

Remarks by the Honorable Ray Mabus  
Secretary of the Navy  
Surface Navy Association  
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Ron, thank you so much. And I'm happy to be here with the Surface Navy Association on your 25<sup>th</sup> anniversary of your symposium. I'll say a couple things about that introduction. One is I was in the Navy so long ago, I wasn't a SWO [Surface Warfare Officer]. We didn't have designators at that point. Aviators had wings. Submariners had dolphins. Surface Navy basically had black shoes which I was pretty proud of.

And Gordon Nagler was my captain. And, like a lot of you who served as JOs with a captain, I kept in touch with him all his life and was very close to him. When I was sworn in as governor, he came. He came to the inaugural. And an enterprising reporter found him and said, well, did you see this potential in him when he was a junior officer on your ship? And Admiral Nagler said: Well, I always thought he would amount to something, I just was pretty sure it wasn't going to be in the Navy.

So I'm really sorry he's not here. I want to thank you all, members of this association, for all you have done and continue to do to demonstrate the diplomacy and the might of our nation through our Surface Navy. You hear a lot about how complex the Navy is, about how big it is, about what an organizational challenge it is. Let me give you a few numbers.

If the Department of the Navy was a private company, it would be the second largest in the world by employees, it would be the third largest in the world by assets and it would be the fifth largest in the world by budget or revenue authority. It is truly a global, complex, complicated and incredibly vital and necessary part of America and of our national defense.

Now, one of the reasons I gave you those numbers, is those huge companies that the Navy keeps company with – as large entities, complex organizations – all of them operate from time to time with a degree of fiscal uncertainty, but nothing approaches the unknowns that Department of the Navy and Department of Defense face today.

You've got a couple of things. One that gets a lot of the attention and a lot of the conversation is sequestration – as it should. It was delayed for two months, but it's still out there, still hanging over us. That would be a \$4.6 billion hit for the Department of the Navy, should sequestration happen. And it would be a \$4.6 billion hit five months into the year. So you'd have seven months to carry it out.

Of equal concern, though – and it gets much less attention – is the Continuing Resolution. We are operating under the FY '12 budget under a Continuing Resolution. That expires at the end of March. If that Continuing Resolution is extended for the rest of the fiscal year, that's another -- exactly the same number -- \$4.6 billion hit to the Navy.

And the issue, beside the size, is the mindless way both of those things operate. Sequestration, you just whack a certain percentage off of virtually every program. Continuing Resolution says you stay at the levels you were last year, and no new starts. So both of these things pose big risk for the Department of the Navy. And nobody likes budget cuts, but if Defense or Navy has to be a part of some going forward grand bargain or strategy or deal, then give us the top line. Let us manage how any cuts – how any reductions -- are made. Let us put dollars against strategy instead of simply cutting the top line.

And one of those things that I think is incredibly important, and I'm going to talk about some, is making sure we maintain our shipbuilding programs that we have going, making sure that we can meet the new defense strategy that the president laid out a year ago this month. We have shown, I believe pretty decisively so, that we know how to manage the budget, that we know how to set some priorities, that we know how to get money into programs, that we know how to drive a hard bargain, that we know how to get the most money for the taxpayer's dollar. Instead of mindlessly cutting, give us that chance to manage to whatever the final number is, but not do it in a simply automatic way across programs, across the department.

We've taken some actions – it's gotten a lot of attention – about trying to, today, slow the burn rate – slow the rate that we're spending money so that, should either or both of these occur, we won't have to make all the reductions in a very compressed period of time that we would have to. We're trying to make those as reversible as possible, trying to make sure that whatever we do today, if the issues are solved, if a budget is passed, if sequestration is not triggered, that we have not done something irreparable to a program or to the entire department. But these fiscal challenges are serious. These fiscal challenges have to be addressed in some way, but regardless of what the fiscal challenges are, let's make sure that we put the money that is allocated for the Navy and for Defense into some priorities and not just slice programs, as I said, fairly mindlessly, the way that these two issues would do today.

