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THE NAVY IN AN ERA OF GREAT POWER COMPETITION

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**PARTICIPANTS:**

**Keynote:**

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Secretary of the Navy

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## P R O C E E D I N G S

MR. O'HANLON: Good morning everyone. And again, welcome to Brookings. I'm Mike O'Hanlon. I have the privilege of welcoming Richard Spencer, the 76th Secretary of the Navy, to Brookings today.

He really is a great American success story. Grew up in Connecticut went to college, Rollins in Florida, majored in Economics. Served in the Marine Corps as a Pilot, and then went to Wall Street where he had a number of illustrious and accomplished positions, also a very active life in charity, including with Marine Corps Heritage Associations. And then became, as I say, Secretary of the Navy for the Trump administration, sworn in, in August 2017.

Since that time he has also briefly served as the Acting Secretary of Defense, and had the responsibilities as well for the Deputy Secretary. So, he's done it all.

And would you please, without further ado, join me in welcoming Secretary Spencer to Brookings. (Applause)

SECRETARY SPENCER: Thank you, Michael. It truly is. It's a pleasure to be here. And we'll talk about what the Navy has been up to, and where we are and where we're going. But I think I found one of our strategic Achilles heels here in Washington, D.C., which is the traffic.

So, I sincerely apologize for being late, ladies and gentlemen. Time is one thing I talk about continually in the United States Navy, Marine Corps, Integrated Naval Services, and it is not to be wasted, so I beg your forgiveness.

The return to Great Power Competition is testing our readiness and capabilities in ways we have not seen in quite some time, and what I'd like to do today, is just talk to you about some of the initiatives that we have for year three; and then looking forward, dramatically, to sitting down with Michael and having a discussion.

Because, we need to talk about a lot of things, to be very frank with you, to get it out into your minds, because I am a firm believer that this is a team effort. We cannot do this as the Integrated Naval Services by looking at our Naval, we need your thoughts, we need thoughts from outside the wire, as I say, we need thoughts from inside all-of-government to do what we're doing.

This new power competition is really testing our role and making us look forward to, how

we're going to adapt, react, and if we have to, fight. And it's going to be from the sea, because the Navy Marine Corps team is your forward-deployed away game.

We have to be ready to fight tonight, being a deployed team we do not have the luxury of time in many cases, we are the power projection for the country, many call it peace through presence, but when we have to do our work we will do our work.

And I've said Integrated Naval Force now three times. It's not Navy, it's not Marine Corps. Someone commented the other day at work when I have a cufflink shirt, which is not that often, but when I do one cuff link is the Navy logo, the other cuff link is the Marine Corps logo.

It's the goal of my direction in complete concert with the CNL and the Commandant of the Marine Corps to have one single, unified service. For those of you that have been watching the Navy and Marine Corps for many years this is a big step in a new direction.

We've always quote/unquote "fought" together, being a Marine there was always the line (inaudible), the Navy takes us to the next battle. Thank you for the ride. That attitude is completely eradicated at this point. We are going together where the installed Marine Corps team is a unique and elegant weapons platform for the Navy to do its job, so one plus one equals three.

My mission is to guide us in the upcoming year to really achieve what I'm talking about right now. If you read the Commandant's Planning Guidance, and ladies and gentlemen for those of you who haven't, please pick it off the Web and read it. It is bordering on revolutionary.

The Marine Corps will be trained and equipped as a naval expeditionary Force in readiness and prepared to operate inside actively-contested maritime spaces, in support of fleet operations. CNO Gilday has the same thing in mind when you wrote, "We fight and win as a team. We are greater when we integrate more closely with the Marine Corps, the Joint Forces, our allies, and our partners. We build capability with our most natural partner, tying more closely to the Marine Corps at all levels. You can see that the Trident is all aligned in this goal." So, there's no daylight between the services on this. We're moving forward as one, ready, lethal and forward-maneuverable team.

That is the cornerstone ladies and gentlemen of our advantage. We must fund, equip, and prepare ourselves together at every echelon, every domain, sharpening the knife on both sides. I did not highlight enough the word "fund". This strategy will be aligned through the palm, this is not just words

we're putting on a board, we're going to fund for the strategy.

We've already made significant strides through many of our functional elements and we'll continue to do so, innovating when we can, adapting where we must. And I see innovation and adaption as complementary strengths. Adoption adjusts to the environment, innovation transforms it. To succeed in today's complex world we must do both simultaneously.

That's why I've tasked the department with strategic goals going forward in the third year which enhance my priorities but let me provide some more discussion on what I mean.

One, we will invest in human capital. As I've stated since day one when I took over, people are our most important and our most valuable asset. That is how we fight the ship. That is how we fight the weapon. Instead of assuming that our brand will attract all the right talent, our newly-released human capital management strategy will meet the market where it is.

We're looking to access the best people by employing technologies and best practices both inside government, but equally important those that have been involved in the private sector. We'll augment our traditional workforce with outside experts, temporary employees, and will even go to crowd-based solutions; we're already experimenting in that area.

And we'll curate our workforce engaging our people so they understand the opportunities they have and the flexibility that we're going to provide them to build a career. You're not just going to be an employee in the Department of the Navy; we want to have a path for your career.

Two, and we're well underway here. Prioritized learning as a strategic advantage, innovation and intellectual readiness have become the new battlefields where we describe in *Education for Seapower Initiative* as the cognitive age. And for those of you who have not read *Education for Seapower*, which we throw an acronym on it of course, it's called E4S, please do. It is an integral part of how the Navy and Marine Corps team is going to progress.

I've often said that we must be a continual learning enterprise for one simple reason. Our adversaries are doing the same thing. We must be a continual learning organization. The era of Great Power Competition will be -- will be marred or marked by investments in gray matter as well as gray hulls.

To ensure our future competitive strength I've appointed a new Chief Learning Officer,

John Kroger. Please take the time to get to know John Kroger. He is an integral part of this team that is going to affect the foundational basis of how the Navy proceeds as we move forward on the National Defense Strategy.

I've charged him with synchronizing the efforts of our higher learning institutions, exploring new avenues for education and training, and expanding opportunities for our researchers, officers and civilian teammates, as we learn from not only our internal organizations, and to refresh you all we have four of the most amazing, the Naval Academy, the Naval Postgraduate School, the Naval War College and Marine Corps University, that is going to be augmented with the Navy Community College.

So, we are covering education and career path education from deck plates all on up to flag officers. We're going to assess the best practices from both the private sector and academia. We're rolling out our design for an Integrated Naval Force structure.

I just told you about the visions of both the Commandant and the Marine Corps, but it does not stop there. We're modernizing our Naval Force as well as supporting the infrastructure to maximize interoperability and war-fighting capability in the Joint, with our friends, and with our allies.

Our integration efforts also are focusing on our industrial base. We must understand and synchronize our supply chain. It is a team game, all the way down to the people making nuts and bolts. It means getting ahead of global trends and ensuring interoperability with our partner nations so we have a lethal overmatch for our war fighters.

My sole job wearing the Title 10 hat is to ensure that none of our men and women in uniform, and our civilian teammates that go into harm way, go into a fair fight. They will have overmatch. And part of that overmatched, ladies and gentlemen, will be their grey matter.

A 355-ship Navy is an important aspirational goal, but more important is ensuring that we have the maximum capability to address every challenge that we're going to be facing. Resources, the services, we must resource the services to support their role in effecting the National Defense Strategy. And I want you all to think about that for a minute, because the model of a third, a third, a third, might not be the model going forward.

These goals will guide the Department and its Integrated Naval Services towards a vision that maintains America's sea power to ensure our security, and the security of our allies and friends

remain in place, and the equating prosperity follows.

We cannot realize this alone. Meeting our future challenge requires the best thinking available in every section.

And I am grateful, Michael, for this meeting here today because I need to call on your minds, I need your ideas, I need your observations, to a degree, but your ideas I'd really like.

We really have to do this together because we have to outpace what is a very competitive landscape right now, for not only the American people but our friends and allies so we can collectively protect all that we hold dear.

And in that light, I look forward to this discussion coming up. (Applause)

MR. O'HANLON: Thank you very much. It's great remarks, and great framing of the challenge and the progress so far. So, I wanted to really, in the time I have privileged to be up here with you, before we go to the audience, I'll focus on two broad areas, if I could.

One is current readiness and how the forces are doing today, and then get back to the topic of vision, and the future, and the Great Power Competition before us, if I could.

