Other Forces.*** Includes most intelligence, space, and combat-related command, control, and communications programs, such as cryptologic activities, satellite communications, and airborne command posts.

## INFRASTRUCTURE CATEGORIES

- ***Force Installations.*** Installations at which combat units are based. Includes the services and organizations at these installations necessary to house and sustain the units and support their daily operations. Also includes programs to sustain, restore, and modernize buildings at the installations and protect the environment.
- ***Communications and Information Infrastructure.*** Programs that provide secure information distribution, processing, storage, and display. Major elements include long-haul communications systems, base computing systems, Defense Enterprise Computing Centers and detachments, and information assurance programs.
- ***Science and Technology Program.*** The program of scientific research and experimentation within the Department of Defense that seeks to advance fundamental science relevant to military needs and determine if the results can be successfully applied to military use.
- ***Acquisition Infrastructure.*** Activities that develop, test, evaluate, and manage the acquisition of military equipment and supporting systems. These activities also provide technical oversight throughout a system's useful life.
- ***Central Logistics.*** Programs that provide supplies, depot-level maintenance of military equipment and supporting systems, transportation of material, and other products and services to customers throughout the DoD.
- ***Defense Health Program (DHP).*** Medical infrastructure and systems, managed by the Assistant Secretary of Defense for Health Affairs, that provide health care to military personnel, dependents, and retirees.
- ***Central Personnel Administration.*** Programs that acquire and administer the DoD workforce. Includes acquisition of new DoD personnel, station assignments, provision of the appropriate number of skilled people for each career field, and miscellaneous personnel management support functions, such as personnel transient and holding accounts.
- ***Central Personnel Benefits Programs.*** Programs that provide benefits to service members. Includes family housing programs; commissaries and military exchanges; dependent schools in the United States and abroad; community, youth, and family centers; child development

activities; off-duty and voluntary education programs; and a variety of ceremonial and morale-boosting activities.

- **Central Training.** Programs that provide formal training to personnel at central locations away from their duty stations (non-unit training). Includes training of new personnel, officer training and service academies, aviation and flight training, and military professional and skill training. Also includes miscellaneous other training-related support functions.
- **Departmental Management.** Headquarters whose primary mission is to manage the overall programs and operations of the Department of Defense and its components. Includes administrative, force, and international management headquarters, and defense-wide support activities that are centrally managed. Excludes headquarters elements exercising operational command (which are assigned to the Other Forces category) and those management headquarters that are associated with other infrastructure categories.
- **Other Infrastructure.** These programs do not fit well into other categories. They include programs that (1) provide management, basing, and operating support for DoD intelligence activities; (2) conduct navigation, meteorological, and oceanographic activities; (3) manage and upgrade DoD-operated air traffic control activities; (4) support warfighting, wargaming, battle centers, and major modeling and simulation programs; (5) conduct medical contingency preparedness activities not part of the DHP; and (6) fund CINC-sponsored or JCS-directed joint exercises. Also included in this category are centralized resource adjustments that are not allocated among the programs affected (e.g., foreign currency fluctuations, commissary resale stocks, and force structure deviations).

Table C-1

**Department of Defense**  
**TOA by Force and Infrastructure Category**  
**Constant FY 2006 \$ (Billions)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 147        | 157        | 204        | 216        | 186        |
| Deterrence & Protection Forces                 | 9          | 14         | 15         | 15         | 16         |
| Other Forces                                   | 34         | 36         | 51         | 48         | 49         |
| Defense Emergency Response Fund                | 0          | 15         | 1          | 0          | 0          |
| <b>Forces Total</b>                            | <b>190</b> | <b>222</b> | <b>270</b> | <b>278</b> | <b>251</b> |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 25         | 28         | 34         | 32         | 26         |
| Communications & Information                   | 5          | 7          | 9          | 8          | 8          |
| Science & Technology Program                   | 10         | 11         | 12         | 13         | 14         |
| Acquisition                                    | 9          | 9          | 10         | 11         | 11         |
| Central Logistics                              | 20         | 21         | 28         | 25         | 21         |
| Defense Health Program                         | 19         | 27         | 24         | 26         | 25         |
| Central Personnel Administration               | 11         | 8          | 13         | 12         | 11         |
| Central Personnel Benefits Programs            | 9          | 9          | 9          | 10         | 9          |
| Central Training                               | 28         | 31         | 35         | 32         | 31         |
| Departmental Management                        | 16         | 18         | 21         | 20         | 21         |
| Other Infrastructure                           | 9          | 4          | 4          | 12         | 7          |
| <b>Infrastructure Total</b>                    | <b>161</b> | <b>173</b> | <b>198</b> | <b>202</b> | <b>185</b> |
| <b>Grand Total</b>                             | <b>351</b> | <b>395</b> | <b>469</b> | <b>481</b> | <b>436</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>46%</b> | <b>44%</b> | <b>42%</b> | <b>42%</b> | <b>42%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: TOA = Total Obligational Authority

Table C-2

**Department of Defense  
Active Duty Military & Civilian Manpower by  
Force and Infrastructure Category (In Thousands)**

|  | FY 2001      | FY 2002      | FY 2003      | FY 2004      | FY 2005      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Forces</b>                                  |              |              |              |              |              |
| Expeditionary Forces                           | 804          | 838          | 875          | 887          | 864          |
| Deterrence & Protection Forces                 | 27           | 27           | 29           | 36           | 36           |
| Other Forces                                   | 61           | 67           | 65           | 66           | 68           |
| <b><i>Forces Total</i></b>                     | <b>892</b>   | <b>932</b>   | <b>969</b>   | <b>989</b>   | <b>968</b>   |
| <b>Infrastructure</b>                          |              |              |              |              |              |
| Force Installations                            | 171          | 157          | 157          | 164          | 138          |
| Communications & Information                   | 25           | 31           | 28           | 27           | 27           |
| Science & Technology Program                   | 15           | 16           | 17           | 17           | 16           |
| Acquisition                                    | 97           | 96           | 100          | 93           | 91           |
| Central Logistics                              | 176          | 178          | 169          | 154          | 161          |
| Defense Health Program                         | 129          | 129          | 132          | 139          | 147          |
| Central Personnel Administration               | 93           | 85           | 83           | 76           | 79           |
| Central Personnel Benefits Programs            | 49           | 47           | 47           | 48           | 48           |
| Central Training                               | 297          | 293          | 285          | 274          | 269          |
| Departmental Management                        | 117          | 116          | 115          | 115          | 114          |
| Other Infrastructure                           | 12           | 23           | 21           | 23           | 22           |
| <b><i>Infrastructure Total</i></b>             | <b>1,182</b> | <b>1,171</b> | <b>1,155</b> | <b>1,129</b> | <b>1,113</b> |
| <b>Grand Total</b>                             | <b>2,074</b> | <b>2,103</b> | <b>2,124</b> | <b>2,118</b> | <b>2,081</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>57%</b>   | <b>56%</b>   | <b>54%</b>   | <b>53%</b>   | <b>53%</b>   |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes National Guard and Reserve Personnel.



