I appreciate the opportunity to be here this morning. I have a couple of things I'd like to share with you. I've been doing a lot of speaking lately. I've talked to the Association of Naval Aviation, the Surface Warfare Association, the Submarine Technology Symposium, and a couple of other organizations. The point to all that is when I speak to community groups, I talk a little bit about their community, but I also talk a lot about the Navy as a whole. I will do no differently this morning. This is not going to be in one context a presentation on the Navy Reserve, but on the other hand, everything I say is going to apply to the Navy Reserve because that's the way we do business these days. The total force business is very important to me as the CNO, and to everybody in this room. So we're going to spend a little bit of time weaving that in and out of the conversation.

I thought I'd talk about one of my favorite topics, which of course is the U.S. Navy, but I do it in the following context. Those of you who have heard me speak before have heard some of this. But I think it's very important to frame who we are and what we do in the context of what I call "The Navy Today." I also want to talk about people, our most important asset. And a little bit about this thing called the Quadrennial Defense Review, and what it means to you, me, and the U.S. Navy. Then we'll talk about Naval Reserve and then we'll open it up to questions. That's my thought and I'll just roll if you're okay with that. Embedded in that, we'll talk about some of the programs we have in the Navy right now.

Let me talk about the Navy today. The Navy today has 350 ships in it. We'll talk about where that's going a little later. But with the 350 ships we have worldwide, we have a force of just under 492,000 - active and reserve. 395,000 and some change on the active side and about 96,000 on the reserve side. Just under a half a million men and women. As I said at the top, and I will say it again now, the active/reserve integration is something that we're very proud of, and something that I say frequently - it's just not a bumper sticker to the Navy. We count on our reserves every single day, and that spreads across everything I'm going to describe to you. That's the force. This morning we have 55% of that force underway. And 33% of it - and that's 114 ships if you're counting - forward-deployed. That's about 51,000 Navy men and women scattered all over the globe in forward deployed status. We could run through each and every unit, which I won't do, but I'll highlight a couple of them.

We've got the KENNEDY Carrier Battle Group in the Mediterranean, we have the CONSTELLATION Battle Group in the
North Arabian Gulf this morning doing Operations Southern Watch. We've got the INDEPENDENCE Carrier Battle Group as you know forward deployed Naval Force in Japan, it just pulled back into Yokosuka after doing a very successful exercise of the coast of Thailand. On the amphibious side, USS KEARSARGE and the KEARSARGE Amphibious Ready Group (ARG) in the Med. KEARSARGE has been on a cruise for over a month now and hasn't made it to the Med yet. Because as most of you know, they've been off the west coast of Africa doing magnificent work. First in Zaire and then in Sierra Leone where they evacuated successfully over a thousand men and women. That contribution, if you will, over the last couple of weeks is exactly what we're talking about. It is the classic case of the United States naval service forward deployed.

That's what it's all about. So KEARSAGE has just finished up business off the coast of Africa and she'll be heading back into the Med to join the rest of the ARG to carry on the plan of the day for a six month deployment. We've got BOXER amphibious ready group in the middle of the Red Sea doing an exercise with the Jordanians and some of our other allies over there, and of course, again, as far as forward deployed Naval forces in Japan, we've got BELLEAU WOOD. They are currently stationed in Okinawa who just pulled into port again after a very successful exercise with the Thais.

Part and parcel of all of that of course is the US Naval Reserves. We've got 10 exercises or operations going on today and we're making port calls in 15 countries. We've got VP-69 down in Chile doing Teamwork South. We've got the FAHRION on a Great Lakes cruise. We've got BALTOPS going on and SELRES all throughout it. We've got INCHON, AVENGER, our mine countermeasures force. First time they've been constituted since INCHON became the MCS. First time forward deployed. They just finished a great exercise up off the coast of Great Britain. They are now in the Med with lots of SELRES embarked with both INCHON and the AVENGER, as many of you probably know better than I.

We have CARAT 97 underway with the reserve DESRON and three ships, I believe. We are absolutely committed around the world, active and reserve - total force. I describe that to you just to make a point. This is nothing special for us. This is just an average day at work for the United States Navy and the United States Marine Corps. We do this 365 days a year. That's the message. I don't care who you are or what organization you talk to or represent, I think it's important for those of us who are part of this Navy need to share that message. It says a lot about the contribution we make to the country and to the world every day of the year. A lot of people don't have that on their scope these days. We need to get it on their scope. It's about relevance, it's about forward presence, it's about contributing to the country. That's what we do. That's the Navy today. Very important.

People. There's a lot going on. You know that and I know that. We're downsizing, we're reshaping. Because of those realities, now probably more than ever before, is not the time to break faith in our people. We absolutely must keep these wonderful men and women who work so hard for us and our country,
centered up on our scope. For this CNO - and I dare say for my predecessor, and the one who will come after me - the number one priority for the U.S. Navy will be our people. It has to be that way. It's the right thing to do and we're committed to that. I tell the Sailors that the way that translates in my head is that every decision we make here in Washington, and every decision I'm a part of, I try to embed right in the middle of that decision, the impact it's going to have on our people. I never lose sight of that. Some days that's easier said than done, but that's where we're coming from. I also remind folks that these are volunteers. They are here because they want to be, not because they have to be. And that carries with it a certain set of obligations and responsibilities - particularly those of us in leadership positions - to just flat take care of. People are number one for us; it must stay that way. That's the message.

