



**Commander, U.S. Pacific Fleet
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Admiral Cecil D. Haney
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Good morning and Aloha.

It's great to be back in San Diego, America's Finest City and a Navy town.

Thank you Pete Daly, for that kind introduction and your continued leadership of the United States Naval Institute. It's good to see you continuing to do great work for the United States Navy.

Also, I'd like to thank Kent Schneider, for your leadership of AFCEA and all the great work you do.

I truly appreciate the opportunity to be here today and to address such an impressive gathering of leaders.

Although some of you may wonder why I would come here all the way from Hawaii to speak at this forum, I believe it's important considering many of you work closely with the Navy and I want to share with you how I see the rebalance in light of today's challenges.

This morning I'd like to cover the following points:

- 1) The importance of our Navy in the Asian-Pacific region, to include the Indian Ocean;
- 2) How we are addressing the challenges we face today in this vibrant world we live in;
- 3) How we are rebalancing in the Pacific Fleet;
- 4) Finally to discuss opportunities to improve our warfighting capabilities as we continue to work together with you, as partners, in industry and academia.

As you know, the economic engines of the world depend on the freedom of the seas for the movement of goods. Living in this globalized world, it is clearly becoming more and more interconnected and interdependent. As a maritime Nation, we too are dependent on the freedom of the seas and access for the movement of commerce to and from our shores.

Focusing on the Pacific region, the area of my operations, it accounts for one half of the earth's surface, one half of the world's population, five treaty allies, six of the world's largest militaries and seven of the world's largest economies. All of these nations rely on the maritime domain for the transportation of goods. Security at sea means prosperity ashore and any disruption to the movement of goods at sea will negatively affect the economies of nations.

For decades, the U.S. Navy's presence in the Pacific has helped set the conditions necessary for increased economic growth and prosperity. Today, working with our friends, partners and allies in the region, we continue to maintain security at sea for prosperity ashore.

In the South China Sea for example, we see the flow of some \$5.3 trillion in global trade. Through the Strait of Malacca, we see \$1.3 trillion or so in U.S. trade each year. With that said, clearly, the United States of America has an interest in this area. This is why the President of the United States signed out the strategic document outlining the priorities of 21st century defense which states, "While the United States military will continue to contribute to security globally, we will of necessity rebalance toward the Asia-Pacific region."

Just look at the changes to several key cities in the Asia-Pacific over the last 50 years as they have grown and prospered. This change is due largely to the free and unfettered access to the maritime domain, enabled by maritime security. Given our interest in this region, the United States has played and will continue to play, a vital role in maintaining that security well into the future. This is important due to the increasing uncertainty we are seeing in this region.

Starting with North Korea, given the nuclear weapons ambition of its young leader, we should be reminded of the surprise three years ago in March when the South Korean corvette, Cheonan, was suddenly and deliberately sunk by a North Korean submarine. The attempted launch of a missile last April, and again in December, and the current rhetoric of nuclear capabilities, creates an atmosphere for concern.

Competing claims in both the East China Sea and the South China Sea risk miscalculation as we work to promote a peaceful resolution to these disputes. State-sponsored cyber attacks to U.S. Government, military and industry's computer systems are becoming more and more prevalent.

Additionally, global warming is changing the way of life in some countries, for instance the Maldives and Kiribati. I visited Kiribati in 2012, and the same problem exists there. It's predicted that in a few decades, Kiribati, a nation of more than 100,000 people, will be underwater, requiring the displacement of the entire nation.

The heartbeat of natural disasters continue to threaten the region. Recently we witnessed the tragedy in Japan, as an earthquake created a tsunami, which resulted in a nuclear disaster; or the significant flooding recently experienced from typhoons that impacted the Philippines.

I know you had various discussions on this yesterday and I probably don't need to cover this topic, but just in case, let's talk a little bit about our financial situation. First, let's talk about continuous resolution. As has been discussed, the continuous resolution is based on last year's spending levels that do not fully cover the programs and priorities we submitted to Congress this year. The calculus of the continuous resolution has underfunded our operations and maintenance account by over \$3 billion. We have also experienced over \$1.4 billion of increased expenses since last year's budget was enacted. This was from unplanned, abnormal expenses for increased naval operations in the Middle East, increased fuel costs, as well as unexpected repairs.