Table C-3

**Department of the Army  
Active Duty Military & Civilian Manpower by  
Force and Infrastructure Category (In Thousands)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 346        | 354        | 379        | 379        | 368        |
| Deterrence & Protection Forces                 | 2          | 2          | 2          | 2          | 2          |
| Other Forces                                   | 11         | 13         | 12         | 12         | 13         |
| <b><i>Forces Total</i></b>                     | <b>358</b> | <b>368</b> | <b>393</b> | <b>393</b> | <b>383</b> |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 38         | 34         | 37         | 41         | 29         |
| Communications & Information                   | 6          | 6          | 5          | 5          | 5          |
| Science & Technology Program                   | 10         | 10         | 12         | 11         | 11         |
| Acquisition                                    | 11         | 12         | 12         | 13         | 13         |
| Central Logistics                              | 43         | 45         | 42         | 39         | 45         |
| Defense Health Program                         | 50         | 50         | 51         | 52         | 51         |
| Central Personnel Administration               | 36         | 36         | 33         | 34         | 33         |
| Central Personnel Benefits Programs            | 6          | 6          | 5          | 5          | 6          |
| Central Training                               | 110        | 107        | 97         | 95         | 96         |
| Departmental Management                        | 32         | 32         | 32         | 33         | 35         |
| Other Infrastructure                           | 0          | 4          | 4          | 4          | 5          |
| <b><i>Infrastructure Total</i></b>             | <b>342</b> | <b>343</b> | <b>330</b> | <b>333</b> | <b>328</b> |
| <b>Grand Total</b>                             | <b>700</b> | <b>711</b> | <b>723</b> | <b>727</b> | <b>711</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>49%</b> | <b>48%</b> | <b>46%</b> | <b>46%</b> | <b>46%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes National Guard and Reserve Personnel.

Table C-4

**Navy**  
**Active Duty Military & Civilian Manpower by**  
**Force and Infrastructure Category (In Thousands)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 176        | 184        | 179        | 187        | 184        |
| Deterrence & Protection Forces                 | 12         | 13         | 12         | 20         | 19         |
| Other Forces                                   | 12         | 12         | 13         | 12         | 12         |
| <b><i>Forces Total</i></b>                     | <b>200</b> | <b>209</b> | <b>204</b> | <b>218</b> | <b>215</b> |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 46         | 45         | 53         | 57         | 47         |
| Communications & Information                   | 6          | 6          | 5          | 5          | 5          |
| Science & Technology Program                   | 0          | 0          | 0          | 0          | 0          |
| Acquisition                                    | 52         | 51         | 55         | 46         | 46         |
| Central Logistics                              | 59         | 60         | 56         | 45         | 43         |
| Defense Health Program                         | 39         | 40         | 42         | 48         | 56         |
| Central Personnel Administration               | 31         | 30         | 31         | 23         | 23         |
| Central Personnel Benefits Programs            | 5          | 6          | 6          | 6          | 6          |
| Central Training                               | 78         | 75         | 74         | 67         | 66         |
| Departmental Management                        | 28         | 28         | 28         | 26         | 26         |
| Other Infrastructure                           | 6          | 6          | 4          | 4          | 4          |
| <b><i>Infrastructure Total</i></b>             | <b>351</b> | <b>348</b> | <b>354</b> | <b>328</b> | <b>324</b> |
| <b>Grand Total</b>                             | <b>551</b> | <b>557</b> | <b>558</b> | <b>546</b> | <b>539</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>64%</b> | <b>63%</b> | <b>63%</b> | <b>60%</b> | <b>60%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes Reserve Personnel.

Table C-5

**Department of the Air Force  
Active Duty Military & Civilian Manpower by  
Force and Infrastructure Category (In Thousands)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 172        | 187        | 199        | 205        | 197        |
| Deterrence & Protection Forces                 | 13         | 11         | 13         | 13         | 13         |
| Other Forces                                   | 28         | 31         | 29         | 29         | 30         |
| <b>Forces Total</b>                            | <b>212</b> | <b>229</b> | <b>241</b> | <b>247</b> | <b>240</b> |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 67         | 58         | 47         | 46         | 43         |
| Communications & Information                   | 5          | 11         | 11         | 10         | 10         |
| Science & Technology Program                   | 5          | 5          | 5          | 5          | 5          |
| Acquisition                                    | 17         | 16         | 17         | 18         | 17         |
| Central Logistics                              | 47         | 45         | 45         | 44         | 45         |
| Defense Health Program                         | 40         | 39         | 39         | 39         | 39         |
| Central Personnel Administration               | 14         | 7          | 8          | 6          | 11         |
| Central Personnel Benefits Programs            | 6          | 5          | 5          | 5          | 5          |
| Central Training                               | 71         | 75         | 77         | 75         | 69         |
| Departmental Management                        | 27         | 28         | 27         | 28         | 26         |
| Other Infrastructure                           | 6          | 12         | 12         | 13         | 12         |
| <b>Infrastructure Total</b>                    | <b>304</b> | <b>300</b> | <b>294</b> | <b>290</b> | <b>283</b> |
| <b>Grand Total</b>                             | <b>516</b> | <b>529</b> | <b>534</b> | <b>537</b> | <b>523</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>59%</b> | <b>57%</b> | <b>55%</b> | <b>54%</b> | <b>54%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes National Guard and Reserve Personnel.

Table C-6

**Marine Corps  
Active Duty Military & Civilian Manpower by  
Force and Infrastructure Category (In Thousands)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 109        | 113        | 117        | 116        | 115        |
| Deterrence & Protection Forces                 | 0          | 0          | 0          | 0          | 0          |
| Other Forces                                   | 1          | 1          | 1          | 1          | 1          |
| <b><i>Forces Total</i></b>                     | <b>110</b> | <b>114</b> | <b>118</b> | <b>118</b> | <b>115</b> |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 20         | 19         | 20         | 19         | 19         |
| Communications & Information                   | 0          | 0          | 0          | 0          | 0          |
| Science & Technology Program                   | 0          | 0          | 0          | 0          | 0          |
| Acquisition                                    | 1          | 1          | 1          | 1          | 1          |
| Central Logistics                              | 5          | 5          | 5          | 5          | 5          |
| Defense Health Program                         | 0          | 0          | 0          | 0          | 0          |
| Central Personnel Administration               | 11         | 11         | 11         | 11         | 11         |
| Central Personnel Benefits Programs            | 2          | 2          | 1          | 1          | 1          |
| Central Training                               | 38         | 37         | 37         | 37         | 37         |
| Departmental Management                        | 6          | 6          | 6          | 6          | 6          |
| Other Infrastructure                           | 1          | 1          | 1          | 1          | 1          |
| <b><i>Infrastructure Total</i></b>             | <b>83</b>  | <b>80</b>  | <b>82</b>  | <b>82</b>  | <b>81</b>  |
| <b>Grand Total</b>                             | <b>193</b> | <b>195</b> | <b>200</b> | <b>199</b> | <b>197</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>43%</b> | <b>41%</b> | <b>41%</b> | <b>41%</b> | <b>41%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes Reserve Personnel.