And so, if we could just take a moment, and please feel free to go where you like, but I think my interest would be on the people of the Navy and Marine Corps as well as on equipment. We know there have been challenges especially with the latter, in recent years, but of course it's always a challenge to maintain an all-volunteer force that's been working so hard, and a strong economy, always recruiting and retention challenges.

We had an event here on Monday with Holly Petraeus, and some others, by the way, who -- so this is our second Navy event, because it turns out, you may know, she's an Honorary Chief Navy Petty Officer.

SECRETARY SPENCER: Yes, she is.

MR. O'HANLON: Which I hadn't previously appreciated. But we were -- the topic was the employment opportunities, or lack thereof, for many military spouses, and how it's still hard on many military families. And as you try to recruit and retain a strong Force for both the Navy and Marine Corps, how's it going? We know the Army's had some problems lately meeting targets. How have you done? And just how do you see the overall human side of the Department of the Navy?

SECRETARY SPENCER: Michael, it's a great question, and let me address it in a two-prong, one the people, and then the equipment and infrastructure. People are our most important and valuable asset, they're also our most expensive asset. So, we have to frame everything in that regard.

If I look at our numbers both the Navy and the Marine Corps have been recruiting a hundred percent to their goal, but that comment that I made is squarely something that is keeping us awake at night.

We can't simply rely on our logo to bring people in the door. And I take a moment when people talk about the all-volunteer force, it is not an all-volunteer force, it is a 100-percent-recruited force. We are out there just like every high school coach, NBA coach, college, institution recruiting, pulling people into the organization.

There's very little percentage of people that walk in and say, today I want to join the Navy or the Marine Corps. In that light, we have to put our game on. And let's go to E4S. In a very interesting conversation I had up on The Hill when people started actually looking what we're doing in education, both at community college and education through people's careers.

One of the questions was, Mr. Secretary how are you going to afford this? And especially in light of how the business model of the Marine Corps works. It's a youthful organization that has high turnover, intentionally, that's their business plan, and in my -- I didn't even have to think about the answer it's everything I've taken from business.

I want to treat the employee, i.e. the uniformed person, the best I can, give him the best -- him or her, the best education they have, to contribute to my cause while they're here. If they choose to leave, or we ask them to leave, I want to have a smart happy person on the street contributing to society as an educated person, positively talking about their experience in either the Navy or Marine Corps.

I can't buy that kind of advertising. And the converse is true, if I have somebody who's disgruntled who said, the Navy and Marine Corps never gave me any education, they never gave me any opportunity, I got out because it was a dead-end street. That negative message will reverberate and my dollars in advertising get diminished.

So, there's a purpose for this education, and there's a purpose of focusing on the people, and it goes both to the civilian and uniformed, we're combining our efforts here. It is a whole team,

because at the end of the day, it is the gray matter that fights the ship, and it's the gray matter that supports the ship.

Let's talk about ships. Let's talk about the equipment. I hung around the Pentagon for ten years on the Defense Business Board, and was lulled into some sort of complacency that I actually understood what was going on. And then all of a sudden took this job and really started looking under the sheets to see what was going on.

Ladies and gentlemen, for 18 years we had flown the wings off the plane, and sailed the bottoms off the ships, and wrung our sailors and Marines out to the nth degree. We are now paying for that.

I want to compliment Congress at this point by giving us the budgets they gave us, and funding them timely up to this point, helped us tremendously to get back on even keel. Many of you have been following the ships' maintenance issue, specifically surface ships and subsurface. Yeah, do you know what, this shouldn't be a surprise to anybody, we let this go for way too long.

We're still bringing ships in where we open up areas to the ship that haven't been looked at in five to seven years. Of course there's going to be a laundry list of stuff that has to be done, we're getting up on keel though, on plane. It's taking long to get the initial set through to set the foundation going forward.

New ship build, I made a bet with the President, but what's fascinating -- and we can go into that a little later -- what's fascinating is America made a bet 20 years ago, that they could turn off shipbuilding and turn it on at any time. We are suffering right now due to the fact we made that decision.

We do not have the workforce that we need, we're spooling it up right now, but some of the best opportunities for employment right now, I will tell you, are in the shipbuilding centers.

We're looking for people who will help train you to come join our organization, or an affiliate. We are really in a tender, tender position.

People ask me what keeps me up at night, and everyone expects me to save, you know, China, Russia. What keeps me up at night, believe it or not, is the supply chain. That is a considerable concern of mine. And we're out there paying attention to it, and seeing what we can do to make sure that it is resilient and sustainable.



We're going to get there. We're on a good footing right now, we're going to get there. The Ford -- a great example, I listened to Reprehensive Luria yesterday question my Head of Acquisitions and the Head of my Maintenance, Admiral Moore. And I looked to her and other leadership on The Hill to continually disparage the Ford as a program.

And I get a little upset when I go, wow, Richard think of the positive here. You could not ask for leaders in Congress who take disparaging comments against a platform we're developing with new technologies, you could not ask for a better disinformation program for our competitors. And I truly mean that.

The way we went to the moon was because the country was behind this to get us to the moon with new technologies. We're going to work this out. The Navy has this worked out. The EMALS works, automatic arresting gear works. Where do we have problems? We have problems with the elevators.

Tomorrow -- yeah this morning we signed elevator number four over, deep elevators, four five and six, are moving in the ship. They're going to be tested and certified, everything will be working when she goes IOC.

A comment was made yesterday going: I can't believe that this floating berthing barge is not going to be ready until 2024. It will be IOC'ed to be sent to the fleet much earlier than that, then it takes 18 months for the Air Wing to get certified, then it goes out on deployment.

Bad on Navy for the semantics of what deployable is. The ship will be ready to serve and do what it's going to do in the time that the CNO decides is appropriate, and it'll be sooner than 2024.

There is goodness going on. We are -- if you look at what we've done with the Navy sustainment program for the F18 when I arrived, and I'm not saying "I", it's a team I, but 47 percent of my Navy F18 were mission-capable, 47 percent.

We got the aviation community together and I said, if I was a CEO of an airline I'd be fired, and probably sued for malfeasance with 47 percent availability. We hit 80 percent the other day.

How did we do it? We looked at our systems, we looked at our command and control, and immediately went, wow, this isn't the most optimum, agile way to work, and we moved rice bowls, and we moved cheese. And for any of those of you who've been in the Navy, been in the Military, have

been observers of it, that's one of the hardest things to do right there, is to change the culture and change the command and control. That was step one.

Step two, we looked outside. It is kind of an irony that in the '50s and '60s corporate America looked to the Pentagon for two things, two primary things, risk management and industrial process, we atrophied there completely, and the private sector went around us, and they are way out in front of us.

We tasked some mindsets that had managed the maintenance program at Northwest Airlines, Southwest Airlines, Delta jumped on board to help us, and there were brilliant flashes of the obvious that we had not incorporated. We did, we moved that forward, and now we're rolling that out throughout the whole Navy, it's called the Navy sustainment program. Interestingly enough, maintenance is maintenance, it doesn't matter, in the true sense, whether it's a ship, an airplane, a tank, whatever the case may be, you have to have parts online, you have to have flow, you have to have touch time.

Everybody who was watching the F18, i.e. surface warfare, subsurface warfare and maintenance were all in the room, they're rolling those programs out now.

So, the news is that we're changing dramatically, we think dramatically. From the outside, there's no silver bullet, there's no -- nothing sexy and shiny about what we're doing. This is blocking and tackling, running a business, and that's how we're moving the needle.

MR. O'HANLON: By the way, congratulations on that improvement, in so many areas of readiness. And just if I could, a quick sort of small plea, or editorial comment, I hope some of this becomes more public more systematically, because really going back to the Rumsfeld period at the Pentagon, and through the Obama years, and now in the Trump administration, I think DoD has been more reluctant to share readiness data, feeling like it's giving away something to the enemy, or what have you.

Now that you've restored so many areas of readiness, it might help those of us who want to argue in coming years for a stable Defense Budget, in an area that could see some pressure for cuts, that this is some of the goodness that comes out of decent funding but that's -- I'll leave that for you to contemplate or not, as you see fit.

I wanted to raise a broader question, you talked about carriers, and readiness, and

deployments. I wanted to ask at a philosophical level. Do you think we can afford to be a little bit less predictable in our deployments anyway?

SECRETARY SPENCER: No --

MR. O'HANLON: Because certainly Secretary Mattis said we should be strategically predictable, but operationally unpredictable. And there's been a lot of talk about whether the carrier should have gone to the Baltic Sea or the Persian Gulf. Frankly I don't worry about these things too much because I just as soon that, things not be on a schedule, that we be able to do different things at different times.