The continuing resolution limits our flexibility to react because it does not allow us to transfer funds to our operational accounts from other accounts to address shortfalls. In order to deal with this, we are already looking at some cuts. We'll obviously be reducing travel and reducing the level of participation in some public events, including Fleet Weeks and Blue Angles shows. We'll be deferring ships maintenance in the third and fourth quarters that would not interfere with scheduled Global Force Management Allocation Plans (GFMAP) or Forward Deployed Naval Forces (FDNF) deployments and that we could ideally reverse quickly if the money was suddenly made available. We're looking at hiring freezes, reducing overtime and the overhead in our shipyards.

So you can imagine, living under a long-term continuous resolution is a big problem for us.

Second if sequestration happens, it's a whole different ballgame. We would face an additional 4-5 billion dollars of cuts for this year alone, further reducing our training and readiness.

Third, and the worst case scenario, is having both the continuous resolution and the sequestration coupled together.

While I could go on with this, I will end it by saying that I hope our political process can work to mitigate these problems from happening soon, or at least giving us a crisp decision.

Now let me give you a snapshot of how my Pacific Fleet is postured. As mentioned, my headquarters is in Hawaii, and of course my area of operation covers the waters from the polar bears to penguins as we look at the Arctic to Antarctica, from Hollywood to Bollywood, as we think about it from California to India, the country I just recently visited.

Today I have 96 ships, 41 submarines, 60 maritime sealift ships and over 1,000 aircraft. There are almost 100,000 active duty Navy folks, just under 10,000 Navy Reserves and some 21,000 civilians that do the work here for the Pacific Fleet.

My type commanders, of course, are responsible for Naval air capabilities, surface ships, submarines and Navy expeditionary combat capabilities. They are responsible for manning, training and equipping our forces today.

I have two fleets, 3rd Fleet located here in San Diego, up on Point Loma, and the 7th Fleet located in Yokosuka, Japan. Together, this team is responsible for executing the maritime strategy where we work to execute the full range of maritime operations. That includes humanitarian assistance and disaster relief, all the way through deterrence and power projection if deterrence fails. Our rebalancing efforts further enhance our abilities to carry out this strategy.

A key part of our rebalancing effort that does not make the headlines, includes increasing our intellectual understanding of the Asia-Pacific region. This intellectual focus is as much a part of the strategy as it is the genesis of it. While it is good to see a lot more work being done, regarding research, studies, books and the buzz in the major think tanks concentrating their efforts here, the Navy is rebalancing intellectual capital and leadership attention toward the region.

First we are sharpening our focus on the warfighting missions that are most important in the Asia-Pacific, prioritizing doctrine in our concept of operations development to preserve our operational maneuver space, to include, but not limited to, the Air-Sea Battle concept.

Second, we are developing our people to serve in the Asia-Pacific, to include revitalizing the Foreign Area Officer (FAO) program as just one example. Having talented people building strong relationships is key to our success.

Third, the Navy has increased efforts to ensure our allies and strengthen our partnerships. The Navy conducts exercises and numerous training events, with more than 20 allies, partners and friends, to increase partnership capabilities to address the uncertainty in the region. With respect to advanced technology, our rebalancing execution has also delivered new capabilities in my area of operations. Let me talk about just a few examples of these capabilities.

It was great for me to visit the Electronic Attack (EA) Growler squadrons both in Whidbey Island and Japan last year, and most of you have seen the V-22 Osprey flying the skies of Southern California. In fact, I'm scheduled to have my first flight in the V-22 during this particular visit. This impressive and safe aircraft is present in Okinawa and I expect to see them in Hawaii in the coming years.

I am also excited to see Virginia-class submarines deploying into the Western Pacific, just like the Virginia-class submarine North Carolina which is here using one of your piers in San Diego. I am looking forward to more than the three I already have deploying out of Hawaii.

I know many of you are familiar with the San Antonio-class ships that are homeported and deploying out of San Diego. I look forward to being able to participate in the upcoming commissioning ceremony for the new USS *Anchorage*. Soon, they will be joined by the brand new amphibious assault ship USS *America*. It's great to see our investments in our shipbuilding programs coming to fruition.

Recently, I flew aboard the new P-8 Maritime Patrol Reconnaissance Aircraft (MPRA) while it was conducting an Anti-Submarine (ASW) mission as it made a swing through the Pacific, demonstrating its significant capabilities. I expect the first deployment to be in the Western Pacific.