Table C-7

**Defense Agency and Defense-Wide  
Civilian Manpower by  
Force and Infrastructure Category (In Thousands)**

|  | FY 2001    | FY 2002    | FY 2003    | FY 2004    | FY 2005    |
|--|------------|------------|------------|------------|------------|
| <b>Forces</b>                                  |            |            |            |            |            |
| Expeditionary Forces                           | 0          | 0          | 0          | 0          | 0          |
| Deterrence & Protection Forces                 | 1          | 1          | 1          | 1          | 2          |
| Other Forces                                   | 10         | 11         | 11         | 12         | 13         |
| <b><i>Forces Total</i></b>                     | <b>11</b>  | <b>12</b>  | <b>12</b>  | <b>13</b>  | <b>15</b>  |
| <b>Infrastructure</b>                          |            |            |            |            |            |
| Force Installations                            | 0          | 0          | 0          | 0          | 0          |
| Communications & Information                   | 7          | 7          | 7          | 6          | 6          |
| Science & Technology Program                   | 0          | 0          | 0          | 0          | 0          |
| Acquisition                                    | 16         | 16         | 15         | 15         | 15         |
| Central Logistics                              | 22         | 22         | 21         | 21         | 23         |
| Defense Health Program                         | 0          | 0          | 0          | 0          | 0          |
| Central Personnel Administration               | 1          | 1          | 1          | 1          | 1          |
| Central Personnel Benefits Programs            | 30         | 29         | 29         | 29         | 29         |
| Central Training                               | 0          | 0          | 1          | 1          | 1          |
| Departmental Management                        | 25         | 23         | 22         | 21         | 21         |
| Other Infrastructure                           | 0          | 0          | 0          | 0          | 0          |
| <b><i>Infrastructure Total</i></b>             | <b>102</b> | <b>99</b>  | <b>96</b>  | <b>96</b>  | <b>97</b>  |
| <b>Grand Total</b>                             | <b>113</b> | <b>111</b> | <b>108</b> | <b>109</b> | <b>111</b> |
| <b>Infrastructure as a Percentage of Total</b> | <b>90%</b> | <b>89%</b> | <b>89%</b> | <b>88%</b> | <b>87%</b> |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Table C-8

**Headquarters and Headquarters Support Manpower  
Compared to Active Duty Military End-Strength  
(In Thousands)**

|  | <b>FY 2001</b> | <b>FY 2002</b> | <b>FY 2003</b> | <b>FY 2004</b> | <b>FY 2005</b> |
|--|----------------|----------------|----------------|----------------|----------------|
| Management Headquarters and Support Activities                           | 29             | 29             | 28             | 27             | 27             |
| Active-Duty Military End-strength  | 1,387          | 1,416          | 1,434          | 1,428          | 1,383          |
| <b>Headquarters Manning as a<br/>Percentage of Military End-Strength</b> | <b>2.1%</b>    | <b>2.0%</b>    | <b>2.0%</b>    | <b>1.9%</b>    | <b>2.0%</b>    |

Source: FY 2006 President's Budget and associated FYDP with Institute for Defense Analyses FYDP normalization adjustments.

Note: Excludes National Guard and Reserve Personnel.

## APPENDIX D

### Goldwater-Nichols Act Implementation Report

This appendix contains the Department's Joint Officer Management Annual Report for FY 2004. Except for compliance with Section 619a, Title 10, United States Code, Tables B-2, B-5, reasons in Tables B-9 and B-11, and promotion objectives, the Joint Duty Assignment Management Information System (JDAMIS) was used to produce this report.

#### COMPLIANCE WITH SECTION 619a, TITLE 10, U.S. CODE

Section 931 of the FY 1994 National Defense Authorization Act requires each Military Service to develop and implement personnel plans to permit the orderly promotion of officers to brigadier general or rear admiral (lower half). The following brigadier general/rear admiral (lower half) promotion boards were approved during Fiscal Year 2004 not including professionals:

|   | USA | USAF | USMC | USN | Total |
|---|-----|------|------|-----|-------|
| Number of Officers Selected for O-7:  | 42  | 36   | 5    | 30  | 113   |
| Number of officers joint qualified:*  | 32  | 28   | 4    | 22  | 86    |
| Percent of officers joint qualified:  | 76% | 77%  | 80%  | 73% | 76%   |
| *Excludes officer exceptions outlined in Title 10. See Table B-10 for additional information. |     |      |      |     |       |

#### COMPLIANCE WITH SECTION 667, TITLE 10, U.S. CODE

Tables B1-B13 comprise the reportable requirements of section 667, title 10, U.S.C. for monitoring Department Joint Officer management and education programs.

| <b>Table B-1A</b>   |     |      |      |     |        |
|---|-----|------|------|-----|--------|
| <b>Summary of Joint Specialty Officer (JSO) and JSO Designations for FY 04</b>  |     |      |      |     |        |
|   | USA | USAF | USMC | USN | Total  |
| Number of officers designated as JSOs:*   | 470 | 561  | 105  | 280 | 1,416^ |
| Number of officers who meet selection criteria but were not selected:   | 17  | 6    | 30   | 22  | 75     |
| Number of JSOs designated under standard provisions:  | 362 | 441  | 72   | 172 | 1047   |
| Number of JSOs designated under COS provisions:   | 108 | 120  | 33   | 108 | 369    |
| <ul style="list-style-type: none"><li>• <i>*Note: Designation under section 521(a) of the 2002 National Defense Authorization Act.</i></li><li>• <i>^727 nominees submitted September 2004; approved on 12 November 2004.</i></li></ul> |     |      |      |     |        |

| <b>Table B-1B</b>   |   |  |  |
|---|---|--|--|
| <b>Critical Occupational Specialties (COS)</b>  |   |  |  |
| <b>USA</b>  | <b>USAF</b>   | <b>USMC</b>  | <b>USN</b>   |
| Infantry<br>Armor<br>Artillery<br>Air Defense Artillery<br>Aviation<br>Special Operations<br>Combat Engineers | Pilot<br>Navigator<br>Command/Control<br>Operations<br>Space/Missile Operations | Infantry<br>Tanks/AAV<br>Artillery<br>Air Control/Air Support<br>Anti-Air Warfare<br>Aviation<br>Engineers | Surface<br>Submariner<br>Aviation<br>SEALS<br>Special Operations |

| <b>Table B-2</b>                            |     |             |     |             |    |            |     |
|---|-----|-------------|-----|-------------|----|------------|-----|
| <b>JSOs Designated by Branch and Grade*</b> |     |             |     |             |    |            |     |
| <b>USA</b>                                  |     | <b>USAF</b> |     | <b>USMC</b> |    | <b>USN</b> |     |
| O-9   | 0   | O-9         | 0   | O-9         | 0  | O-9        | 1   |
| O-8   | 0   | O-8         | 0   | O-8         | 0  | O-8        | 1   |
| O-7   | 19  | O-7         | 0   | O-7         | 2  | O-7        | 4   |
| O-6   | 118 | O-6         | 108 | O-6         | 30 | O-6        | 58  |
| O-5   | 262 | O-5         | 303 | O-5         | 41 | O-5        | 180 |
| O-4   | 71  | O-4         | 150 | O-4         | 32 | O-4        | 36  |

