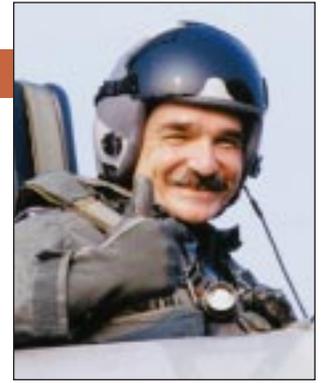


Striking the Balance

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Happy New Year! This year will be an important one for Naval Aviation, as the decisions we make now will have a lasting impact on Naval Aviation well into the 21st century. And these decisions are not just about buying new aircraft—they're about implementing our vision of balancing mid- to long-term acquisitions with near-term requirements for retention, readiness, recapitalization and resources.

Retention: Our number one aviation priority! Retention of motivated, talented and high-quality people is essential to maintaining Naval Aviation's effectiveness. Your concerns about retention and quality-of-life issues are central to our strategy. We have already made some significant changes based on your inputs in order to improve professional and personal quality of life. For example, the per diem rate policy has been changed so that we will no longer send our squadrons and dets on the road without reasonable compensation. Additionally, family separation pay was increased to \$100, and a recent bill signed into law will increase flight pay from years 14 through 22 to \$840 per month. These are significant gains as we continue to press for adequate compensation across the board.

Readiness: Keeping our forward-deployed forces ready is vital to our Navy and our nation. We must be ready when the president asks, "Where is the closest carrier?" To ensure that we have operational aircraft and trained aircrews we have significantly increased funding for aviation's readiness accounts. Funding for the flying hour program, parts support and service depot-level maintenance production lines has

been increased by \$4.2 billion over the next five years in order to provide more flight hours, parts and "up" aircraft on the ramp. The result will be a more efficient use of personnel with less wasted manpower on cannibalization and aircraft transfers. Greater efficiency will also result from ongoing initiatives which will reduce the amount of tasking that detracts us from our reason for being: to fight and win the nation's wars.

Recapitalization: We can't spend all of our resources on near-term readiness. To do so would mortgage the future of Naval Aviation and detract from tomorrow's readiness. We must continually invest in future programs to maintain our world-class capability. CVN 77, based on the *Nimitz*-class design, will serve as a stepping stone to our next-generation carrier (CVX), and is one of the Navy's highest priority budget issues. The Helicopter Master Plan will distill our helicopter force down to the SH-60R/CH-60 and make all of our helicopters true multimission platforms. The F/A-18E/F will replace the F-14, F/A-18A and C, and complement the Joint Strike Fighter (JSF). Marine Corps aviation will focus on the advanced short takeoff and vertical landing version of the JSF and on the V-22 *Osprey*. An ongoing Common Support Aircraft (CSA) study is defining a replacement for the E-2/C-2 and S-3/ES-3. By looking into the future with these and other investments we will ensure that Naval Aviation will remain highly capable, effective and affordable.

Resources: In our current national environment, with its focus on a balanced budget, a key enduring reality is that the Department of Defense budget is going to remain tight. As a

consequence, everything we do in Naval Aviation has to come from our existing budget. We can no longer afford to do things which may be redundant or add only marginal value to our key missions. Some capabilities which were essential during the cold war must now be shed so we can focus on future threats. Leveraging high technology will enable us to squeeze the most bang from every buck. Reexamining total cost of ownership of our carriers, aircraft and weapons systems; reducing the number of different aircraft and weapons systems; and reducing the logistics tail required to maintain these different systems will free up funds for modernization. One key to our not only surviving, but flourishing in this tight money environment is use of your innovation and great ideas about how to truly be "leaner, meaner and more affordable." I'm *not* talking about doing more with less; I'm talking about getting the most out of what we have by using our great talents for ingenuity and flexibility, which are defining traits of the great Naval Aviation team.

Our enduring goal is to keep Naval Aviation ready to go in harm's way and to prevail. Merely spending money on aircraft and weapons systems will not accomplish our mission. Only Naval Aviation's true heroes—highly skilled aviators, maintainers and support personnel—can take the fight to the enemy. Maintaining the right balance between retention, readiness, recapitalization and resources will ensure that Naval Aviation will always be able to answer the call. We all need to work on this together.

Fly safe! Be the best!