Let me talk a little bit about the Quadrennial Defense Review. Lots of articles - it's spawned a whole new industry of opinions, articles, ideas, and thoughts. I'll just give you a little bit from my perspective.

The Navy's entering position in the QDR was as follows: We didn't see any need to reinvent ourselves for the QDR and we didn't. You heard my description of the Navy today - I made that same description a year ago, I made it six months ago, I make it today - I'll be making it for the next three years because that's what we do. It has nothing to do with QDR. It has everything to do with QDR. So we didn't need to reinvent ourselves - we just told our story. We also used the QDR as a means of self-assessment. It's been my observation over the last year that we, the Navy, needed to do some things to ourselves - reshape, restructure a little bit. To try to live better within our means. What the QDR did for us stood us very well. If you look at the strategy that came out of the QDR, it talks of many things, but there are three essential elements in it. There called: shape, respond, and prepare. If you look at it as shaping, the business of shaping the environment day in and day out - that's us. That's what I just talked to you about in the Navy today. We do that every day of the year. When you talk about responding - what that really means is responding across the full spectrum of crises and having the capability to do that. Every carrier and amphibious ready group that we send forward is trained to do precisely that. That's the kit they carry with them when they pull out heading east bound or west bound. That's respond. The prepare - means prepare now for tomorrow. That means look at your investment portfolio, look at how you're recapitalizing the course to serve the needs of the country one or two decades form now. We'll talk about that later, but we have a very solid and robust program to do exactly that, across the full spectrum of warfare areas. So, in the context of the strategy, it's a pretty good fix for the Naval service. It absolutely reaffirms the relevance of what we do and it also reaffirms the business of forward presence. Embedded in the middle of that is the statement, and again, the reaffirmation, of the core of the Naval service which is 12 carrier battle groups and 12 amphibious ready groups. That's what the QDR validates. That's what we have. I didn't say 11 plus 1 - I said 12. If you know the JOHN F. KENNEDY as many of you do, in the middle of the Mediterranean, she just pulled into

Benidorm, Spain today after an exercise in the western Mediterranean. So 12 and 12 is fundamental to our future and that's the core of which the rest of the Navy is going to be built. That's good news for us and good news for the Marine Corps, and, oh by the way, that's pretty good news for the country too.

What came out that, 12 and 12, as I said, which will cause us to do some reshaping, but we were part and parcel of all of that. There is no mystery here. We were actively involved in the QDR process all the way through. The surface combatant side of the Navy will reshape itself by about 15 ships - coming down to about 116. The submarine side - you could look at the QDR product and say it only reshapes us by two submarines. That's technically true but that also takes the floor of the submarine force, SSN, from 52 to 50. The "oh by the way" in that is today the submarine number is 72. So we have a considerable reshape to do as far as the original Bottom Up Review and now a couple more submarines based on the QDR.

There are several other things - on the manpower side, and several other hardware things that I can talk about later. F/A-18E/F's, V22's - reaffirmed both of those programs. They changed the numbers a little bit on the F/A-18E/F's from what was originally a 1,000 to a band now between 548 and 785. What does that really mean? That really means is we're going to building E's and F's for the next decade - we'll revisit it along the way and when Joint Strike Fighter gets a little closer to reality, those two will compete against each other and the final numbers will come out of that. The truth of it is that by about 2015 or so, our carrier flight decks are going to be manned with Joint Strike Fighters and F/A-18E/F's so that's win-win for us.

On the manpower side, on the active side the number that we're going to use to reshape ourselves is about 18,000. That will bring us down to a force of about 370,000 total. The reserve number is 4,100 and the civilian number is 8,400. Those are general numbers - but that's the reshape profile that came out of QDR. I hasten to point out a couple of things. One is that those numbers get applied, if you will, over the next five to six years. This is not instantaneous. It is also worth pointing out that those are the submission numbers and the submission QDR plan - this is the start, not the end, of the process. That's very important, and something a lot of people haven't thought about. The Secretary of Defense submitted the QDR to the Congress and to the National Defense Panel. The National Defense Panel will work with us essentially the rest of the year analyzing, offering their own suggestions, offering their own alternative force proposals, and so that will go on until December and then Congress will get both of those products at the end of the year. This will iterate, if you will, throughout the year. That's important to remember for another reason. It gets back to my business on people. There will lots of speculation, lots of editorializing, lots of opinions on what's really going to come out of this QDR over the next six to eight months. It's important that we stay engaged with our people on the puts and takes and the rumor mills and the facts throughout it all. There's going to be plenty of chaff in the air throughout the year and I think it's important for all of us...
to demystify that as best we can and keep everybody informed. That's my commitment and I'm trying to get everybody on board for that.

