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WELCOME:

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ANDREA WHITE: Good morning, everyone. My name is Andrea White and I'm director of events at Government Executive Media Group. I'd like to thank you for coming out this morning for today's leadership briefing, featuring Adm. Gary Roughead, chief of naval operations for the U.S. Navy.

Before I turn the program over to my colleagues, Tim Clark and Katherine Peters, I have just a few brief announcements. First, I would like to take a minute to recognize the underwriters of today's briefing, whose support helps to make events like these possible. We have three great companies with us today and I'd like to tell you a bit about each of them.

First, we have Booz Allen Hamilton. Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. Today, the firm provides professional services primarily to U.S. government agencies and the defense, security and civil sectors, as well as corporations, institutions and not-for-profit organizations. Booz Allen offers clients deep functional knowledge spanning strategy and organization, technology, operations and analytics, combined with specialized expertise in clients' missions.

Also with us today is Cisco. Cisco is continuing its tradition of innovation, now offering products and solutions not only in routing and switching but also in application networking, digital media, mobility, secured storage, unified computing, video and virtualization. Last but not least, we have IBM. IBM's ILOG Solutions for e-Government helps government agencies accelerate policy implementation, automate key processes and extend legacy systems.

Next, I'd like to remind everyone, if you've not already done so, to please turn off your cell phones or put them on vibrate mode. At your chairs, you'll find several items, including the most recent issue of the magazine, a subscriber form if you don't already receive it and an evaluation form for you to provide us with feedback on the event. You can drop those items off at the registration table on your way out.

Also at your places, you'll find an index card. If you have questions, feel free to write them down and we'll collect them at the start of Q&A and use them for the discussion. With that said, I'd like to turn the program over to my colleagues Tim Clark and Katherine Peters. Tim, it's all yours.

TIM CLARK: Thank you very much, Andrea. Welcome to all of you this morning for what promises to be a really interesting conversation with our guest, and thank you for being here, Adm. Roughead, and also you too, my colleague Katherine Peters, who has been covering defense for many years.

And we're going to grill the admiral. He's back here for this third visit, and we were speculating at the breakfast table as to whether he had returned because we hadn't been tough

enough on him in the earlier session. So I don't know that we're going to be any tougher, but let me introduce him just briefly.

He's a 1973 Naval Academy graduate. He is the first officer to have commanded both classes of Aegis ships, the Arleigh Burke-class guided missile destroyer and the cruiser. He is one of only two officers in the history of the Navy to have commanded the fleets in both the Atlantic and the Pacific, and those were two of six operational commands that he's had, qualifying him, in Navy terminology, as truly an officer of the fleet.

Ashore, Adm. Roughead has served as commandant of the U.S. Naval Academy, as the chief of legislative affairs for the Department of the Navy, and as deputy commander of the U.S. Pacific Command. He's the 29th chief of naval operations, having been sworn in in September of 2007. Adm. Roughead, again, welcome. I think I would like to ask you first to give us a kind of a tour of the horizon of what our Navy is doing right now today.

ADM. GARY ROUGHEAD: Okay, thanks, Tim and Katherine. Good to be back, as Tim said, for my third time. I enjoy the conversation and being able to talk about the Navy.

The first part of the tour that I would give you is that the Navy has not been putting contrails in the sky on the West Coast of the United States. (Laughter.) But, you know, in the past year, since I was here last, the Navy continues to be fairly busy – more than fairly busy. We continue to maintain our focus in the Middle East, obviously in the wars in Iraq and Afghanistan, where we currently have about 15,000 sailors on the ground, which is not the normal operating mode of the Navy.

But I can tell you that our sailors are doing great work there in a variety of assignments ranging everywhere from our Navy SEALs to intelligence specialists, logisticians, medical, explosive ordnance disposal, and just individual sailors that we send in who may not have the military occupational specialty codes that are required to fill some of the gaps in the land war but who are just great professionals who know how to do a terrific job and have pitched into the fight in a significant way.

In addition to the 15,000 ashore, we now have about 17,000 at sea, having just added a second aircraft carrier into the North Arabian Sea, so we're operating there with two aircraft carriers, and that takes the number up to about 32,000, which is actually more sailors in the Middle East than there are Marines in the Middle East and the land wars there.