*\*Note: 727 nominees submitted September 2004; approved on 12 November 2004.*

| <b>Table B-3</b>  |            |             |             |            |              |
|---|------------|-------------|-------------|------------|--------------|
| <b>Summary of Officers on Active Duty with a Critical Occupational Specialty<br/>(as of September 30, 2004)</b> |            |             |             |            |              |
|   | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| COS officers designated as JSOs:  | 778        | 1537        | 326         | 914        | 3555         |
| COS JSOs currently serving in a JDA:  | 602        | 1029        | 277         | 858        | 2766         |
| COS JSOs nominees who completed a JDA and are currently attending JPME:   | 11         | 10          | 4           | 17         | 42           |
| COS officers who have completed JPME:   | 1263       | 2499        | 537         | 1710       | 6009         |
| COS officers designated as JSO nominees who have not completed JPME:  | 351        | 380         | 127         | 446        | 1304         |



| <b>Table B-4</b>   |            |             |             |            |              |
|--|------------|-------------|-------------|------------|--------------|
| <b>Summary of JSOs with Critical Occupational Specialties Who are Serving<br/>or Have Served in a Second Joint Assignment<br/>(as of September 30, 2004)</b> |            |             |             |            |              |
|  | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| <b>Field Grade</b>   |            |             |             |            |              |
| Have Served*   | 181(70)    | 235(114)    | 20(5)       | 102(28)    | 538(217)     |
| Are Serving*   | 76(23)     | 132(43)     | 22(4)       | 102(23)    | 332(93)      |
| <b>General/Flag</b>  |            |             |             |            |              |
| Have Served*   | 15(7)      | 40(18)      | 12(8)       | 10(3)      | 77(36)       |
| Are Serving*   | 11(5)      | 13(6)       | 2(2)        | 3(5)       | 29(18)       |
| * Note: Number in parenthesis indicates number of second joint assignments, which were to a critical joint position.   |            |             |             |            |              |

| <b>Table B-5</b>   |            |             |             |            |              |
|--|------------|-------------|-------------|------------|--------------|
| <b>Analysis of the Assignment Where Officers Were Reassigned (in FY 2004)<br/>on Their First Assignment Following Designation as a JSO</b> |            |             |             |            |              |
|  | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| <b>Assignment Category</b>   |            |             |             |            |              |
| Command:   | 20         | 39          | 0           | 13         | 72           |
| Service Headquarters:  | 18         | 12          | 11          | 6          | 47           |
| Joint Staff Critical:  | 0          | 8           | 1           | 0          | 9            |
| Joint Staff Other:   | 2          | 9           | 0           | 1          | 12           |
| Other JDA:   | 50         | 21          | 4           | 25         | 100          |
| Professional Military Education (PME):   | 11         | 15          | 7           | 1          | 34           |
| Retirement/separation:   | 0          | 10          | 0           | 0          | 10           |
| Other Operations:  | 65         | 18          | 30          | 13         | 126          |
| Other Staff:   | 53         | 39          | 6           | 24         | 122          |
| Other Shore (Navy):  | N/A        | N/A         | 1           | 23         | 24           |

| <b>Table B-6</b>  |            |             |             |            |                |
|---|------------|-------------|-------------|------------|----------------|
| <b>Average Length of Tour of Duty in Joint Duty Assignments (FY 2004)<br/>(in months)</b> |            |             |             |            |                |
|   | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>DoD Avg</b> |
| <b>Field Grade Officers</b>   |            |             |             |            |                |
| Joint Staff   | 34.3       | 31.0        | 34.8        | 35.0       | 32.9           |
| Other Joint   | 37.6       | 36.8        | 37.6        | 38.6       | 37.4           |
| Joint Total   | 37.4       | 36.3        | 37.3        | 38.3       | 37.0           |
| <b>General/Flag Officers</b>  |            |             |             |            |                |
| Joint Staff   | 21.3       | 25.6        | 22.0        | 25.2       | 24.0           |
| Other Joint   | 27.0       | 27.9        | 24.0        | 28.5       | 27.3           |
| Joint Total   | 26.0       | 27.5        | 23.6        | 27.6       | 26.7           |

| <b>Table B-7</b>                                     |            |             |             |            |              |
|--|------------|-------------|-------------|------------|--------------|
| <b>Summary of Tour Length Exclusions for FY 2004</b> |            |             |             |            |              |
|  | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| <b>Category</b>                                      |            |             |             |            |              |
| Retirement:  | 65         | 115         | 18          | 83         | 281          |
| Separation:  | 0          | 0           | 0           | 0          | 0            |
| Suspension from duty:                                | 10         | 1           | 0           | 0          | 11           |
| Compassionate/Medical:                               | 1          | 7           | 2           | 0          | 10           |
| Other joint after promotion:                         | 6          | 1           | 1           | 3          | 11           |
| Reorganization:                                      | 4          | 14          | 0           | 1          | 19           |
| Joint overseas-short tours:                          | 181        | 136         | 8           | 37         | 362          |
| Second tours:  | 56         | 37          | 8           | 28         | 129          |
| Joint accumulation:                                  | 11         | 11          | 4           | 10         | 36           |
| COS reassignment:                                    | 92         | 122         | 29          | 125        | 368          |
| <b>Total:</b>  | <b>426</b> | <b>444</b>  | <b>70</b>   | <b>289</b> | <b>1229</b>  |

| <b>Table B-8</b>  |            |             |             |            |              |
|---|------------|-------------|-------------|------------|--------------|
| <b>Joint Duty Position Distribution by Service<br/>(as of September 30, 2004)</b> |            |             |             |            |              |
|   | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| Joint Staff Positions <b>Assigned:</b>  | 258        | 258         | 65          | 197        | 778          |
| Joint Staff Positions <b>Filled:</b>  | 275        | 278         | 75          | 204        | 832          |
| Other Joint Duty Assignment Positions <b>Assigned:</b>                            | 3214       | 3334        | 579         | 1970       | 9097         |
| Other Joint Duty Assignment Positions <b>Filled:</b>                              | 2563       | 2586        | 500         | 1603       | 7252         |
| Total Joint Duty Assignment Positions <b>Assigned:</b>                            | 3472       | 3592        | 644         | 2167       | 9875         |
| Total Joint Duty Assignment Positions <b>Filled:</b>                              | 2838       | 2864        | 575         | 1807       | 8084         |
| Percent of Total Number of Joint Duty Assignments:                                | 35%        | 36%         | 7%          | 22%        | 100%         |
| Percent of Total Number of Officers:*   | 35%        | 36%         | 7%          | 22%        | 100%         |