So I started off this talk on a fairly down note, but in the sense of – you know, remember the old joke, other than that, Mrs. Lincoln, how was the play? - Absent these budget things that are hanging over us, the Navy and Marine Corps are in good shape. We are and we will continue to be, regardless of what happens, we will continue to be the finest and most formidable expeditionary fighting force the world has ever known. And I think it's because of some of the actions we have taken – some of the actions that we have taken in various fields. And in this city of acronyms and abbreviations – and I work in a building, and a lot of you do, full of acronyms and abbreviations – I've come up with one for sort of organizing how the Navy, the Department of the Navy, has approached the issues that we have. And it's the four P's: people, platforms, power and partnerships, and these are all interrelated. You've got to have enough platforms of the right type, but you've also got to have enough people with the right training to run them. If we don't have the energy mix right, the power right, we may have to park, may have to pull some of these ships and leave them next to the pier, may have to ground some of our aircraft. We've got to have that right, and to build the partnerships that we need to do that are an integral part of the new defense strategy, we have to have enough gray hulls on the horizon to go and build these partnerships.

Now, this new defense strategy requires that each one of these be done well. It's a maritime strategy, focusing on the Western Pacific, the Arabian Gulf and on building partnerships around the world using innovative, low-cost, small-footprint methods. That's a definition of the United States Navy and Marine Corps.

So let me take you through those four very quickly. A top priority of mine and of the Navy's continues to be our people, take care of the Sailors and Marines. We will continue to be the best by taking care of the best. Now, I don't have to convince people in this room how skilled, how talented, how dedicated the people who make up the United States Navy and Marine Corps are. The level of dedication is simply astounding – very different Navy from the one that you and I started out in. I served with some amazingly good people, very dedicated, very skilled. We couldn't touch the force we have today with the level of talent.

And unlike any other military in the world, and unlike most other organizations, we push responsibility down. We push it down in terms of rank; we push it down in terms of age. It's pretty astonishing, the responsibility that we expect from our youngest Sailors, our most junior Marines, and we do it day-in and day-out, and we get the type of response that we anticipate.

But in the last more than a decade now – we've been involved in two wars – we've had an incredibly high operational tempo, and it's put a lot of stress on this force, and on the families of this force. And so we need to worry about the health of the force. And you see a lot of – and again, rightfully so -- you see a lot of discussion about things like sexual assault, suicide, about things like the sacrifices families are making, about the readiness of the force, about how physically fit they are. And one of the things that we did was when we looked at these issues, we found that we had some pretty good programs going. We were beginning to find some answers on things like how to prevent sexual assault. But we also found that they were pretty stove-piped, that one program didn't talk to the other.

And so we put them all together in something called 21<sup>st</sup> Century Sailor and Marine, that I announced last spring. And what this tries to do is bring every program designed for Sailors, Marines or their families in one place. And there's a website, 21<sup>st</sup> Century Sailor and Marine, that is obviously getting some attention because of the number of hits that it's getting. But while we were trying to put together a one-stop place for Sailors and their families to go to, we began to learn some things. For example, in nearly all cases of suicide, sexual assault, domestic violence, there was one common denominator, and that was alcohol – nearly every time. So now we're doing some programs on alcohol. We're doing education, trying to deglamorize some of the uses of alcohol, but we're also – for duty stations coming on – we're doing breathalyzers.

And they're nonpunative, but if you pop positive seven or eight hours after the Super Bowl when you show up to work at 7 o'clock in the morning, and you do that a couple of times, we're going to get you into something to help you because what you don't want is a career-altering or career-ending or life-altering or life-ending incident. What we're trying to do is keep the force healthy. What we're trying to do is keep the force fit. And these things go all the way from suicide prevention to what Sailors eat, how we do a culture of fitness instead of just getting ready for the PFT, on the wellness in every possible way of the force.