In addition to the carrier force that's flying about 30 percent of the sorties over Afghanistan, our Amphibious Ready Group or Expeditionary Strike Group is there, and you've been able to see some of their activity recently as they were called in to provide humanitarian assistance in Pakistan after the floods. And of course, we maintain a presence in the Gulf of Aden and the Somali Basin as the coalition continues to work against piracy.

So very heavily focused on what we're doing in the Middle East, but we in the Navy believe that there is more to world affairs than simply what's going on in the Middle East, and we, in accordance with our maritime strategy, continue to maintain a focus in the Western

Pacific, which I believe will continue to be important to us, and then of course the Indian Ocean writ large.

That does not mean that we have not continued to focus on other areas. Our activities in Africa have stepped up. In fact, in the past year, for the first time, we've had simultaneous operations going on, on the east and west coast of Africa. And the Africa Partnership Station, which we do primarily on the west coast, has really garnered increasing international support and geoparticipation as we work with the navies and maritime forces, primarily in the area of the Gulf of Guinea, which is a very important region for many.

We continue to look into Central and South America. As you may recall, shortly after coming into this position, I established the Fourth Fleet to give it more of an operational basis, and that proved to be fortuitous because the fleet had been in being long enough that when the earthquake in Haiti kicked off, they were easily assimilated into that operational flow that was required to provide the relief there.

So we continue to remain global on any given day. We have about 40 percent of the fleet deployed, which is quite high – higher than has been the norm, with around 45,000 sailors deployed at any given time.

The size of the Navy today, 288 ships, still remains the smallest fleet since 1916 – which, you know, I would say back then our global responsibilities weren't quite as great as they are today – around 330,000 active force, 65,000 reserve component, about 165,000 Navy civilians.

And I'm really proud of how we as a Navy have really brought together what we call the total force of being able to use the active, the reserve and our great Navy civilians to meet the demands that the Navy has.

We have also, in the past year, have changed our structure a bit, particularly as it relates to an area that's going to become increasingly important to us, and that's the world of information and cyber.

As I think I may have talked a bit about this the last time I was here, where we combined our Directorate for Intelligence and the Directorate for Command and Control into one, that, as the Director for Information Dominance, we reactivated the Tenth Fleet. The Tenth Fleet was last in being in World War II when it was formed to go after a new and unusual threat that was strangling the resource flows on the East Coast of the United States, and that threat was called the submarine.

The Tenth Fleet was created. It really didn't have any resources but worked directly for one of my predecessors at the time, Adm. King, and through their efforts and through the use of information – effective use of information, they were able to defeat the U-boat threat and push it back across the Atlantic.

So when we looked at the need to have an organization that could look globally at cyber, we reactivated the Tenth Fleet. It exists at Fort Meade, Maryland. It's led by Vice Adm. Barry

McCullough, and I could not be more pleased how quickly the N2/6, or the Directorate for Information Dominance, has come on, and particularly how fast Tenth Fleet has stepped in to the more global responsibilities.

As an organization, Tenth Fleet is a little bit different because it works for – directly works for a joint commander, U.S. Cyber Command, but in an administrative relationship, it is the only numbered fleet we have that works directly for me, and I think that as you work in information and cyber, you have to have that type of a relationship.

A companion piece of that, since we last talked, is we created what we call the Information Dominance Corps, where we took all of the specialties that deal in information, whether they sense it, they transport it, they analyze it or they fix the systems upon which it moves, and we created a corps. We set standards for that corps that require qualification. And, in fact, in the last month we qualified our first Information Dominance officers and enlisted, so if you see a different warfare pin, that's what it is.

But when you bring all of those people together, it's about 45,000. And so we're moving quickly in this world of information and cyber, which I think is going to be where we must focus, and that the role of the – the traditional role that the Navy has had, what we call the platforms – the ships, the airplanes and submarines, that their dominance – they'll still remain important but the integrating principle has to be information.

So, with that said, I'll go ahead and stop there –

MR. CLARK: Thank you.

ADM. ROUGHEAD: – and take any questions you may have.

MR. CLARK: Thank you very much for that interesting tour of the horizon and we'll get back to the cyber subject later.