So, does the Navy need to actual go further in sort of challenging this notion, that you always must be on a certain station with a number of ships, you know, continuously?

SECRETARY SPENCER: You just qualified for Assistant Secretary of the Navy Operations. Truly, we are dedicated that, dynamic force employment, that's exactly what it is. I mean if you really look back and go: are you kidding me, you used to publish in papers and let everyone know that you were leaving on X date to steam over to a station, and stay on a station with a retirement date -- a retreat date of X. I mean that's crazy.

But not only do we have to get out there with dynamic force employment, we have to mix the game up. I mean one of the things that work -- I love it. We were sitting there about nine months ago, and I was looking at LHA -- I was looking at America, the USS America, a terrific amphib ship.

And I said, do you know what, why don't we load this thing up with F35 Bravos, put 20 F30 Bravos on this and make it "a lightning carrier"? Well, it ends up, the Marine Corps had thought about that. You might see us do that in the near future. And do you know what? We might just launch it out once, just to, you know, try it out, put it in a couple of exercises and know that we have it up our sleeve.

If you look at our whole assessment of the spectrum of threat, and an Admiral Stu Munch has done a terrific job on this, and there's an unclassified, version that you might find interesting. But it's to go back to understand where the threat levels are, and where the ceilings are, and where people are playing, and where things go kinetic, and off-ramps that you can constantly maneuver with.

But one of the most amazing things that we have to go back to, and we did this in the

Cold War, and we've abandoned it when we were doing all our COIN Operations, was action, reaction. Try something over here and watch how the reaction goes, try something over here and watch the reaction. Don't just fly over and drop a bomb on somebody on a bicycle, while that's effective, we have to be much more strategic, we're moving towards that direction.

MR. O'HANLON: That's interesting. When Admiral Richardson was here last winter, he talked about the fact that the Navy almost felt pressure to be in the Persian Gulf Region on deployment, maybe even more often than he would have preferred, because it provided missile defense capability.

Are you seeing some potential, you know, easing of the pressure on the Navy with some of the additional land-based deployments of missile defense in recent weeks? Is that sort of a better joint approach towards Persian Gulf security that would also continue down this vein of allowing you to really have a dynamic Force Employment model?

SECRETARY SPENCER: Yes, Michael, it is. I mean if you look at the grand scheme of thing of jointness, it was interesting. So, I got out of the Marine Corps in 1981 we were just weaning ourselves off of whale oil back then, I think. But I jointness wasn't even in the -- in the lexicon. I remember flying my H46 over Fort Ord, and there was obviously an accident that had happened, and were going to obviously try to land and be of assistance. We couldn't even get the same frequencies and communicate with the Army.

Now, jointness is really -- it's gone beyond even saying it, it's just operationally happening. Land-based precision fires helped us tremendously, because then we're not tethered to a BMD mission. We can actually be what the Navy is, which is to be a maneuverable force, to provide consternation to our competitors as to where we are.

MR. O'HANLON: Yes. Thank you. On the issue of carriers, now I'd like you to shift more towards your vision for the future. And I wanted to hone in specifically on your vision of the aircraft carrier fleet, leaving aside specifics about the Ford Class or anything else. And I was recently at a Lexington Institute discussion on the future of the carrier, it was a very good discussion, it was Chatham House Rules, so I'll just sort of summarize.

But there were several different schools of thought about the future of the survivability and utility of the carrier, and there was one school that said, because we can interfere with an enemy's

satellites, or communications, and we can move the carrier around, even though it looks like a big vulnerable platform, it's actually pretty survivable.

There was another school that said if we put more longer range platforms on the carrier we can mitigate whatever vulnerabilities, and still have it be pretty survivable. And there was a third school that sort of said, you know, I'm not persuaded yet the carrier is going to be survivable in an all-out fight against Russia or China, but there are many other missions that are still important, including sort of what you might call phase 2, phase 2.5 --

SECRETARY SPENCER: Yes.

MR. O'HANLON: The crisis response, the early levels of hostilities when you might be engaged in skirmishing with Russia or China, but you're trying to prevent all-out war, and that role for the carrier is crucial, even if in an all-out war, many of them might be sunk. I wondered if you come down in any of those camps. Or how, just how you think about the future of long-range, you know, carrier airpower and how we're going to be able to protect it, utilize it, in sort of one to two decades into the future?

SECRETARY SPENCER: Yes. Now, this has been a focal point in conversation since arrival in August of '17. Michael, I'm actually in all three camps, believe it or not.

MR. O'HANLON: Yes.

SECRETARY SPENCER: One, if we went into a SAP level, which we can't, I'm pretty comfortable that it is defensible in various environments. Two, I truly believe that we will have more standoff on two fronts, (1) extending the reach of the missiles that we -- the weapons that we have at hand, but (2) the ability to also tank and fuel, probably in that order.

And three, which everyone keeps forgetting, if in fact and I -- by the way, all my comments today are facing the Pacific Theater, which is primarily a Navy Air Force theater, and Army in another layer, but we are out there right now and that is, when you look at the National Defense Strategy, of primarily a Navy, subsequent Air Force support function there which is when I talk about resourcing to the strategy, that's the message that I'm saying.

After we have conflict -- well, first of all, let me back up. I love it when people say, the carrier is just a huge floating target. Last I checked, all you have to do at Kadena Air Force Base in

Okinawa Japan, is program in the GPS coordinates once, it doesn't move. That's a big floating target too. I actually can maneuver 700 miles a day.

That being said the maneuverability of that city at any one point in the spectrum of conflict, has different exposures to risk, but let's talk also about section 2.0 when all the air strips have been destroyed, and threat reduces and now you're doing what I think is one of the most integral things that sometimes we don't pay 100 percent attention to, what are you doing post-immediate conflict on the downside. You have to come in and be able to operate.

That again is another area where the carrier comes in. In my heart of hearts, with the last two carrier buy, what will the next carrier look like? We're having discussions on that as we speak. And we'll see what happens. I think we actually whiteboard this thing, and go, what will it look like out in 10 to 15 years? Is it a floating platform to electrically or energy charge, unmanned aircraft? I don't know.

I will tell you that we are augmenting the aircraft carrier with our ideas such as this lightning carrier, 20 F35 Bravos on a large deck amphib, my cost performance there is tremendous. Does it have the same punch? No, it doesn't, but it does have a very interesting sting to it.

MR. O'HANLON: So, I've got two more areas of technology I'd like to get your thoughts on, and then open things up to the audience, if I could. Thank you very much for those thoughts about the carrier. One is going to be amphibious shipping and building on the new Commandant's vision in his Commandant Guidance over the summer. And then secondly I want to talk about unmanned systems, and just how you see that writ large.

So, on the amphibious front, you know, the Navy and the Marine Corps in the last several decades have increasingly gone towards really big ships, of which we have a relatively modest number, and there were efficiencies associated with that, but of course there are also dangers pitfalls associated with the vulnerability of having a large fraction of your Force on a small number of platforms.

It sounds like the Commandant wants to change how we think about amphibious shipping, and maybe even go towards substantially smaller, or even much smaller ships, and distribute our Marines across a wide array of platforms.

Are we going to whiteboard that kind of a question too, and maybe even think about amphibious ships that are half as big, a third as big? You know, and at what point do the hydrodynamics

of building a smaller platform mitigate against that? Are there certain limitations to just how small you can go if you're trying to operate and -- you know, in rough seas and cross oceans and get people several thousand miles, you know, towards a theater are there certain limitations on just how small you can go?

SECRETARY SPENCER: So, I'd love to give you a spoiler alert, but I -- but I won't. We're in the middle of our Force Structure Assessment, which we've kicked out a bit, and we've let Congress know that, because of this really big muscle movement we're making, which is this integration of the Navy and Marine Corps, your Integrated Naval Forces.

The answer, Michael, is yes, yes, and yes, fundamentally. What does it exactly look like? You'll see more of that when we release the Force Structure Assessment. And the reason I'm being somewhat guarded is I want to make sure we're ready to talk about it when we are ready to talk about it.

But everything you're talking about is being considered. If you look at the CNO, his discussions about where the Navy goes, you're going to hear DMO a lot, distributed maritime operations, and that is exactly what it means. Fan out the assets, and have the asset sizing so you can fan it out, again, more maneuverable -- more maneuverability, more shooters, more of a complex conundrum for targeting by our enemies.