Similarly, I have been pleased with the transition of the helicopter squadrons in San Diego to the new MH-60R and MH-60S helicopters and the capabilities that they are bringing to our deployed Carrier Strike Groups (CSG's).

I am excited about the development of the unmanned systems and the capabilities they will be bringing to the Pacific, including some of our research and development projects. In addition to modernizing capability, we are also improving our operational concepts across the range of military options.

Part of this rebalancing effort also includes revamping some of our high-end warfighting exercises to include experimentation and the validation of new tactics, techniques and procedures in operational concepts.

You have likely heard of the upcoming Littoral Combat Ship (LCS) deployment for the spring of this year. LCS-1, USS *Freedom*, will conduct a Western Pacific deployment using Singapore as a place, not a base, to conduct operations from.

Our United States Marine Corps moves are also part of the rebalancing effort. A Marine Corps force spread across an area made up of self-contained units, able to deploy on a range of military missions, increases our military capabilities to respond effectively to contingencies. The Pacific Fleet is involved in support of these types of naval operations.

Rebalancing also includes our increased interactions with allies, partners and friends in the region. For example, the Rim of the Pacific exercise for 2012, the 23rd in its series, was the largest naval exercise in its history. We had 22 nations participating with over 25,000 personnel, more than 40 ships and submarines and more than 200 aircraft. For the first time, we had non-U.S. officers commanding components of the combined task force during the exercise. We had Russia participating as well, and we have recently invited China to participate in the Rim of the Pacific exercise for 2014.

Establishing and building relationships are an important focus, of course, for this rebalance. Whether it's my fleet's interaction with nations in bilateral exercises, training events, or leadership interactions with military peers and civilian leadership, the relationships we establish are critical in maintaining relevant and interoperable capabilities. For example, it was great to see Vice Admiral Ding Yi-Ping from the Chinese Navy at the 2012 Western Pacific Naval Symposium held in Kuala Lumpur, Malaysia. There, he and I could sit down and discuss common concerns along with other chiefs of navies in the region in a multilateral forum.

Clearly our rebalancing efforts must consider my top priority of warfighting readiness. We must be ready to face challenges in this region. Our readiness relies on completing the maintenance and training sides of the triangle to ensure we deploy with credible capability forward. This requires continuing to improve performance in maintenance planning and execution, as well as continuing to explore innovative new ways to improve training effectiveness. To address this, my team is working hand-and-hand with the U.S. Fleet Forces Command team to scrutinize our readiness kill chains to address gaps and seams to improve in these areas, with other stakeholders involved in this process. In order to address this rebalance effectively and address my priorities as outlined in this presentation, I'm looking to continue to leverage the talents of many of you here in this room.

I know many of you are supporting our efforts in a variety of different ways. The agenda of this conference has significant applicability as well to some of our highest priorities. Clearly we must continue to enhance our ability to operate in degraded environments with innovative solutions that include capabilities that are of low signature, interoperable, able to fuse and integrate large amounts of information quickly to enhance the delivery of integrated fires. This requires cost conscious solutions and will require the fleet to aggressively experiment and

develop new approaches. The requirements listed here demand our collective focus to ensure we continually rejuvenate the intellectual capacity to sustain our world class research and development advantages. Effective operations in the maritime domain demand our utmost respect for successful operations in the cyber and space domains. We must enable our performance in these domains in an integrated and integral fashion.

Now many of you may not recall, but our Nation had just begun to rebalance to the Pacific in the late 1930's. We moved the Pacific Fleet Command from San Diego to Pearl Harbor and assets from the mainland during this timeframe, and of course on December 7th, 1941 we were surprised. Early one Sunday morning we were surprised by an attack that destroyed a good portion of our Pacific Fleet.

Recently we commemorated another surprise, the USS *Pueblo* with North Korea, on January 23rd, 1968. They stand as reminders that we must remain vigilant with effective strategic operational and tactical indications and warnings to avoid surprise, and if we are surprised, we must be ready to respond. Today as we continue our rebalancing efforts, there is a lot of uncertainty in the region, and at home, but we can ill afford to not be ready.

So in closing I want to thank each of you for your role and of course your interest in national security. I for one am glad to have you on our team. I hope that my presentation was helpful. Before I depart, to tour the San Diego waterfront, including seeing both LCS's, Freedom and Fort Worth, I look forward to answering your questions.

Thank you.