We were talking at breakfast and Adm. Roughead is a rogue user of an iPad. Is that a way to put it? Well, anyway –

ADM. ROUGHEAD: That's true, yeah.

MR. CLARK: And so he's –

ADM. ROUGHEAD: Isn't that bold?

MR. CLARK: It is bold, yeah, especially since I don't think it's been approved for Navy use. (Laughter.)

Anyway, let me ask you a question about sort of longer-range thinking. I believe it's true that you envision a new era in military affairs when the wars in Afghanistan and Iraq have really wound down, and when the Navy will assume an even more vital role.

In a recent speech last month, you quoted from Robert Pape's new book on terrorism and talked about the concept of, quote, unquote, "offshore balancing."

ADM. ROUGHEAD: Right.

MR. CLARK: And I wonder whether you could explain that idea and how it would be different from current roles and responsibilities for U.S. military forces.

ADM. ROUGHEAD: Okay, right. Thank you.

I think from the lay-down that I provided with regard to Iraq and Afghanistan, there is no question that we're fully committed to the wars that are being fought there, but I do believe as we go into the future that there will be increased sensitivities with regard to national sovereignty. I saw it in the Pacific; I continue to see it in other places around the world, that countries are becoming much more sensitive to a foreign presence on their soil.

I think that sensitivity will only continue to increase, and I also believe that we as a nation, as we come out of the ground wars in Iraq and Afghanistan, will think very, very carefully before committing large numbers of ground troops to a foreign campaign.

The fact of the matter remains that the intercourse of the world, the trade of the world, is not going to stop. Even though the wars in Iraq and Afghanistan are being fought, 90 percent of the trade continues to move on the world's oceans. We're going to see changing trade patterns, particularly in this hemisphere, with the expansion of the Panama Canal. And so, the flows through this hemisphere are going to be different.

In probably two decades I believe you're going to see a trade pattern emerge over the top of the globe through the Arctic as the ice diminishes to the point where you can have reliable and profitable transportation going through there.

And so, the sensitivities with regard to sovereignty, the continued trade that will take place, the importance of commerce that moves on the bottom of the ocean in the form of the underwater cables where, in any given year, you're removing about \$3.2 trillion of trade, that there will be a desire to be present, to be able to have the power to influence, to be able to adjust that power, and I believe that the offshore option that the Navy, and particularly the Navy coupled with the Marine Corps, will be able to provide the country will become increasingly important.

I think that will be part of the future. I think that we are also beginning to see some countries whose economies are rising. The relative growth of their navy is going with it. And I believe that the naval activity globally will not diminish but rather will continue to be more important.

So, to be able to have a navy and to be able to build a navy and operate and maintain a navy that can have the global reach and the global influence and the flexibility that the commander in chief may need to respond to crises I think will be very important.

MR. CLARK: So let me just follow that up by saying – and you’ve alluded to this – in two different speeches last month you said you see that the nation is “seeing more demand for naval forces than ever before,” quote, unquote. You also said that, “...we see an emerging global order that requires more naval power, not less naval power.”

Let me ask you to – that sounds to me like a vision that requires perhaps a larger fleet than we have now, and let me ask you to comment on that and also explain to us a little further what the word “balancing” means in this phrase that you are using, “offshore balancing.”

ADM. ROUGHEAD: Yeah. I would say that the demand for more naval power is continuing. As the combatant commanders call for this offshore presence, the offshore option, we’ve seen that. I mentioned that we have about 40 percent of the fleet deployed being more than the norm. I see some old colleagues in the audience here and I think their recollection would be that we would have about a third of the fleet deployed as opposed to about 40 percent, which doesn’t sound like much unless you’re turning that fleet, maintaining that fleet and having to absorb that additional cost of that.

And also, it does produce a bit of a wear and tear on our people as they are, in some cases, doing multiple deployments during a two-plus-year period. Right now we’re in a period of time where our retention is extraordinarily high, the attraction of the military is very high, and so we’re not seeing the retention trends that we saw in the past when we were pushing the fleet as hard as we are, simply because of some of the economic drivers.

But with respect to the offshore balancing piece, it really allows you to use the fleet offshore – and, as I say, I think a component of that fleet is also the Marine Corps – to balance the requirements that you may have to have in place to influence events ashore. And so, how do you use the other tools of the nation, and then you balance it with the military offshore.