That being said, with that comes the Achilles heel of logistical support, and we're working on that also. Marine-specific, yes the Commandant -- look at what the Marine Corps is, it is a -- it is a Marine -- Marine-oriented, i.e. on the sea oriented, quick-reaction force integrated with the Navy. Smaller than the Army, so it's deployable, maneuverable, expeditionary; expeditionary, that in itself speaks to a different platform -- an augmented platform size, including unmanned for both logistics and delivery, that's being entertained.

MR. O'HANLON: So, let me go to the unmanned systems, if I could. First could you just give us a little bit of -- a lay of the land of, a couple examples of what the Navy is already doing, what it already has out there in the way of unmanned and, you know, systems that may be involved in tactical reconnaissance, or what have you?

But then what are some of the bigger ideas that are at least being white-boarded for where we might be in 10 or 20 years? And I really appreciate the willingness to sort of look to the future, and just have a visionary conversation. I think it's very helpful.

SECRETARY SPENCER: It's going to be integral, unmanned air, unmanned on sea, and unmanned under sea, all the domains are going to be affected by unmanned. It's not a panacea; it's not the Holy Grail, it's augmenting. We have been experimenting, as you all know, with medium and large-sized undersea vessels, small undersea vessels, have been around for a while unmanned.

You've seen that we've had the Sea Hunter do a complete Cole rigs (phonetic), a transition from Hawaii to San Diego unmanned. We're making -- let me put it this way; we're doing some very good research and development in unmanned. Are we going as fast as I want us to go? No. Are we going fast in a very thoughtful way? Yes. Just because I want it to go faster doesn't mean it's not thoughtful, I just cannot beat the drum of urgency enough.

And I'll put a line in right now which concerns me, I listened the President Xi's comments in Nepal two Saturdays ago. Yes, okay, he sent me a message, he sent the United States Naval Integrated Force's Team a message, and we are gearing up appropriately to be able to react.

MR. O'HANLON: Could you embellish on that a little bit for those who might have missed the comment?

SECRETARY SPENCER: Well, he said he would let blood and crush bones of those that do not -- of those that fight the unification of China. And, you know, that's a message, so we have to look at what's going to happen, and where our allies are, and be prepared. And I mean it as a preparation level.

But this is the urgency, these are the messages that are being sent out in a competitive environment. And remember -- and I also punctuate this with every comment I make when I talk about us being prepared. The reason that you have the services that you have, the reasons you have a Navy/Marine Corps Integrated Team deployed out in the world is to give the State Department one more day to do what they do best so there's no kinetic activity. And we live by that. But we have to be prepared to have the muscle behind that so there is one more day to negotiate.

MR. O'HANLON: I want to follow up on China and the Western Pacific for a moment, if I could, by asking you the following. You know, General Dunford was nice enough to do an event with us here in the spring, and I tried on this stage to give him a little bit of a pat on the back and say, it seems to



me, General, like, you know, in the four years you've been Chairman, even though there aren't that many problems that went away, things feel a little more stable.

It was a nonpolitical comment, I wasn't talking Obama versus Trump, I was talking about, you know, what we've done with the European Deterrence Initiative, what the Navy has done with the rebalance, and then the 355-ship goal, and putting more resources into shipbuilding, and the freedom of navigation operations in the Western Pacific.

And I tried to say, you know, it feels to me like we're at least a little more stable. And General Dunford would have none of my compliment, and wanted to underscore just how much ongoing vigilance was still needed. And I understand that point as well, plus he's a humble guy who didn't want to, you know, take any credit.

But my question to you is, how does the Western Pacific feel to you in the last one to two years, since you've been Secretary? Do you feel that China is continually finding new ways to probe? Or do you feel like we're sort of, for the moment, in kind of a steady state where, they put pressure on every, you know, freedom of navigation operation we do, but at least there's no big new surprises?

There hasn't been an attack on Taiwan, the Senkaku issue is still there but it hasn't gotten worse. I mean, how do you put the Western Pacific in context these last couple of years?

SECRETARY SPENCER: Well, first I'd be remiss if I wasn't to tell you, ladies and gentlemen, Joe Dunford was just one of the most amazing assets this country has ever had. His four years as Joint Chief did exactly what Michael was talking about. He really put some things together, and he was a lot of glue that kept things together. And we look forward to Chairman Milley taking over, but I'd be remiss if I didn't say Joe Dunford was just a fantastic Marine, a great American. And we thank him for the four years that he really -- he really got after it. And it doesn't surprise me that he took no credit for it; that that's Joe Dunford. Right.

The Pacific, I think I'm actually more concerned about the Pacific now than when I arrived, but there's a reason. I think I know more now than when I arrived. My whole statement when it comes to China is, if they would like to acknowledge a rules-based order there's a place for them at the international table.

But if we keep seeing intellectual property theft, bullying of our allies and things like that,

it's going to be a constant area of tension. You know, one strategy you've heard is we have the level of kinetics and that, you know, are -- Russia and China would just stay constantly beneath the level of kinetics.

We're adopting and adapting and innovating to that. It doesn't seem to be subsiding in the Pacific, what's fascinating, which I think is interesting for the U.S., is we have a competitor now that has no differentiation between military and civilian. It is an all-of-government approach, we now have been joint inside the Department of Defense, we now have to be joint all-of-government. DoD has to be joint with Commerce, DoD has to be joint with Treasury, DoD has to be joint with all of government.

MR. O'HANLON: Thank you. My last topic is now on the budget, and I just wanted to touch on that since we --

SECRETARY SPENCER: We have one?

MR. O'HANLON: Exactly. Or lack thereof, I should have said. And I should also bring up the Nationals at some point, but we'll let somebody else in the crowd do that.

But I have some additional happy news to dwell on. But I wanted to ask two questions about the budget. And one of them is, you're doing all these exciting things, with the Navy, we see DoD with a lot of exciting plans across the board.

But we've heard a number of people including General Dunford and also the Independent Commission on Defense last year say that to sustain these kinds of plans is going to take 3 to 5 percent real growth, unfortunately, or fortunately, depending on whether you care more about that, or you care more about the country's fiscal situation, there don't seem to be too many political leaders in either party who really endorse that vision.

Including your own administration; and by the way, I'm sort of a cheap hawk so, I don't necessarily sign up with the 3 to 5 percent real growth, to put my own cards on the table.

But more importantly, from your point of view, as you try to pursue these visions, but you see the administration's own future year's Defense Plan be essentially flat, how do you reconcile those? Is there a -- is something going to have to give in the vision? Or should we not take the fit up too seriously and think that perhaps a reelected President Trump would rethink his defense plans?

I mean how do we view where this sort of rubber meets the road with the Services trying

to get more innovative, and get more ready, and thinking there might need 3 to 5 percent real growth, but likely to get 0 percent real growth after the 2021 budget?

SECRETARY SPENCER: Terrific observation and question. And there are many ways to answer it. One, I'm a pragmatist and a capitalist, and you have to resource a strategy to make it work. Right out of the bat I cannot resource this year's plan with last year's budget. It's problematic.

The CRS (phonetic) are absolutely insane. You often hear me refer to Congress as being my Board of Directors, if this was in the corporate world, they would all be removed by the shareholders and sued for malfeasance. Their job, their primary job, according to the Constitution, is to fund this government, and it's completely irresponsible to not fund this government.

That being said, where are we going? I want to back up, and I always kind of rely on a story that my staff will roll their eyes because they've heard it a hundred times. Where centuries ago the British have tangled with the French on the High Seas, the war is over, they've lost seven frigates. The First Sea Lord turns to his Finance Admiral and says, go over to the Exchequer and get me a check, we must rebuild seven frigates.

The next day they're having their staff meeting, and First Sea Lord says, Finance, what say ye? And he said, spoke to the Exchequer, the Exchequer said we're out of money and we have to start thinking. That's where we are folks, we're not out of money, but I don't think we're going to see a 3 to 5 percent growth either.

If in fact we see a second administration, I think you're going to see -- and this is just Richard Spencer talking -- you're going to see the government -- the administration focus on the debt, and you're going to see I think some belt tightening.

And I am a believer that's rightly so. We do a great job over at the Department of Defense, and I can defend a lot of the things that we do. Can we do them better, faster, quicker, more efficiently? Yes we can. So, we will continue to innovate. We will continue to move forward, but we need to start thinking differently and acting differently.

Here's a fine example. And I don't mean to carry on, Michael but this is really --

MR. O'HANLON: This is good.

SECRETARY SPENCER: People came up to me and said, are you out of your mind,

Secretary, not refueling the Truman? One that's heresy, but two that's just insane, it has 25 years left on its life. Okay folks, let's go back and look at Commerce in general. And I had to reach out to get a couple of examples in the private sector.