I think that's probably enough to say about the QDR. And just to underscore one more time - we were part and parcel of that process, we believe what came out of that process is generally good for the Navy, and it will cause us to reshape ourselves in what I think will be a very healthy way. We will be a leaner and more capable force on the other end of this. I would also hasten to point out, and I tell the fleet this, we're not doing more with less. Those days are gone. We can't do more with less. We can do less with less and we can do more with more, but we're out of the more for less business because it's unfair to our people. So, again, that's easier to say than to deliver, but that's where our heads and hearts are right now and we're going to do our darndest to make that right.

I could touch on programs and I'll do that very briefly. As I mentioned before, we've got great ship construction programs, we've got great airplane programs, we've got great people programs, and all of it feathers together and we're making sense of all of it. I would just tell you that the recapitalization, the prepare now piece that I just described, is a good one. We have the tenth and last Nimitz aircraft carrier, CVN-77, in the budget. We're going to use that carrier, apply some technologies to it, make it smarter, make us smarter about it so that when we build the new class of aircraft carrier, called today, CVX, we'll be able to put technology to work in ways that we've never done before. We're serious about that and we're putting our money where our mouth is. The carrier piece, I think, is working nicely. I feel good about that.

The DDG-51's are coming. We have another 14 of them now in the next budget submission. Over the next 5-6 years that's good for all of us. We're going to do some cruiser conversions on the Aegis cruisers. We're going to retire some of the legacy systems in the active and reserve force. We're going to reshape those forces a little bit. Admiral Vaughn is part and parcel of all that in terms of the impact on the Navy Reserve. We have something called the LPD-17 San Antonio class. The first of 12 is being built right now. That will reshape the amphibious ready group of tomorrow so that we'll have 12 amphibious ready groups that will have three types of ships in it. The big one will be an LHA or LHD, we'll have a LPD-17, and we'll have either a LSD 41/49 class and that will meet our needs, the Marine Corps needs, and really make us a potent amphibious force for tomorrow. That's all good news.

On the submarine side we're building new attack submarines. We're programming for new attack submarines in a very innovative way that will give us four submarines. As far as teaming arrangement between the two sub-builders, Electric Boat and Newport News shipbuilding and that's good news for everybody. And Seawolf, of course, we're going to commission the first of three this July. So there is much to do there.

On the airplane side, I mentioned the Super Hornet, for the Marines the V-22 is absolutely essential to replace the H-46
as soon as we can. The H-46 is older than most of the people that fly it, and it's time to retire it. We're going to get the V-22 into the force as fast as we can. The Super Hornet as I mentioned before, is fundamental, it is the cornerstone of the future of Navy tacair and we are very obviously committed to that as we are with Joint Strike Fighter which comes behind it. H-60s - a bunch - will be the central helicopter - if you look at the neck down helicopter master plan, the H-60 is the future for us. That's a great future for anybody who flies helicopters or counts on them. So that's enough programs right now.

Better than all that of course is the people business. How we reshape ourselves - the pace at which we do it - is critical. It is as critical on the reserve side as it is on the active side and you need to understand that we're very serious about doing this as a team effort. Denny Vaughn knows that and we're hard at work to make that a reality. We don't have the answers yet, by the way. We're putting flesh on the bones of this QDR drawdown and that's okay. The time is right to do that now. Now we get into the details - specific platforms, specific people profiles, and specific programs to make sure we take care of these volunteers.

I'd just like to say a couple of more things about the Navy Reserves. At all levels and several of them have been introduced this morning at the flag level down to the J.O. level and enlisted troops we are wonderfully served in ways that, in my opinion, we can only imagine about some years ago. Tom Hall, I believe, was the single most important element, driver if you will, in underscoring and making the Naval Reserve truly a relevant piece of our total force. And Denny Vaughn - never missed a beat when he came in - so you are brilliantly served by your leadership and their commitment to making this relevance piece of the Naval Reserve a right one for us. It's about contributory support, it's about flexible drilling, it's about flexible everything, and it's about relevance. And you know as well or better than I, that there are pieces of the Naval Reserve that we don't have in the active force. That's great. That's by design. That's total force. I don't care if it's MIUW or one of it's adversaries or Seabee numbers - I don't care. It all conveys and it's all important to us. The key in all of this for active and reserve is as we go into the 21st Century is - as I keep telling my staff - is not to be afraid to put the cards on the table. We're playing cards now that we've never played before in our lives. We're looking at different ways of doing business that people would have turned away from 5 or 10 years ago. Don't be afraid of that. In this environment we have to be willing to look at new and innovative and creative ways of doing our business. That's okay - I'm not threatened by that. We put the cards on the table and it doesn't mean we have to play them but we have to look at all of them. That's what all this is about - for the total force.

We have an abundance of flag officers that are on active duty in the Navy Reserve that we're counting on - several who are in this room right now, several others who are out doing God's work throughout the world, Admiral Marty Janczak in Guam out there at COMNAV MARIANAS is doing a brilliant job out there for us. We pulled him in on short notice and he's the star out there right now in the Western Pacific. You should all be very
proud of that. It's more than a bumper sticker.

I will close by telling you that I'm very proud of the United States Navy and very proud of this total team, this total force. We do make a tremendous contribution to our country every day and I think you should share in that pride. I am also very glad and grateful to be your CNO. Thank you very much.

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