Economic development can be onshore, obviously the diplomatic dimension onshore, and then the balancing and at times perhaps a counterweight can be this offshore presence that you can bring in that you never have to request permission to move, and it gives you that flexibility to bring in and out and use a rheostat to adjust how you want people to perceive that offshore effect.

MR. CLARK: Yeah.

KATHERINE PETERS: I’d like to ask you about the size of the fleet. That’s obviously been a concern –

ADM. ROUGHEAD: Right.

MS. PETERS: – for some number of years now. And, as I understand it, you want to get to a fleet of 313 ships. Is that –

ADM. ROUGHHEAD: For minimum, 313, right.

MS. PETERS: Right, minimum, and you're well under that right now. Tell us about how you're balancing sort of a quantity which has a value all its own in military operations with capability, because clearly not all ships do the same thing.

ADM. ROUGHHEAD: Right.

MS. PETERS: As I understand it, one way the Navy is looking at achieving this number is through more littoral combat ships. And I'm wondering how you see that balance occurring between capability and cost.

ADM. ROUGHHEAD: Yeah, great. Thanks, Katherine.

We continue to look at force levels, force structure, and the floor of 313 is – I'm still very comfortable with that. As we have picked up some new mission in the last year – the president has called for the phase-adaptive approach for ballistic missile defense in Europe – the demand on our ballistic missile ships, which is essentially our Aegis fleet, is going to increase.

And it's not just in Europe. We currently are maintaining ballistic missile defense capability in the western Pacific. We have ballistic missile defense ships in the Arabian Gulf, and now this past year we've added to the Mediterranean. So that's going up.

And I think you've touched on a very operative word, which is the balance. You know, we could rush to 313 ships I think rather quickly if we built the less-expensive, very benign joint high-speed vessel, but you have to have the right types of capabilities.

So, key to the balance and the number is the littoral combat ship. I think from the very beginning I've been an unabashed advocate for that ship. It gives us great capability in the areas of surface warfare, anti-submarine warfare and mine warfare, but it really allows us to operate in the littoral zone in ways that we have never been able to do before because of its shallow draft, its speed and the volume of mission capability that you can put on it.

We deployed LCS-1 two years early, and we had it in the Caribbean and we were very pleased with its performance, and I think it was quite shocking to some of the drug runners in their go-fast boats to see a 3,000-ton ship catching them. And then, when they would go in waters where they knew the big gray ships couldn't go, LCS didn't even slow down; it just kept coming.

So, I think that the littorals will become increasingly important simply because the populations are compressing into the littoral areas. Of the 10 mega cities, all but two are in the littoral area. And so that's a place where I think we're going to be and LCS will allow us to do that.

As some of you may have seen in the news, the competition and the strategy that we put in place to bring the cost of LCS down has worked, to the point that we believe that we're now in a position that instead of the strategy that we had in place to buy 15, we will now move to do 20. And rather than down-select to one builder and one design, we'll go with both, simply because the prices have gotten to the point where we can do that.

Each ship is different enough that they have some fairly unique attributes. They both can do the LCS mission. And if we do not get the authorization to go with both lines, we can select one of them. We're in a position to do that.

MS. PETERS: Isn't there a risk with going with both designs that you reduce the volume of competition in keeping prices down?

ADM. ROUGHHEAD: I don't believe there is because we will – as was part of the original strategy, we will get the design and it will become a Navy design, and then we can compete that nationally.

So I think that there is a great opportunity for the ship-building industry in the United States to compete for that, and I believe that the path that we have now put ourselves on, it's great for the Navy because I get more ships faster. I believe it's good for the ship-building and industrial base. And because of the fact that the strategy and the competition worked, I think it's good for the taxpayer.

MS. PETERS: All of this of course is contingent on getting the budget you believe you need from Congress, and the Navy and all the services are under enormous pressure right now, not only within the department to reduce overhead costs as part of Secretary Gates' efficiency initiative, but also there's a lot of uncertainty on the Hill in terms – with this most recent election – where the budget pressures are going to come from.

First of all, how do you see the Navy complying with the Gates directive on cutting overhead costs and redirecting it? And sort of what are your concerns surrounding that whole exercise?