Abandoning an asset is a tough thing to do, but if you look at fleets, whether aviation, trucking, taxi, whatever the case may be, industry moves on about a 15 percent efficiency. So, if you can develop an airplane that's more than 15 percent more fuel-efficient, or carry more people, the industry will move to that platform.

The beauty industry has is there's a secondary market and they can sell the assets that they have so they can recoup some of their investments. I can't with an aircraft carrier. So, I went out to some industries, well the petroleum industry, it ends up in speaking to a former member of the administration. They built a refinery where they had to abandon a \$2-dollar refinery, but it was, you know, 26 percent more efficient.

I look at the Ford which, with EMALS, I get 30 percent more sortie generation, 25 percent fewer people on board, and a maintenance cycle that'll be improved compared to the Nimitz, it is an efficiency game-changer. So, let me abandon an older vessel and move to the newer fleet.

What does that allow me to do? Free up \$3.8 billion in the ship alone, and \$1 billion a year in the carrier air wing, if in fact I also downsize that. But let's say I keep the carrier air wing for doing things such as the lightning carrier idea, but \$3.8 billion, I can move that to modernization, directed-energy, AI, machine learning, additive manufacturing, the things that I must do, quantum computing. I have a -- I have a confined budget, I get it, but you've got to give me the latitude to move to innovate.

MR. O'HANLON: And on that budget -- my last question -- and this is just a chance to give you a softball, to which I'm sure you'll hit out of the park --

SECRETARY SPENCER: It looks like playing a softball game --

MR. O'HANLON: Exactly. But this is something that the Navy and Marine Corps fellows we've had here, and thank you for them, they're spectacular assets for Brookings, and where we benefit from them enormously. In the last couple of years they've helped me understand the way in which continuing resolutions hurt the Navy.

SECRETARY SPENCER: Yeah.

MR. O'HANLON: Because a lot of us think intuitively, well, it prevents you from moving towards your next new acquisition program because that's not in last year's plan, or wasn't ready to go into procurement, or what-have-you. But even on the maintenance side of things, it prevents you from entering into longer-term contracts which give you efficiencies.

Can you just say a word about that, if you wish, as we try to remind all -- because everybody hates -- this is not a partisan statement -- everybody hates continuing resolutions and budgetary uncertainty, and yet it happens again and again so. So wondered if you could dramatize for us here one of the consequences?

SECRETARY SPENCER: Sure. You know, one of the biggest problems on the opening statement with continuing resolutions is that you have some of the most innovative, creative people over the Department of Defense, and when you throw them a challenge they respond. And unfortunately, I truly believe that The Hill now believes that the DoD can handle CRS with absolutely no problem at all.

One of the problems is, we actually do adapt. But we did a study two years ago in '17, what nine CRS cost the United States Navy in cash, not the soft stuff, not the fact that we weren't going to do a maintenance program at a shipyard, and they let 400 people go who were talented, seven-year-plus journeyman who got out of the industry, and I can't entice them back into the industry due to uncertainty that's being proven out today, with the CR today.

That cost in dollars was \$4 billion, \$4 billion. So, when I get accused of a cost overrun on the Ford by my Board of Directors, and they go and burn \$4 billion, I'm confused as to who is responsible for wasting, or diddling with resources. It is an atrocity that a CR exists, it's an atrocity I think, that they go home on a vacation -- or a recess, excuse me, and don't do the business that has to be done at hand.

We're still working here. Our uniformed members and civilian teammates are still out, standing the watch. Why can't they?

MR. O'HANLON: Well, thank you. I've been fortunate to have this conversation with you. And now I want to share the pleasure and privilege. So, let's start in the back please. Wait for the microphone, if you could, and then please introduce yourself before asking your question?

SPEAKER: Hi. Alex (Inaudible) Defense. Mr. Secretary, I was wondering if you can talk about Great Power Competition in the Western Hemisphere. I (inaudible) come out of SOUTHCOM. I

said repeatedly, that extra-hemispheric powers, like Russia, China, Iran have a growing presence in Latin American and Caribbean waters. Like Russian warships, or Chinese controlling -- Chinese companies controlling Latin American ports. Where does the -- where does SOUTHCOM fit in the in the U.S. Navy's future strategy, given the fact that SOUTHCOM installation, you've seen as the lowest power to command? Thank you.

SECRETARY SPENCER: So that, when we talk about the Pacific Theatre, that that's a really good point, because there's a footnote. The concern is in every single theater. Admiral Fowler does a great job of articulating where the threats are coming in from all the competitors that we have into his theater.

And this is why, to be very frank with you, I continually underscore that this is an all-of-government issue that we must do. This is why we must be tied in with Ag, must be tied in with Commerce, must be tied in with Treasury, because it's not just gray hulls and silver aircraft to combat this. And if you look at the strategy we talked about which is to keep it all below a kinetic level, we must have all of government in, and it is every single theater the threat exists.

MR. O'HANLON: So, go up here to the -- to the front row, go to this gentleman here on the far side, please?

SPEAKER: Thank you, Secretary. Rob Coller, in AIC Investment; and we actually have some interest in ship repair in the U.S. My question is towards Europe actually. How are you all viewing Brexit? And can you speak a little bit with NATO, as to the thinking there?

SECRETARY SPENCER: So, when it comes to Europe, if we look at the balance of the National Defense Strategy, I am going to give the preface that 60 percent of my attention, 65 percent of my attention is Westward-looking, over to the Pacific.

But that being said, the care and feeding, and attention to our NATO allies is key. What we've seen, and it started with Secretary Mattis, and I -- when he asked me to put my hand up for this job, and we were talking about his principles, I fully bought into his three primary lines of effort, but the number two line of effort I truly believed in, which is a robust constellation of friends and allies.

Because as you know, he's a historian, and you don't even have to be a historian, but those countries that do not have that robust constellation usually find themselves in the dustbin of history.

So, from day one we've been out there, you look at existing allies in the Pacific, and you look at the developing relationships with India, Vietnam, you look at -- on the other side of Europe -- to answer your question directly, Norway, one of our -- you know, when it comes to the Navy, one of our strongest allies.

We've had discussions that, you know, the 2 percent number, I still stand by the 2 percent number, that everyone should be responsible for the protection of their own country, but I also believe that -- and countries rally above 2 percent with soft dollar activities they do in the contribution of global security.

MR. O'HANLON: By the way, let me follow up, if I could. Do you see any day-to-day implications or, you know, obstacles, or consequences of Brexit in terms of the U.S., the U.K. military-to-military relationship?

SECRETARY SPENCER: I have not seen that yet. I mean, if you look at one of the strongest relationships of mil-to-mil, it's Britain, and it's the U.K. and the U.S. In 2021 you'll see a Marine Corps F35 Bravo Squadron on the Queen Elizabeth, which we're very excited about. If you look at the intertwined activities that we do under sea, it's very strong.

We're not seeing any signals right now that should change our thought that the U.K. will be right beside us, ever be in lockstep.

MR. O'HANLON: Stay here in the front row, my friend John right here in the aisle. I'm sorry, yeah.

MR. NICHOLSON: George Nicholson, the Washington Liaison and Global Special Operations Forces Foundation. I was of a session last week with Chief the RAF, Air Force (inaudible), and I asked a question about the Falklands, and what happened, what the disaster. And you remember how rapidly after that for an AEW capability, they developed the radar, they put on their Sea King helicopter.

And I said, now with the Queen Elizabeth coming on line, and then the Prince of Wales coming on line, what are you looking at, the future capability? Are you looking at something like a V-22 operating at a higher altitude? And he says, no, what we're looking at is, he says, I've been talking to the First Lord. I guess he's here this week.

SECRETARY SPENCER: Yes.

MR. NICHOLSON: He says, looking at an RPV type capability. Getting back to what you talked about, the enabling capability of the Marines using their Argos, a small carrier, what are you looking at the future of providing that kind of AEW capability for the ARGs out there?

SECRETARY SPENCER: You hit the nail on the head. I mean if you have the RQ25 refueling, and this discussion was had during its original playoff which was: why don't you have one you can hang sensors from? Anything that flies can have sensors, anything that moves can have sensors, sensors find the shooters and we kill the shooters. It's a kill-chain analysis.