\*Total Commissioned Officers: O-3 through O-10 less professional categories.

| <b>Table B-9A</b>   |            |             |             |            |              |
|---|------------|-------------|-------------|------------|--------------|
| <b>Critical Position Summary<br/>(as of September 30, 2004)</b> |            |             |             |            |              |
|   | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| Total number of critical positions:                             | 323        | 297         | 55          | 146        | 821          |
| Number of vacant critical positions:                            | 61         | 145         | 6           | 46         | 258          |
| Number of critical positions filled by JSOs:                    | 100        | 129         | 13          | 56         | 298          |
| Of those positions filled, percent filled by JSOs:              | 38%        | 85%         | 27%         | 56%        | 53%          |
| Number of critical positions filled by non-JSOs:                | 162        | 23          | 36          | 44         | 265          |
| Percent of critical positions filled by JSOs&Non-JSOs:          | 81%        | 51%         | 89%         | 68%        | 68%          |

| <b>Table B-9B</b>  |     |
|--|-----|
| <b>Reasons for Filling Critical Positions with Officers Who are Not JSOs</b> |     |
| Position filled by non-JSO incumbent prior to being a joint position:        | 0   |
| Position being converted to a non-critical position or being deleted:        | 0   |
| Joint specialty officer not yet available:                                   | 0   |
| Best qualified officer not joint specialist:                                 | 246 |
| Position filled by non-JSO incumbent prior to being a critical position:     | 2   |
| Other:   | 17  |

| <b>Table B-9C</b>   |            |
|---|------------|
| <b>The following organizations have joint duty critical positions,<br/>which are filled by officers and Flag billets who do not possess the joint specialty</b> |            |
| JFCOM   | 15         |
| CENTCOM   | 17         |
| NORTHCOM  | 20         |
| OSD   | 7          |
| EUCOM   | 17         |
| CJCS Activities   | 4          |
| DOD Agencies  | 38         |
| Joint Staff   | 32         |
| General/Flag Officers   | 30         |
| PACOM   | 35         |
| SOCOM   | 10         |
| SOUTHCOM  | 11         |
| TRANSCOM  | 10         |
| Cross Department  | 6          |
| NATO Military Committee   | 13         |
| <b>Total</b>  | <b>265</b> |

| <b>Table B-10</b>                            |            |             |             |            |              |
|--|------------|-------------|-------------|------------|--------------|
| <b>Comparison of Waiver Usage (FY 2004)</b>  |            |             |             |            |              |
|  | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| <b>Field Grade</b>                           |            |             |             |            |              |
| JSO Designations <sup>1</sup>                | 451        | 561         | 103         | 274        | 1389         |
| JSO Sequence Waivers <sup>2</sup>            | 48         | 20          | 1           | 21         | 90           |
| JSO Two-tour Waivers                         | 0          | 0           | 0           | 0          | 0            |
| JSOs Graduating from JPME                    | 12         | 10          | 5           | 1          | 28           |
| Post JPME Assignment Waivers Granted         | 5          | 2           | 0           | 1          | 8            |
| Field Grade Officers who departed JDAs       | 885        | 1166        | 184         | 556        | 2791         |
| Field Grade JDA tour length waivers          | 65         | 149         | 8           | 28         | 250          |
| <b>General/Flag Officer</b>                  |            |             |             |            |              |
| JSO Designations <sup>1</sup>                | 19         | 0           | 2           | 6          | 27           |
| JSO Designation Waivers                      | 0          | 0           | 0           | 0          | 0            |
| General/Flag Officers who departed JDAs      | 28         | 33          | 10          | 20         | 91           |
| General/Flag Officer JDA tour length waivers | 7          | 16          | 5           | 7          | 35           |
| Attended CAPSTONE                            | 45         | 40          | 9           | 22         | 116          |
| CAPSTONE Waivers                             | 0          | 0           | 0           | 5          | 5            |
| Selected for Promotion to O-7*               | 42         | 36          | 5           | 30         | 113          |
| Good of the Service Waivers                  | 0          | 0           | 1           | 0          | 1            |
| Other Waivers*                               | 10         | 7           | 0           | 8          | 25           |

*\*Does not include professional categories.*

<sup>1</sup>*Includes 727 nominees submitted September 2004; approved in November 2004.*

<sup>2</sup>*Section 502 of the 2003 NDAA gave the Services a one-time exclusion from the 10 percent waiver limitation for JSO designation for officers completing JPME II after joint duty assignment (Category C) or completing at least two JDAs without JPME II (Category D). The Services submitted 90 officers for sequence waivers (Category C); the waivers were submitted in September 2004 and approved in November 2004. Category D officers are still under review for eligibility under this provision.*

| <b>Table B-11A</b>  |            |             |             |            |              |
|---|------------|-------------|-------------|------------|--------------|
| <b>Joint Professional Military Education (PME) Phase II Summary (FY 2004)</b> |            |             |             |            |              |
|   | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| Students graduating from JFSC in FY04   | 227        | 305         | 44          | 169        | 745          |
| Students who had completed Resident PME                                       | 136        | 61          | 27          | 89         | 313          |
| Percent of Total  | 60%        | 20%         | 61%         | 53%        | 42%          |
| Students who had completed non-resident PME                                   | 88         | 243         | 17          | 75         | 423          |
| Percent of Total  | 38%        | 80%         | 38%         | 44%        | 57%          |
| Students without resident or non-resident PME                                 | 3          | 1           | 0           | 5          | 9            |
| Percent of Total  | 1%         | 0%          | 0%          | 3%         | 1%           |

| <b>Table B-11B</b>  |     |
|---|-----|
| <b>Reasons for Students Not Completing Resident PME<br/>Prior to Attending Phase II</b> |     |
| Officer completed Phase I by correspondence/seminar                                     | 423 |
| Officer completed Phase I equivalent program  | 4   |
| Officer scheduled to attend a resident PME immediately following Phase II               | 0   |
| Officer career path did not allow attendance at a resident PME program                  | 9   |
| Other   | 0   |

| <b>Table B-12A</b>   |            |             |             |            |              |
|--|------------|-------------|-------------|------------|--------------|
| <b>Temporary Joint Task Force Credit (FY 2004)</b>   |            |             |             |            |              |
| <b>Category</b>  | <b>USA</b> | <b>USAF</b> | <b>USMC</b> | <b>USN</b> | <b>Total</b> |
| Full Joint Tour Credit   | 0          | 0           | 0           | 0          | 0            |
| Cumulative Credit *  | 19         | 63          | 8           | 2          | 92           |
| <i>* Includes 49 officers submitted in September 2004 and approved in November 2004. .</i> |            |             |             |            |              |