For the military to best serve our nation, it also has got to be reflective of the nation that we serve. And we are doing a lot in terms of diversity and inclusion and we're moving toward ending the final barriers where women may serve including, on my watch, in submarines. We want to connect with different kinds of places to get officers, so we have brought back, after 40 years, NROTC at Harvard, at Yale, at Columbia. We've added it at Rutgers and Arizona State. Nobody should be denied the honor of defending this country. And that's one of the things we're trying to reach out and do.

And when men and women leave the military – whether it's after four years or 40 – I think we've got a big obligation to help make that sometimes not easy transition into the civilian world. We can work on things like employment and particularly, for our wounded warriors. And one of the things we're doing in Navy, out of all the things we're doing in these transition programs, is we're hiring wounded warriors directly into the Navy. They have a lot of the skills that we need. We had a goal last year of hiring at least one wounded warrior a day for a year; we tripled that. We hired 1,000 wounded warriors into Navy. And that's a good deal for everybody, because they do bring amazing resilience and amazing skills.

Second P is platforms, and I know that you all have heard a lot about this, and I know that you're going to hear some more – the Under is going to talk about it when he talks to you later on today. And I think we have made some pretty remarkable strides in shipbuilding. In 2001, on 9/11 2001, the United States Navy had 316 ships in the battle fleet. We had 377,000 Sailors. By 2008, during one of the great military buildups in American history, the United States Navy was at 278 ships, and we'd gone down by 49,000 Sailors. In 2008, we built three ships. That's nowhere close to enough to offset retirements.

When I came in in 2009, a lot of our shipbuilding programs were – and this is a technical term – a mess. Ships were being designed while they were being built; requirements got out of control, costs on too many got out of control. And I'll give you a couple of examples: When I came in, the LCS, the two variants – we had one in the water from each variant and one being built. We bid out three more. About a month after I got there, the bids came in unsustainably high. We just couldn't afford it. We needed the ship but we couldn't afford it. While we wanted both variants, while they each brought something unique, they both met the core missions.

So I made the decision to pull back the RFP [Request for Proposal], to put it back out and say, "Okay, we're going to pick one variant, and you're going to compete against each other based mainly on price, and the winner will get 10 ships over five years. The winner will also have to give us a technical package so it would bid it out to a second yard to keep competition going, and the second yard will get nine ships over that same five years."

Over the course of the next year during the negotiations, the prices came down by around 40 percent. And I still don't know who won; I purposely didn't want to know. But when it was clear that the cost had come down so far, and when it was also clear that both shipyards were willing to sign firm, fixed-price contracts and block buys, I went back to Congress and said, "Can we buy both versions again?" And we got approval, even though going back and asking for that permission went against a lot of advice that it just wasn't going to happen. But we were

allowed to do that. So we got 20 ships -- 10 from each vendor -- instead of 19, and we saved \$2.9 billion on the program. And the 10<sup>th</sup> ship that's being built of that class will be substantially cheaper than the first of those 10 ships in that five-year period. There's a learning curve.

On DDG-51 – the line was restarted because as one of the things that Tom Copeman, head of Surface Warfare, said on the day before yesterday, we need to build the hulls we know how to build. When it got restarted, we got, as all of you all know, two shipyards to build it: Bath in Maine and Pascagoula in Mississippi. And you want more than one shipyard building every type of ship possible. But there wasn't really a competition going on; there was more of an allocation – Bath, you get one, Pascagoula, you get one.

So we bid out three ships, and we said, Bath, you're going to get one of those ships, and Pascagoula, you're going to get one of those ships, but the low bid gets the third ship. And oh, by the way, the difference between the low bid and the high bid comes out of the high bidder's fee. We got those three DDG-51s, and saved almost \$300 million from the original estimate.

We're trying to be good stewards of the taxpayers' money. We're trying to work with the industry. Industry has the right to make a fair return on these ships.

And we owe industry some things. Again, borrowing from Tom Copeman, we owe industry a stable design. And that's where we are. We owe industry mature technology, and that's where we are. If we get something new and “gee whiz,” it's just going to have to go on the next block [of ships]. And third, we owe industry some transparency – how many ships we're going to build, what types of ships we're going to build. And I think we've done that.