We're going to be looking at absolutely everything we can hang sensors on. And I just want to correct one statement you made when you talked about a Marine Corps ARG, it's not, it's the Naval Services ARG,

And I mean that sincerely in that it's going to be a Naval Services Integrated Application of that resource. So, when the combatant commander sits out there and goes, I must have an aircraft carrier, what we want to do is develop the capability and capacity to say here is a hybrid collection, that will -- that will have a punch equal to, what not look like.

MR. O'HANLON: Work a little bit in the back of the room, you've got the gentleman in the lighter-blue shirt, right there. By the way, is this microphone working? The microphone that people are using in the audience, can you hear in the back usually? Okay. Good.

SPEAKER: Thank you, Mr. Secretary. My name is Arthur Ackerman I'm a student across the street at SAIS. And I wanted to ask about -- well you mentioned in your remarks several things about integration and jointness, and mentioned our allies in the Pacific as well. I was wondering if you could characterize what you think the current state of naval maritime integration with our allies is, and what you think the potential future could hold.

SECRETARY SPENCER: One, keep doing what you're doing over at SAIS, then come join us in the government, please. And I mean that sincerely. We need great minds to help us, and assist us.

I'm a bull on where we've been and where we are now when it comes to the Pacific in interoperability. If you look at RIMPAC last year we had a Chilean heading up the Maritime Ops. And the reason I bring that up is Chile thinks of themselves as a Pacific partner, and I think in the U.S. mindset



that would be a bit of a stretch. No, that's exactly what we're talking about, we're encompassing all in the Pacific.

I look at -- I look at New Zealand, I look at Australia, I look at what we're doing with P8s over there, along with surface integration, that's integral. I look at what we're doing, you know, with South Korea, our traditional maneuvers with Japan. I look at what we're doing with Vietnam, which is just the tip of the iceberg, and there's a lot to go there, but who would have said (audio skip) --

When I took an interview in the White House for this job, and (inaudible) said: Can you get an aircraft carrier into Cam Ranh Bay? That is your goal in '17.

I swallowed hard and said, okay, we can give it a shot. We'd had -- we didn't get it in the Cam Ranh Bay, we got the carrier into Da Nang. Who would have thought that ten years ago, five years ago?

So, there are relationships that are nascent to well cooked, that we're all trying to weave together, and we're doing it. We're having interoperability exercises that don't just mean, hey, Indonesia fall in under the U.S. carrier flag-17, in the back of the trail. No, it's you're going to be actually doing something in this exercise.

Again to flex the muscle, as we call it, sets and reps, that's how we're going to get good at what we do. And interoperability is the poster child for sets and reps, for interoperability.

MR. O'HANLON: Just a corollary off of that, and I'm going to take one more prerogative to follow up. How would you describe, at a Navy level, the current operational workings of the U.S.-Filipino Alliance? Which we know it's still there on paper, it's still there in some meaningful sense, we got Special Forces helping them with internal issues, the President Duterte, whatever one thinks of his domestic policies, he's got this need to navigate the China relationship, and the U.S. relationship.

And, you know, I understand his predicament at some level, even if I don't sympathize with everything he does tactically. How would you describe the current state of that alliance from a Navy point of view?

SECRETARY SPENCER: I know what I'm about to say is a brilliant flash of the obvious for many of you who are either in the services or watch the services, but one of the most amazing things that came readily apparent to me, being Secretary of the Navy, and I was aware of it but didn't really see

it in action, is the mil-to-mil relationship that exists globally with all our services, regardless of where the politics are in the various countries, we still have very strong military-to-military relationships in various cases.

The Philippines is, again, a poster child for that. The military-to-military relationship is very, very strong, we'll see what happens, you know, with the politics, but the foundation is there.

Thailand another, where the Marine Corps relationship with Thailand, historically, is tremendous, our government decided to not recognize them during the coup, we still kept talking to them and, you know, keeping the communications up. So, when in fact the light turn green we were ready to get back to business.

MR. O'HANLON: Thank you. We'll stay in the middle section again. This gentleman on the -- on the aisle about six rows back, yeah. Thanks.

MR. WOODY: Hi. Christopher Woody from *Business Insider*. I wanted to ask about the Navy's plans for the Arctic specifically. You know, do you have any plans for permanent basing up there, and in what role do you see unmanned systems playing in your operations in that region?

SECRETARY SPENCER: The Arctic is a -- is a key zone. I think you've heard me speak about that before, and it was interesting because -- I'll be very honest with you, you know, it's the old line, I could barely spell Arctic before I came on board, and now I'm living it.

In one of the first meetings I had as Secretary of the Navy was the Arctic Conference up in Reykjavik, and really got exposed to what's going on up there, what the traditional foundational base of our understanding of the Arctic has been, and where we're going.

It was great working with the Former CNO, Admiral Richardson, when I was showing my frustration that we needed to get up there. And he kept reminding me, sir, we've been up there since 1969 under the ice. And I said, well, okay that's fascinating, but peace through presence is a little difficult with a submarine.

We are going to be up there, we're operating. As you know we did Trident Juncture, we went north of the Arctic Circle first time since 1996, we had a Carrier Strike Group, and amphib ships north of the Arctic Circle.

What did we learn? Boy, talk about Mike Tyson's great line, "A plan is great until you get

punched in the nose." We learned a lot, where we had to shore up our learning, and where we had to shore up our sets and reps.

Gunston Hall hit some heavy weather, tore the hell out of the well deck. What we learned down there, I'll write a check for that kind of damage any single time, when I saw what we learned from going up there.

We will be in the Arctic Circle, above the Arctic Circle in the High North Atlantic, and the High Pacific and the Bering Straits on a regular basis.

Will we have permanent basing up there? I don't know. Would I like to see a logistic center up there, something like a gnome? That would be great, where we could have all-of-government -- so the Coast Guard is up there, the Navy is up there, NOAA is up there, whatever.

It is a -- it is a strategic integral area that we have to pay attention to, and the mission up there is to, you know, keep order in place and make sure that everyone, you know -- and this is collectively all Arctic countries, and this is what we signed up to on the Compact, was to keep order and focus on the attributes of the Arctic.

MR. O'HANLON: Up there, do you see Russia as a competitor, or a partner, or both?

SECRETARY SPENCER: I would love to say both. We see what they're doing up there. I mean I have to admit, day one when I was at the conference, and the Russian Ambassador to the Arctic said, when I asked him, why are you repaving five Cold War airstrips? And why are there are reportedly 10,000 Spetsnaz troops up there? He said, search and rescue, Mr. Secretary.

And now I see their plans for the North Passage which is a taxation under the concept that you must pay for search and rescue, we can argue either side of that. But is it a controlling fact for free flow of Commerce. I worry about their position there.

That being said, dialogue must remain open. We have to keep those avenues of communication open. With receding ice, you've seen the arguments compared to the Suez Canal, the time and dollar savings by going over North, that's happened, it's going to it's going to continue to happen. We have to be present.

MR. O'HANLON: We'll come here to the third row please, and then we'll work back again.

MR. RICHMAN: Thank you very much, Mr. Secretary, for coming. My name is Jackson Richman. I'm with *Jewish News Syndicate*, JNS.org. Amid the tension between the U.S. and Iran including in the Gulf, what would constitute as an act of war for the U.S. Navy? Is the U.S. Navy capable of defending itself against Iran?

SECRETARY SPENCER: Well, that's a wide open question. One the act of war is the role of Congress, so the Navy has no role in that. But two, depending upon what levels you're talking about, I believe we're completely defensible in where we stand right now with the environment that we are facing.

MR. O'HANLON: I guess we'll go to the gentleman in the white shirt, green jacket; and then the right after that it will be the woman right behind him. I'm sorry, yeah you're right. Thank you.

SPEAKER: Good morning, sir. I'm Rijan Canon Suzuki, from Japan Ground Defense Force, and I work as the Exchange Officer, I'm headquartered at the Pentagon now. So, I'm very honored to be here to listen to your talk this morning. And I'm very surprised that you put your focus on the human matters, the best important things. Because General McConville, the CSA, is also the focus -- his priorities people, the Army family.

SECRETARY SPENCER: Yes --

SPEAKER: So, my question is related to the interoperability of things, because I'm with the Staff Officer. So do you have any idea, the future perspective of the relationship between a Navy and Army, so as a joint force? So, because a joint effort will be very important so you -- maybe, sir, are you focused on the IONS pertinence. But I really want to know your thoughts about the future relationship between Navy and Army. Thank you.

SECRETARY SPENCER: A great example, one, totally all in on a complete triad integration, or quad when we include also our Coast Guard brothers and sisters, because they're alongside us every single day in the fight. Navy or Marine Corps F35 targets a position, radios down to Air Force Command and Control Targeting Center, data sent to an Army, long-range precision fires battery, eliminates the target.