ADM. ROUGHHEAD: Yeah, I actually believe that it was a very, very good effort, and not only did we comply but we were able to exceed the objectives that were laid out for us. And that was not an effort simply to do more so that, you know, we would be recognized as having done a very good job. Once we started looking at our processes, at some of our overhead, we began – and we closed in on the objective that we had, we continued to see other areas that were worthy of examination and adjustment. So, we did that. I'm very comfortable with what we did, how we did it.

MS. PETERS: So, what have you done in terms of cost reduction?

ADM. ROUGHHEAD: Well, what we have been able to do – our going-in number for the Navy was about \$24 billion and we ended up at around 28 billion (dollars).

MS. PETERS: And that's over the five-year period, or –

ADM. ROUGHEAD: That's right.

MS. PETERS: Okay.

ADM. ROUGHEAD: And so – but I'm also very mindful of the fact that it's always easy to get money in the out-years. You can identify a lot of stuff out there.

MS. PETERS: Right.

ADM. ROUGHEAD: And so, you know, we biased to the left. I think – and I mentioned briefly the change in the organization that we made N2/6 and information dominance. And this was the first time we had that organization as part of this process, and we were able to look at that area and particularly in areas that I think will be increasingly important, which is – you know, the buzzword is anti-access/area denial – to be able to look at those systems that give us the advantage, and breaking into those anti-access strategies.

And for the first time we could look at those in their entirety and not have to have them parsed out among the airplanes and the submarines and the ships, so we moved a lot to the left in that area. We took a look at how we might be able to buy things differently because I think there are great savings, as many have seen in the recent multiyear that we did on Hornets, for example.

So, if we can package our acquisition in ways that we can garner savings in that regard, I think that's a positive step and there are some benefits that were derived from that. There's no question that as the fleet has come down in size in many areas, we have kept some of the legacy command structure, which tends to be very senior people.

So, we have made some adjustments there, and I'm not going to get into any of those specifics because we're still working it through the – you know, the overall budget process, but –

MS. PETERS: And this is the headquarters –

ADM. ROUGHEAD: Headquarters? Absolutely. And then –

MS. PETERS: – at the numbered-fleet level.

ADM. ROUGHEAD: I'm sorry?

MS. PETERS: At the numbered-fleet level, correct?

ADM. ROUGHEAD: Actually down even lower than that we've looked at it. You know, without giving you any specifics, for example, in the Cold War our submarine squadrons would have 12 submarines in them. Now they run with five. I'll let you do the math. But what

we did is we kept that legacy structure in place. So we looked at how could we make some adjustments there?

MS. PETERS: When will you be announcing these changes?

ADM. ROUGHEAD: As part of our budget, when we roll the budget out as part of '12.

MS. PETERS: Okay.

ADM. ROUGHEAD: This is all part of the '12 process.

MS. PETERS: Okay, so that review is ongoing, right?

ADM. ROUGHEAD: Right, because what happened was we were working on the '12 budget, coming to closure on that. Then we went after the efficiencies, so now they have been folded in. And because they do span multi years, we needed to go back and do some work. So now it's still all part of that – it will be all part of that budget.

MS. PETERS: So is the '12 budget going to have a lot of surprises for people?

ADM. ROUGHEAD: Not for me. (Laughter.)

MS. PETERS: I hope not. How about for me? (Laughter.)

ADM. ROUGHEAD: But I think that, you know, the other area where I think would be very helpful, and because we are somewhat restrained because of BRAC legislation and what have you – you know, we have brought the size of the Navy down 50 percent over the past few years, and the size of the infrastructure, the reduction in infrastructure has been 25 percent. We carry a lot of excess infrastructure.

And so, even though we are constrained by BRAC legislation, I really do believe that that's an area that we have to take a very hard look at in the future.

MR. CLARK: Let me see, Admiral. Efficiency measures – it actually doesn't sound like very much. Twenty-eight billion (dollars) over five years is 5 (billion dollars) to six billion (dollars) in a budget that is, what, 300 billion (dollars) or something like that? What is your current budget?

ADM. ROUGHEAD: Well, I mean, for the Navy –

MR. CLARK: Yeah.