| <b>Table B-12B</b>  |                           |
|---|---------------------------|
| <b>Operations for which Joint Task Force Credit has been awarded (FY 2004)</b>      |                           |
| <b>Operation</b>  | <b>Date of Operations</b> |
| Operation NORTHERN WATCH*   | 01 Aug 92 - TBD           |
| Operation SOUTHERN WATCH*   | 27 Aug 92- TBD            |
| Operation ABLE SENTRY*  | 26 Jun 93 – 28 Feb 99     |
| Operation JOINT ENDEAVOR*   | 25 Dec 95 – 19 Dec 96     |
| Operation JOINT GUARD*  | 20 Dec 96 – 20 Jun 98     |
| Operation DESERT THUNDER*   | 24 Jan 98 – 15 Dec 98     |
| Operation JOINT FORGE*  | 20 Jun 98 – 10 Jun 99     |
| Operation NOBLE ANVIL*  | 24 Mar 99 – 20 Jul 99     |
| Operation JOINT GUARDIAN*   | 11 Jun 99 – TBD           |
| <i>* Note: Approved under section 523, 2002 National Defense Authorization Act.</i> |                           |

| <b>Table B-12C</b>   |                                      |
|--|--------------------------------------|
| <b>Positions for which Joint Task Force Credit has been approved (FY 2004)</b> |                                      |
| <b>Operation/Headquarters Location</b>   | <b>Number of Positions Requested</b> |
| Combined Joint Task Force Afghanistan/180*                                     | 106                                  |
| Bagram, Afghanistan  |                                      |
| Combined Joint Task Force Horn of Africa*                                      | 100                                  |
| Camp Lemonier, Djibouti  |                                      |
| Combined Joint Task Force 7* (Iraq)  | 137                                  |
| Camp Dohar, Qatar  |                                      |
|  |                                      |
|  |                                      |
| <i>* Task Forces approved in October 2003.</i>                                 |                                      |

Table B-13A

## FY 2004 Army Joint Officer Promotion Comparisons

| Grade      | Category    | Are Serving In |     |      | Have Served In |     |      | Total In Zone    |                  |     | Remarks   |
|------------|-------------|----------------|-----|------|----------------|-----|------|------------------|------------------|-----|-----------|
|            |             | IZ%            | BZ% | AZ%  | IZ%            | BZ% | AZ%  | Con <sup>1</sup> | Sel <sup>1</sup> | %   |           |
| <b>O-8</b> | Joint Staff | N/A            | N/A | N/A  | N/A            | N/A | N/A  |                  |                  |     | See 2     |
|            | JSO         | N/A            | N/A | N/A  | N/A            | N/A | N/A  |                  |                  |     |           |
|            | Service Hqs | N/A            | N/A | N/A  | N/A            | N/A | N/A  |                  |                  |     |           |
|            | Other Joint | N/A            | N/A | N/A  | N/A            | N/A | N/A  |                  |                  |     |           |
|            | Board Avg   |                |     |      |                |     |      |                  |                  |     |           |
| <b>O-7</b> | Joint Staff | 13%            | N/A | N/A  | 4%             | N/A | N/A  | 73               | 7                | 10  | See 3 & 4 |
|            | JSO         | 0%             | N/A | N/A  | 0%             | N/A | N/A  | 674              | 17               | 2   |           |
|            | Service Hqs | 6%             | N/A | N/A  | 0%             | N/A | N/A  | 193              | 7                | 4   |           |
|            | Other Joint | 3%             | N/A | N/A  | 3%             | N/A | N/A  | 274              | 7                | 3   |           |
|            | Board Avg   |                |     |      |                |     |      | 1698             | 42               | 2   |           |
| <b>O-6</b> | Joint Staff | 77%            | 6%  | 0%   | 62%            | 7%  | 100% | 54               | 43               | 79  |           |
|            | JSO         | 52%            | 3%  | 2%   | 54%            | 2%  | 0%   | 143              | 77               | 54  |           |
|            | Service Hqs | 54%            | 1%  | 3%   | 56%            | 6%  | 0%   | 151              | 86               | 57  |           |
|            | Other Joint | 52%            | 2%  | 14%  | 57%            | 4%  | 0%   | 216              | 123              | 57  |           |
|            | Board Avg   |                |     |      |                |     |      | 743              | 392              | 53  |           |
| <b>O-5</b> | Joint Staff | 100%           | 25% | 0%   | 100%           | N/A | N/A  | 4                | 4                | 100 |           |
|            | JSO         | 100%           | N/A | 25%  | 100%           | N/A | N/A  | 8                | 8                | 100 |           |
|            | Service Hqs | 84%            | 0%  | 5%   | 89%            | 17% | 14%  | 118              | 100              | 85  |           |
|            | Other Joint | 80%            | 2%  | 18%  | 76%            | 8%  | 15%  | 236              | 227              | 96  |           |
|            | Board Avg   |                |     |      |                |     |      | 1336             | 1068             | 80  |           |
| <b>O-4</b> | Joint Staff | N/A            | N/A | N/A  | N/A            | N/A | N/A  | 0                | 0                | 0   |           |
|            | JSO         | N/A            | N/A | N/A  | N/A            | N/A | N/A  | 0                | 0                | 0   |           |
|            | Service Hqs | 100%           | 0%  | 100% | 100%           | N/A | N/A  | 4                | 4                | 100 |           |
|            | Other Joint | 100%           | N/A | 100% | N/A            | N/A | N/A  | 4                | 4                | 100 |           |
|            | Board Avg   |                |     |      |                |     |      | 1610             | 1562             | 97  |           |

Note 1: Con = Considered; Sel = Selected

Note 2: O-8 board for Army not approved in Fiscal Year 2004

Note 3: 0% indicates that no officers were selected in this category.

Note 4: N/A indicates that no officers considered were in this category.