That is what I would consider the example of how we are integrated. We are there now, now we have to do sets and reps. When it comes to the Pacific, do I want Army long-range precision

weapons? Damn straight, I do. They're integral to what we'd have to do in the Pacific if something had to happen.

MR. O'HANLON: The Army and Air Force use the expression, multi-domain operations sometimes to talk about this. Do you folks use that as much? Or Do you just use -- are you guys all in with that, or is it -- you just use different words to explain the same thing?

SECRETARY SPENCER: No. It's really funny, we were at I believe CSIS, Heather Wilson, Mark Esper and myself for our first pre-Service Secretary presentation, and Mark and Heather kept asking me, what is your -- before we were going on the stage -- what is your position on multi-domain? I said, well, the United States Navy has been a multi-domain since 1942.

MR. O'HANLON: Right.

SECRETARY SPENCER: So, yeah, we are totally in.

MR. O'HANLON: Right, right. Thank you. The woman right behind, yes, in the red scarf.

SPEAKER: Hi, sir. Good morning. My name is Katrina Leggo. And my question is, what are your thoughts on the future of the Navy and Marine Corps integration, potentially with a future Space Force or Space Command?

SECRETARY SPENCER: I didn't catch the end. I'm sorry

SPEAKER: What are your thoughts on the potential integration of a Navy and Marine Corps Force with the Space Force or Space Command?

SECRETARY SPENCER: Okay. That's a good question, because we're now really grinding it through our teeth and digesting it. My fundamental position -- and I believe the CNO and the Commandant agree with me -- is we've moved to a thought process where I just want the service and/or the resource provided to me. Do I think Navy should go to space, and put its own satellites up there? We did that with MUOS.

But I also just signed a Memorandum of Understanding with the Air Force that they'll take over a MUOS next generation. That's their -- if that's your expertise, I want you to run it, and I'll just buy the service from you. That's in crudes -- that's in capitalist sense right there. In DoD speak, I need your jointness integrated.

MR. O'HANLON: So, we now have a Space Command. Do you expect that we will

have a Space Force within a year or two, or is that just still open-ended and unclear?

SECRETARY SPENCER: I think we'll have a Space Force.

MR. O'HANLON: But the current state of the Defense Authorization Bill wouldn't quite get us to the finish line?

SECRETARY SPENCER: Correct. I thought you said would we.

MR. O'HANLON: Right. Fair enough. So, let's stay in the back, and then we'll come back to the front for one last salvo. So, the gentleman right there, yes.

MR. LEE: Thank you for your insightful speech today. This is Jeong-ho Lee, from *South China Morning Post*. I was just wondering, what role do you expect the Asian middle-power countries to play in the South China Sea? And also I was just wondering, is there a particular country that should do more to protect the rule of law? Thank you.

SECRETARY SPENCER: Great question. Let me ask you to define middle-power countries?

MR. LEE: As an example, South Korea, or Japan, if you can classify Japan as a middle power, or other ASEAN countries.

SECRETARY SPENCER: Okay. I would call those lead, lead countries over there. Integral part, we are all in this together. And what I mean by that, I'll relay to you an interesting story that happened October of '17.

I had the complete Vietnamese Military Delegation out for a dinner on a little asset I have which we call the SAC NAB's (phonetic) Barge which is a nice little boat we go out and have dinner on in the Potomac.

And the appropriate amount of translators were there for both sides, and I started to explain, because I was asked, what is the U.S.'s position on allied and friends supporting relationship? And we had been -- I'd been speaking to Secretary Mattis about this, in depth, as I talked earlier, but even as we were moving out to make sure we were in line on a unified message.

And that message was, we have to do this together, we have to do this lockstep, side-by-side. The U.S. is not going to land there with big boots, big ships, and big guns, and go, follow me. You're the expert in your area. You have the complete expertise in your area, we need that, we are going

to be side-by-side.

At which point the translator got involved with the Minister of Defense in a quite animated conversation, and it lasted literally about a-minute-and-a-half. And the translator turned around and said, I'm sorry, Mr. Secretary, the Minister doesn't understand what you're saying. Do you really mean to say that you're going to be side-by-side versus landing in front and saying, follow me?

And I said, that is exactly what I'm saying. The whole mood of the meeting changed, and then we started speaking English. (Laughter) It was fascinating.

MR. O'HANLON: One more in the middle before we come to the front. So, let's see, the gentleman in the yellow and blue tie, please.

MR. BROWN: Good morning, Mr. Secretary. My name is R.A. Brown. So, Admiral Rickover, when he was first building the Nuclear Power Program ran into an issue with the control rods, and he found that he was getting price gouged by the one company that was making them, given that he was the one customer. Earlier you talked about how running the Navy is a lot like running a business. How do you plan to hold businesses accountable to prevent future price gouging?

SECRETARY SPENCER: I look at it a different way. One, we have to make sure that we have a resilient enough supply base so that opportunity cannot present itself. That being said, there are certain areas, where the supply base is not that resilient. We have to come to this level of interoperability between our industrial base and the Department of Defense that I call a partnership.

And a partnership is equal -- risk based, equal reward, equal risk. So, the U.S. Government, there are exceptions to this, can't take 90 percent of the risk, I need to work with a risk return. We'll take 90 percent of the risk if you're willing to take 1 percent of the return, but I would find that hard to work in the capital marketplace.

We started this discussion in '17 -- what's the grade I'd give myself? I give myself a C, I'd give industry C-plus, some get it, some don't. That being said there are areas where I do only have one supplier, and that is problematic in some cases, you have to spend more attention there, but it's not just price gouging, it's paying attention. So, if in fact the rod builder is saying, I'm the only one who can do this, I need to focus down into their supply chain.

I can't just sit there and say, you're gouging my eyeballs out. I have to get into their

supply chain to say, why are you pricing it like this? Sometimes we find out that price gouging is in our mind. That is actually the market price. Now, we can go into argument that says, I'm a monopolist, set the market price. I don't want to get into --

What I'm saying is, we have to start paying attention. One of the things that I've made a point, I spent two months recruiting Hondo Geurts as Acquisition Head for the Navy. The reason being is he has an amazing track record for not just working the system and understanding how to maximize the system, he has an amazing ability to create acolytes, that understand that also and disperse them out into the system so we're going to get leveragability going forward.

But he also subscribes to the same vision I have, which is, we have to be the smartest client out there, the smartest buyer out there. We can't simply sign a contract and go, the price is X, we're all done. The price is X, and now I got to pay attention to every single supplier in there, because there might be a supplier, as I just said, who is making an integral part.

But if I invest \$25 million with that client by giving them a digital tool, their performance increases fourfold. Why wouldn't I make that return on investment decision and say, I will give you \$25 million to get a digital tool if it produces that much of a return for me.

This is an interesting conversation to have on The Hill because it's not quite widely understood, to be very frank with you. But this is the kind of interaction we have to be being an intelligent client. You have to work your whole supply chain. We did not pay attention to our supply chain for decades, and we are in a very precarious situation due to that.

MR. O'HANLON: We got time for one or two more, and then we'll have to wrap up.

SECRETARY SPENCER: These are great questions.

MR. O'HANLON: Yeah, they are good, aren't they? The gentleman in the red tie in the fourth row, please?

SECRETARY SPENCER: And any day out of the Pentagon is a great day, so I'm happy.

SPEAKER: Thank you, Secretary. My name is Robert Kimanaris. With the issues that you've described dealing with funding from Congress, I mean getting funding from Congress --

SECRETARY SPENCER: Or not.

SPEAKER: Do you see the Navy's efforts, and DoD as a whole I guess, to fund the long-



term projects like AI, quantum computing, and even nuclear modernization well received? And if not, how do you insist on proactive planning, instead of reactive?

SECRETARY SPENCER: I'm a firm believer in accountability. I'd give myself a D, that's the letter D as a grade for educating my Board of Directors for the importance of these future weapons. And the reason I'm giving myself a D is the non-refueling of the Truman is an example. No one got it that we needed 3.8 billion to go to -- it wasn't that important for them to understand the argument.

So, whether they thought they could fund it themselves with different dollars, which we don't have, it's a fail. We've re-gear'd, we are on The Hill, we are talking about how we desperately need these. I mean, if you'd look at probably my longest term project I have right now, that's in reality, its Columbia Class.

It's the number one acquisition program for the United States Navy. We're going to do something we have never done. We're going to be building a submarine, and developing a new submarine, and building it simultaneously.