In return, industry owes us some stuff. If they've got that transparency, industry owes us making the investments in the workforce, training and in infrastructure, so that there will be a learning curve as we build these ships. Industry owes us every ship of the same type, without major design changes, ought to cost less than the one that went before it.

So today – in 2008 we built three ships -- today we have 42 ships under contract. Forty-two. Most of them, virtually all of them, are firm, fixed-price contracts, a lot of them under multi-years. And the DDG 51 program, that program office was selected for the 2012 David Packard Excellence in Acquisition Award because of some of the things that were happening.

There are still some issues, some of them historic, but we're working on every one of them. And I think that given the number of ships we've got under contract, and given the fact that we've gone now to a fleet of 288 ships today, and we will be at 300 and beyond before the end of the decade – and if you look at our 30-year shipbuilding plan out to the future, we'll sustain those numbers – that we're getting the ships that we need. We're getting the right mix that we need. We're getting the numbers that we need because quantity, at some point, begins to have a quality all its own. I'm proud of where we are on shipbuilding.

The third of these four, power, talks about, as Ron said, the energy goals that I set. I set those in the fall of 2009. The biggest one said that by no later than 2020, at least half of all naval energy, both afloat and ashore, would come from nonfossil fuel sources. And we did it to make us better war fighters. We did it to reduce a military vulnerability. We did it to make sure that

we can fulfill our military missions. We're doing it not only through moving toward alternative energy, but also through some efficiencies.

And I can give you example after example after example. On the ground in Afghanistan, during some of the heaviest fighting there in Sangin, Marines reduced their power consumption overall by 25 percent. India Company, 3<sup>rd</sup> Battalion, 5<sup>th</sup> Marines lightened their load just by using solar chargers – solar blankets you could roll up, stick in your pack. A company dropped 700 pounds of batteries by doing that. Not only did they not have to hump that 700 pounds, they didn't have to be resupplied, which also cut down on the risk. Less fuel ultimately means fewer convoys, fewer Marines put at risk.

We have SEAL teams just coming out of the field now that testing things to make them net zero in energy and water so they don't have to be resupplied at all. They can stay in the field, which makes them far better in terms of time on mission, in terms of independence of action and movement.

The U.S. military is the largest single consumer of fossil fuels in the world. And every time the price of a barrel of oil goes up a dollar, every time it costs the Navy \$30 million in additional fuel costs. Now, if you want to put that into some surface terms, that's 142 steaming days for all our LHDs, 293 days for steaming and combat ops of an Arleigh Burke destroyer.

So, even if we could get all the oil and gas we needed inside the U.S., it is still the ultimate global commodity. The price is set globally. Some hardliner threatens to close the Straits of Hormuz, and the price is going to spike. When Libya happened a couple of years ago, the price went up \$40 a barrel almost overnight. That's a billion dollar bill to us.

In FY '12 alone, toward the end of the year, we were presented in Navy, a \$500 million additional fuel cost bill. And it was simply because a year and a half earlier when the budget was put in, nobody could estimate accurately what the price was going to be. Now, in '12, we were able to solve that thanks to some help from Secretary of Defense's office by using some OCO [Overseas Contingency Operations] funds. OCO is not going to be there – or not in these numbers and not available for this kind of use – forever.

If I get presented, on behalf of the Navy, with another \$500 million or greater bill there are really only two places to go for it. One is operations and maintenance. Again, borrowing from Tom Copeman, we don't need to steam less, fly less, train less. The other place, if the bill gets too big, is to begin to cut platforms. I don't want to do either one of those things. And I don't think we have to.

If we've got a more stable source of energy being produced inside the U.S. that we can budget for, and plan for, and that doesn't respond to some of these international crises, we are better war fighters. We demonstrated last summer at RIMPAC the Great Green Fleet carrier strike group. The carrier, obviously, was nuclear, but every type of aircraft that flew off that carrier flew on a mix of avgas [aviation gas] and biofuels. Every single surface ship steamed on a mixture of regular fuel and biofuels.