Table B-13B

## FY 2004 Air Force Joint Officer Promotion Comparisons

| Grade | Category    | Are Serving In |     |     | Have Served In |     |     | Total In Zone    |                  |     | Remarks   |
|-------|-------------|----------------|-----|-----|----------------|-----|-----|------------------|------------------|-----|-----------|
|       |             | IZ%            | BZ% | AZ% | IZ%            | BZ% | AZ% | Con <sup>1</sup> | Sel <sup>1</sup> | %   |           |
| O-8   | Joint Staff | 50%            | N/A | N/A | 50%            | N/A | N/A | 6                | 3                | 50  | See 2 & 3 |
|       | JSO         | N/A            | N/A | N/A | N/A            | N/A | N/A | 52               | 18               | 35  |           |
|       | Service Hqs | 10%            | N/A | N/A | 33%            | N/A | N/A | 16               | 3                | 19  |           |
|       | Other Joint | 75%            | N/A | N/A | 50%            | N/A | N/A | 6                | 4                | 67  |           |
|       | Board Avg   |                |     |     |                |     |     | 75               | 27               | 36  |           |
| O-7   | Joint Staff | 5%             | N/A | N/A | 5%             | N/A | N/A | 60               | 3                | 5   |           |
|       | JSO         | N/A            | N/A | N/A | N/A            | N/A | N/A | 614              | 21               | 3   |           |
|       | Service Hqs | 4%             | N/A | N/A | 3%             | N/A | N/A | 155              | 5                | 3   |           |
|       | Other Joint | 0%             | N/A | N/A | 0%             | N/A | N/A | 184              | 0                | 0   |           |
|       | Board Avg   |                |     |     |                |     |     | 1568             | 36               | 2   |           |
| O-6   | Joint Staff | 87%            | 12% | 0%  | 60%            | 14% | 0%  | 48               | 35               | 73  |           |
|       | JSO         | 60%            | 0%  | 3%  | 55%            | 3%  | 0%  | 180              | 96               | 53  |           |
|       | Service Hqs | 66%            | 0%  | 3%  | 63%            | 6%  | 33% | 131              | 84               | 64  |           |
|       | Other Joint | 52%            | 1%  | 1%  | 38%            | 4%  | 0%  | 151              | 69               | 46  |           |
|       | Board Avg   |                |     |     |                |     |     | 795              | 355              | 45  |           |
| O-5   | Joint Staff | 100%           | 0%  | 0%  | 100%           | 0%  | 0%  | 9                | 9                | 100 |           |
|       | JSO         | 66%            | 0%  | 5%  | 80%            | 0%  | 9%  | 15               | 12               | 80  |           |
|       | Service Hqs | 90%            | 7%  | 8%  | 87%            | 11% | 9%  | 178              | 157              | 88  |           |
|       | Other Joint | 73%            | 2%  | 6%  | 75%            | 4%  | 2%  | 321              | 240              | 75  |           |
|       | Board Avg   |                |     |     |                |     |     | 1676             | 1223             | 73  |           |
| O-4   | Joint Staff | N/A            | N/A | N/A | N/A            | N/A | N/A | 0                | 0                | 0   |           |
|       | JSO         | N/A            | N/A | N/A | N/A            | N/A | N/A | 0                | 0                | 0   |           |
|       | Service Hqs | 100%           | 0%  | 0%  | 100%           | N/a | N/a | 26               | 26               | 100 |           |
|       | Other Joint | 100%           | N/A | 0%  | 100%           | N/A | 0%  | 2                | 2                | 100 |           |
|       | Board Avg   |                |     |     |                |     |     | 2287             | 2132             | 93  |           |

Note 1: Con = Considered; Sel = Selected

Note 2: 0% indicates that no officers were selected in this category.

Note 3: N/A indicates that no officers considered were in this category.



**Table B-13C**

**FY 2004 Marine Corps Joint Officer Promotion Comparisons**

| Grade      | Category    | Are Serving In |     |     | Have Served In |      |     | Total In Zone    |                  |     | Remarks   |
|------------|-------------|----------------|-----|-----|----------------|------|-----|------------------|------------------|-----|-----------|
|            |             | IZ%            | BZ% | AZ% | IZ%            | BZ%  | AZ% | Con <sup>1</sup> | Sel <sup>1</sup> | %   |           |
| <b>O-8</b> | Joint Staff | N/A            | N/A | N/A | 100%           | N/A  | N/A | 1                | 1                | 100 | See 2 & 3 |
|            | JSO         | N/A            | N/A | N/A | N/A            | N/A  | N/A | 5                | 3                | 60  |           |
|            | Service Hqs | 67%            | N/A | N/A | 100%           | N/A  | N/A | 5                | 4                | 80  |           |
|            | Other Joint | N/A            | N/A | N/A | 100%           | N/A  | N/A | 1                | 1                | 100 |           |
|            | Board Avg   |                |     |     |                |      |     | 7                | 5                | 71  |           |
| <b>O-7</b> | Joint Staff | N/A            | N/A | N/A | 10%            | N/A  | N/A | 10               | 1                | 10  |           |
|            | JSO         | N/A            | N/A | N/A | N/A            | N/A  | N/A | 103              | 1                | 1   |           |
|            | Service Hqs | 7%             | N/A | N/A | 14%            | N/A  | N/A | 21               | 2                | 10  |           |
|            | Other Joint | 7%             | N/A | N/A | 6%             | N/A  | N/A | 31               | 2                | 7   |           |
|            | Board Avg   |                |     |     |                |      |     | 230              | 5                | 2   |           |
| <b>O-6</b> | Joint Staff | 50%            | 0%  | 0%  | 50%            | 0%   | 0%  | 12               | 6                | 50  |           |
|            | JSO         | 50%            | 0%  | 0%  | 70%            | 0%   | 0%  | 33               | 23               | 70  |           |
|            | Service Hqs | 27%            | 0%  | 0%  | 51%            | 0%   | 0%  | 48               | 22               | 46  |           |
|            | Other Joint | 39%            | 0%  | 0%  | 50%            | 0%   | 0%  | 39               | 17               | 44  |           |
|            | Board Avg   |                |     |     |                |      |     | 228              | 115              | 50  |           |
| <b>O-5</b> | Joint Staff | 33%            | N/A | 0%  | 0%             | N/A  | N/A | 3                | 1                | 33  |           |
|            | JSO         | N/A            | N/A | 0%  | 100%           | 0%   | 0%  | 1                | 1                | 100 |           |
|            | Service Hqs | 67%            | 0%  | 15% | 74%            | 0%   | 0%  | 46               | 32               | 70  |           |
|            | Other Joint | 61%            | 0%  | 10% | 80%            | 0%   | 0%  | 46               | 31               | 67  |           |
|            | Board Avg   |                |     |     |                |      |     | 377              | 233              | 62  |           |
| <b>O-4</b> | Joint Staff | N/A            | N/A | N/A | N/A            | N/A  | N/A | N/A              | N/A              | 0   |           |
|            | JSO         | N/A            | N/A | N/A | N/A            | N/A  | N/A | N/A              | N/A              | 0   |           |
|            | Service Hqs | 56%            | 0%  | 0%  | 67%            | 0%   | N/A | 15               | 9                | 60  |           |
|            | Other Joint | 100%           | 0%  | N/A | N/A            | 100% | N/A | 2                | 2                | 100 |           |
|            | Board Avg   |                |     |     |                |      |     | 627              | 534              | 85  |           |

Note 1: Con = Considered; Sel = Selected

Note 2: 0% indicates that no officers were selected in this category.

Note 3: N/A indicates that no officers considered were in this category.