The Virginia Class, which was our last new build back in the late-'80s early-'90s, I will put up there is probably one of the best acquisition programs I know in the Navy, and it might be in the whole Department of Defense.

But now we're adding on a complexity to that that is stunning, to say the least. I need all the things that you just mentioned as weapons to build that system. I need AI to build that system, predictive analytics, design analytics, I need quantum computing, I need additive manufacturing, I need all of this for that system.

All I can do is keep trying to educate because it is absolutely critical. We keep looking at the battle that's right here, five feet in front of us, and we can't ignore that, don't get me wrong. We've got to get DDGs out of maintenance on time, we've got to get -- we have to fight for two- and three-year-old money to do maintenance.

We have a pilot program, thank God, that the Senate Armed Service Committee, and the Senate Appropriations Committee is putting up a pilot for that this year. The fact of doing one year maintenance is absolutely -- fund one-year maintenance is insane, but I get the appropriators' point of view. One of our whole goals is control of money so, we have to work our way through this. It's a

dynamic that's unique, I totally get it.

But I would like you to find a corporation that has a capital installed based I have that only funds one year maintenance at a time. The signal it sends out to your suppliers is. Why am I going to gear up? Why am I going to get better? Why am I going to make any investment in my system if I don't know from year to year what I have coming my way?

MR. O'HANLON: The gentlemen here in the red tie in the third row, please? Then we'll take one more after that, if that's good.

SECRETARY SPENCER: Like I said, keep them coming. Okay.

SPEAKER: Thank you. Good morning, sir. Just a follow-up question to the last one you discussed, regarding the broader duties, tech priorities, AI, machine learning, and et cetera. Given the Navy's vast research enterprise, NRO ONR, which areas would you say the Navy is pretty strong in right now, and in which areas do you need to focus for the future?

SECRETARY SPENCER: So, the whole research area in the Navy is an area that we've been looking at. You've heard -- you've heard Secretary Esper, when he was in the Army, the Night Court. The Navy has been doing this for years, it's called zero-based budgeting, sing for your dinner, for your program,

ONR, in general, all of research in the Navy has been a tremendous asset. As we get to these constrained-resource environments, we're going to have to have everyone singing for their dinner to make sure that the dollars we're putting out there are correct.

Should we be investing in AI development inside the Navy or should we be looking at what's going outside in the commercial sector? If I have one dollar that I can spend where do I put that? These are the kind of discussions that we're going to have to have. Should we be working on fuel efficiencies, when in fact you have whole capital markets out there, capital market-driven organizations in the energy field working on fuel efficiencies?

We have to rationalize this. So, rather than call out anything that we're specifically good at across the board, it's a continuum process. And the discussion now is, if we're in true partnership -- which I truly hope we are -- because I think people are saying they want to be in this partnership, what can other people do better than we can do?

MR. O'HANLON: Okay, so we'll take two more before we wrap, and we'll to here, in the second row, and then the women in the third row. And you also? So, we'll see if we can do three more, right here?

SECRETARY SPENCER: Three more.

MR. O'HANLON: Great.

MR. HUMPHREY: Peter Humphrey, Intelligence Analyst, and a Former Diplomat. About the conquest of the Seas that are South of China. FONOPs, is that all we got? Isn't there anything else?

SECRETARY SPENCER: To do what?

MR. HUMPHREY: And equally important, do we have standing rules of engagement in case something comes our way? Or do commanders have to call up the National Command Authority and wait two days to get a response, and then do something?

SECRETARY SPENCER: I have to ask though, FONOPs, is that all we have in order to do what?

MR. HUMPHREY: Constrain the conquest of an area three times the size of Australia.

SECRETARY SPENCER: Constraining totally different, no, phone ops is simply keeping avenues of independent open -- channels of commerce open. That's why I asked, because it's two different answers. That's what FONOPs is about, making sure that the maritime channels, that the independent maritime channels are open and we apply them at all times.

Constraint is a whole different -- that's a whole different argument, whether it's a 355-ship Navy in capability or in capacity, how we weight that over there, it's a whole different metric, to be very frank with you. And I leave that to everyone's understanding and knowledge, because I really don't want to go into the actual digits, on how that can be done, and will be done.

But you shouldn't -- FONOPs and containment are two different -- two different situations. As far as rules of engagement, yes, there are standing rules of engagement, at the ship level.

MR. O'HANLON: And the U.S.-China Agreement, dating back to about 2014, right?

SECRETARY SPENCER: Correct,

MR. O'HANLON: Here, in the third row, please.

SPEAKER: Hi. Zicary. For cyber and security we heard like the Apple Safari browser

connected with Tianjin. Tianjin is the Chinese company which had been spoon-feeding customer information to Chinese police system. And also from the Freedom House Research, a Huawei export their facility to more than 70 countries, also including South Korea and Brazil. So, in your view how to avoid those unsecure things happened relevant to this Navy? Thank you.

SECRETARY SPENCER: There's two levels of answer here, one, is the tactical level of cyber, and cyber prophylactic for the Navy. I think for those of you who do follow Navy, you know that we've set up a review after we had exfiltrations of meaningful data. And what I say meaningful, it's kind of ironic, because the statements are, they were nonconfidential data.

But one thing that everyone should remember is, you can get three parts of nonconfidential data, you combine them, and all of a sudden it becomes confidential information. That being said it -- I was tremendously concerned.

So, we put together a standing committee of people who have gone through cathartic cyber events ranging from Raytheon, to Citibank, on the corporate side, to inside government, NSA, FBI. And we had a Board that was stood up, and it's on My Website, I believe, the study and the recommendations.

It's critical that that we now march out, which is why I've stood up. I actually asked for an Assistant Secretary of Cyber, and Congress said, no, but we'll give you a Special Assistant. Well, the Special Assistant works directly for me, and has my aegis. And he's out of the cyber world from the private sector, he's marching underway, we are woefully behind.

Again I'm going to be very candid and transparent. We have plans in place to rectify the situation, but my conversations on The Hill where last year they might have been -- we're out there to deliver the fight tonight, is that I need every single resource I can, and that's not -- dollars are the least of it, to be very frank with you, it's gray matter.

Every single resource I can to combat this because I need to fight to get off the pier. I might not be able to start the ship. I might not be able to get fuel to the ship. If you look at Sun Soo, that is one of the -- one of his rules, take over the enemy and keep all their assets intact. That is Cyber 101.

On a greater scenario, I'll be very frank with you, I just wrote an op-ed on, what are we doing taking uniformed and my civilian teammates' retirement dollars and investing them in companies

that provide a direct threat right back to us. And I'm specifically calling out Russia and China companies.

We're funding AVIC that makes the DF-21 and DF-26. The stated carrier killer, and unwittingly I have to believe my uniformed service members are being invested in that company. This is insanity, total insanity.

We have Russian companies that are blocked from doing business here, accessing our capital markets, I mean we have to -- this is game-on time. We've got to wake up and realize this is all-of-government that has to pay attention. That's a great question.

MR. O'HANLON: And the last question here in the second row.

MS. KENNY: Hi. Caitlin Kenney with *Stars and Stripes*. You said earlier that Representative Luria yesterday her comments were disparaging about the USS Ford, she was kind of talking about how it's been like six years behind schedule for delivery, and like last year it was supposed to be the deployment -- its deployment schedule. Do you feel that her comments were unfair or untrue in any way or -- because she said, that whether it was good -- whether U.S. Ford was a good investment?

SECRETARY SPENCER: Not one of her comments is: how can I help? I consider that disparaging. If she wants to get on board and help that's absolutely -- we have open arms. We need everyone to realize that these are massively complex systems. Did we do things wrong? Yes, we did things wrong. We put a price cap on there. I would love to know that Congress understands what a price cap does.

If you are doing business for me and you said I'm going to paint your house for \$100, and I walk up to you and said, oh, the price cap is now 75. What are you going to do? Do a great job and go for the \$75? It's probably going to affect how you're going to perform.

Well one of the falls out of that is did we build the model elevator on land to test it? And I loved the fact that -- and I'm going to be very aggressive here -- that Congress turns around and says maybe this is your fault. I have an extra seat up there when I testify, and I have not seen *Huntington Ingalls Newport News* called up on The Hill to testify, on the outrage that my Board of Directors sees on the Ford. Let's have open, transparent conversations.

MR. O'HANLON: Well, thank you for an open and transparent conversation. Thanks to all of you for your great questions.

And really, join me in thanking the Secretary.

SECRETARY SPENCER: Thank you, all, very much.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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