And the big news out of that – the big news – nothing happened. We bought these biofuels, put them in the normal logistics chain, put them on an oiler – which may be misnamed now – in Hawaii and sent them out. Not a single engine had to be changed. Not a single setting had to be changed. The engines didn't notice a difference. We fired every type of aircraft off catapults off the Nimitz during the Great Green Fleet. We did every sort of helicopter that we've got. And nothing happened.

We did the first air-to-air refueling using biofuels. There were a lot of firsts that day and a lot of our global partners, some of whom are here today, participated. The Australians, who are making a big effort in biofuels, landed one of their helicopters on Nimitz, refueled and took back off to go back to the Australian ship. We've got countries around the world – Brazil, Singapore, Italy and others – pursuing biofuels as an alternative.

But it's not just that. It's also some efficiencies that we're doing – Makin Island hybrid ship, it's got an electric drive for speeds under 12 knots. We deployed Makin Island with a \$33 million fuel budget. It spent 15 million of that \$33 million. We were able to plow the 18 million that it saved back into O and M [Operational and Maintenance]. So the next two ships – the America and the Tripoli – LHAs that are coming – are going to have this electric drive. We're looking at retrofitting some of our DDGs with this.

We are doing things that don't get much attention – stern flaps, changing the lighting on ships, different hull coatings. And for doing that, Makin Island and five other surface combatants got the Navy energy award for saving 111,000 barrels of oil in fiscal year '11. We simply have to do that. We've got to make this move. We have to. We don't have any choice. And we're beginning to see, in just pure financial terms, some real returns on the energy investments we've made only two or three years before. And you're going to see them throughout the FYDP [Future Years Defense Program] and beyond.

And lastly, the fourth P, partnership. Now, I make it a point of trying to go and visit as many Sailors and Marines as I can around the world – see them deployed, to be with them where they're actually doing the work. The Navy and Marine Corps -- my description is we're "America's away team" -- when we're doing our job, most of the time, we're a long way from home. And America really doesn't know what we're doing or how good the fleet is – how good those Sailors and Marines are doing.

I have been, for example, to Afghanistan 10 different times to express the appreciation and gratitude of this nation for the sacrifices that the Sailors and Marines are making there. But I've also gone to 96 countries around the world. And I've traveled 670,000 air miles. I am permanently jetlagged. I do it to meet Sailors and Marines, but I also do it to go into these countries that we operate with, that we partner with, that we are trying to build their capacity, because the new defense strategy says that – it has three parts: One is focus on the Western Pacific. Two is focus on the Arabian Gulf. And three is build partnerships, build capacity around the world. I go to the Pacific to talk about this new strategy and to say that it is real, look at what we're doing with the Marines in Australia, with the Marines in Guam. Look at what we're doing, putting four LCSs in Singapore. Look at what we're doing -- in terms of where the new hulls are going -- into the Pacific.

Also, when I visit Europe – I talk about the fact that NATO remains our bedrock alliance, that NATO for decades has been that alliance and will continue to be, and that not only is Naval presence not shrinking in NATO, it is increasing. We're moving four destroyers to Rota, Spain, to do ballistic missile defense work. Our commitment to these partnerships is real, it is substantive and it is lasting. And our presence all around Europe – from Rota to Italy to Greece to Spain, working with our allies of Great Britain – is real, is substantive – it's important. And this new defense strategy does not diminish that importance. In fact, it increases it.

Back here at home, I think one of my main jobs, and I hope one of your main jobs, is to talk to the 99 percent of the American people who do not serve in uniform – many of whom have no connection to our military – talk about the importance of the fleet, talk about the importance of what the Navy and Marine Corps team is doing around the world, and talk about how good those Sailors and Marines are, how dedicated they are, how many sacrifices they and their families make how the operational tempo has been so high, how they have answered every time.

So finally, in keeping with your conference, the Navy and Marine Corps, America's away team, stands ready to answer every bell.

*Semper fortis.*