Table B-13D

**FY 2004 Navy Joint Officer Promotion Comparisons  
(Staff and Line Boards Combined)**

| Grade      | Category    | Are Serving In |     |      | Have Served In |     |     | Total In Zone    |                  |     | Remarks   |
|------------|-------------|----------------|-----|------|----------------|-----|-----|------------------|------------------|-----|-----------|
|            |             | IZ%            | BZ% | AZ%  | IZ%            | BZ% | AZ% | Con <sup>1</sup> | Sel <sup>1</sup> | %   |           |
| <b>O-8</b> | Joint Staff | 50%            | N/A | 0%   | 100%           | N/A | 0%  | 3                | 2                | 66  | See 2 & 3 |
|            | JSO         | 66%            | N/A | N/A  | 33%            | N/A | N/A | 13               | 9                | 69  |           |
|            | Service Hqs | 100%           | N/A | 0%   | 100%           | N/A | 40% | 10               | 6                | 60% |           |
|            | Other Joint | 60%            | N/A | 100% | 0%             | N/A | N/A | 6                | 4                | 67  |           |
|            | Board Avg   |                |     |      |                |     |     | 27               | 17               | 63  |           |
| <b>O-7</b> | Joint Staff | 0%             | N/A | 0%   | 0%             | N/A | 25% | 13               | 0                | 0   |           |
|            | JSO         | 0%             | N/A | 0%   | 4%             | N/A | 0%  | 55               | 1                | 2   |           |
|            | Service Hqs | 0%             | N/A | 4%   | 0%             | N/A | 3%  | 44               | 0                | 0   |           |
|            | Other Joint | 0%             | N/A | 2%   | 0%             | N/A | 0%  | 31               | 0                | 0   |           |
|            | Board Avg   |                |     |      |                |     |     | 223              | 1                | .45 |           |
| <b>O-6</b> | Joint Staff | 80%            | 0%  | 0%   | 66%            | 0%  | 0%  | 43               | 31               | 72  |           |
|            | JSO         | 38%            | 0%  | 0%   | 52%            | 0%  | 0%  | 114              | 61               | 53  |           |
|            | Service Hqs | 63%            | 2%  | 8%   | 57%            | 0%  | 4%  | 140              | 88               | 63  |           |
|            | Other Joint | 29%            | 0%  | 0%   | 45%            | 1%  | 0%  | 138              | 55               | 40  |           |
|            | Board Avg   |                |     |      |                |     |     | 699              | 365              | 52  |           |
| <b>O-5</b> | Joint Staff | 100%           | 0%  | 0%   | 100%           | N/A | N/A | 9                | 9                | 100 |           |
|            | JSO         | N/A            | N/A | 0%   | 83%            | 0%  | 0%  | 6                | 5                | 83  |           |
|            | Service Hqs | 72%            | 0%  | 9%   | 77%            | 0%  | 8%  | 56               | 41               | 73  |           |
|            | Other Joint | 66%            | 0%  | 7%   | 79%            | 6%  | 0%  | 139              | 99               | 71  |           |
|            | Board Avg   |                |     |      |                |     |     | 1024             | 719              | 70  |           |
| <b>O-4</b> | Joint Staff | N/A            | N/A | N/A  | N/A            | N/A | N/A | 0                | 0                | 0   |           |
|            | JSO         | N/A            | N/A | N/A  | N/A            | N/A | N/A | 0                | 0                | 0   |           |
|            | Service Hqs | 73%            | 0%  | 66%  | 100%           | N/A | 0%  | 18               | 15               | 83  |           |
|            | Other Joint | 88%            | 0%  | 16%  | 75%            | 0%  | 0%  | 29               | 24               | 83  |           |
|            | Board Avg   |                |     |      |                |     |     | 1651             | 1376             | 83  |           |

Note 1: Con = Considered; Sel = Selected

Note 2: 0% indicates that no officers were selected in this category.

Note 3: N/A indicates that no officers considered were in this category.

COMPLIANCE WITH SECTION 721, TITLE 10, U.S. CODE

In accordance with section 721(d)(2), title 10, U.S.C. the following table reports the number of general and flag officers who have simultaneously held both a position external to that officer's armed force and another position not external to that officer's armed force.

| <b>Table B-14A</b>   |   |
|--|---|
| <b>General and Flag Officers Holding Multiple Positions</b>  |   |
| Multiple Positions Counted as External to Their Armed Force  |   |
| Joint Position   | Service Position                                      |
| Commander in Chief, United States Transportation Command   | Commander, Air Mobility Command                       |
| Deputy Commander, Canadian NORAD Region  | Deputy Commander, 1 <sup>st</sup> Air Force, Canada   |
| Assistant Chief of Staff, C/J-5, United Nations Command/Combined Forces Command/United States Forces Korea | Commander, Marine Forces Korea                        |
| Chief of Staff, Naval Striking and Support Forces, Southern Europe   | Deputy Commanding General, Fleet Marine Force, Europe |
| Assistant Chief of Staff, J-3, United Nations Command/Combined Forces Command/United States Forces Korea   | Deputy Commanding General, 8th Army                   |
| Assistant Chief of Staff, J-4, United Nations Command/Combined Forces Command/United States Forces Korea   | Commanding General, (Support), 8th Army               |
| Commander, United States Defense Forces, Iceland, United States European Command                           |   |

**Table B-14B**

| Multiple Positions Counted as Internal to Their Armed Force  |  |
|--|--|
| Joint Position   | Service Position   |
| Member, Joint Chiefs of Staff  | Chief of Staff, United States Air Force                        |
| Commander, Air North, Ramstein, Germany  | Commander, United States Air Forces in Europe                  |
| Commander, United States Forces Japan  | Commander, 5th Air Force                                       |
| Deputy Commander in Chief, United Nations Command/Combined Forces Command/Deputy Commander, United States Forces Korea | Commander, 7th Air Force                                       |
| Commander, Southern Izmir  | Commander, 16th Air Force                                      |
| Commander, Alaskan Command, United States Pacific Commander, Alaskan NORAD Region                                      | Commander, 11th Air Force                                      |
| Member, Joint Chiefs of Staff  | Commandant of the Marine Corps                                 |
| Member, Joint Chiefs of Staff  | Chief of Staff, United States Army                             |
| Chief of Staff, United Nations Command/Combined Forces Command/United States Forces Korea                              | Commanding General, 8th Army                                   |
| Member, Joint Chiefs of Staff  | Chief of Naval Operations                                      |
| Commander, Joint Forces Command-South, Naples, Italy   | Commander, United States Naval Forces, Europe                  |
| Commander, Joint Headquarters-West, Lisbon   | Commander, SIXTH Fleet   |
| Commander, Submarine, Allied Command, Atlantic   | Commander, Submarine Force, United States Atlantic Fleet       |
| Commander, United States Naval Forces, United States Central Command   | Commander, FIFTH Fleet   |
| Commander, Maritime Air Forces, Mediterranean  | Commander, Fleet Air Mediterranean                             |
| Commander, United States Pacific Command Representative, Guam  | Commander, United States Naval Forces, Marianas                |
| Commander, Allied Submarines, Mediterranean  | Commander, Submarine Group 8/Commander Task Force 69           |
| Commander, Land Component Command-North, Heidelberg, Germany   | Commanding General, United States Army Europe and Seventh Army |