ADM. ROUGHEAD: – we're running in the 130s (billion dollars).

MR. CLARK: Oh, 130s (billion dollars), yeah.

ADM. ROUGHEAD: Yeah.

MR. CLARK: Okay, so, I'm sorry, that's – I got that wrong. But –

ADM. ROUGHEAD: And I still think 28 billion (dollars) is a lot of money. (Laughter.)

MR. CLARK: Over five years it's – you know, 5 (billion dollars) to six billion (dollars) is hardly a rounding error in the deficit. (Laughter.)

Let me see. You know, one thinks of efficiency measures as possibly involving reductions in personnel, and has that been part of your thinking?

ADM. ROUGHEAD: What we've done – and, again, these are the efficiencies, and I think one of the great benefits of what Secretary Gates has led us to do is to be able to make the adjustments and keep that money within the department.

And so, as I've talked about some of the reductions, personnel reductions, to Katherine, one of the things that we had to do as a Navy was over the past few years we had made some manning reductions, particularly in the fleet. We had gone to something called optimal manning. We had also done some things that affected the maintenance of our ships that individually, as these decisions were made, they were good decisions, but as we looked at how hard the fleet is being pushed today and we looked at those changes in the aggregate, we needed to go back and adjust some of them.

So, some of the personnel savings are now migrating to putting more sailors on ships. We had walked away from having sailors at what we call the intermediate maintenance activities. We're repopulating those. We had walked away from an engineered cycle, and engineering-based cycle of maintenance.

And so, what was happening is that we were conducting maintenance on ships so that they could make the next deployment. And I kind of equate that to simply checking the oil in your car and maybe never changing it, and after a period of time, then you pay the price.

So, the engineered approach that we put in place – and we had to build that structure again with competent engineers – largely, you know, our great civilian engineers on the NAVC side – that we are now looking at not just what has to be done to get that ship deployed but how do we get to the end of the expected service life, because in the '20s we are facing a pretty significant phenomenon in the Navy.

In the '80s we were building ship classes of four and five a year – four LA submarines, five Aegis destroyers. All of those are going to age out in the '20s and so you're going to see significant fleet impact in the '20s, and that's if we get them to the end of their service life.

So, service life is very important to know. When we talked about the 313-ship Navy, you know, many people will say, well, Admiral, how many ships are you going to build this year? It's not just how many are we building but how many are we taking out?

And so we have to get the ships to the end of their service life because with that drop in population, that's also the same time that we're recapitalizing the ballistic missile fleet, which is an expensive submarine. And we are still building our aircraft carriers on five-year centers. And so, if you take a ballistic missile submarine that happens to overlay with an aircraft carrier, it's a pretty significant challenge.

So, you know, those are some of the things that we did with people is to not take them out of the Navy but apply them differently, because in the last seven years or so, we have reduced the size of the Navy by 50,000 people.

On top of that, between 2005 and 2015, we are having to take 20,000 people out of the Navy and put them into joint assignments, which I quite frankly think have grown disproportionately. And so, that's a total of about 70,000 people. And so, moving – how we apportion folks is key. So it's really been a movement of resources as opposed to a taking out of resources.

MR. CLARK: You have said that you feel, in the budget framework, pressurized by manpower costs – your phrase – and, as you just alluded, the Navy has cut its head count – well, I think it's 16 percent is what I read –

ADM. ROUGHEAD: Right.

MR. CLARK: – in your speech in the last five or six years.

ADM. ROUGHEAD: Right.

MR. CLARK: And yet you're paying 13 percent more than you used to be for the same –

ADM. ROUGHEAD: Right.

MR. CLARK: – for a smaller head count. And so, given these facts, the personnel costs are a well-known problem in all the services and throughout the government. Are more manpower cuts going to be needed to save money as you seek to find the funds to recapitalize?

ADM. ROUGHEAD: I would say – and I know that there are folks from business here, and I don't think the cost of manpower is unique to the government, and how you – excuse me – run the business and have to make payroll.

We see – and in fact, I had been saying that our manpower inflation was about 4.6 percent cost. I had a conversation with someone yesterday and they mentioned a higher number than that, but I'm going to chase it to ground but it wouldn't surprise me if it is, simply because of the added costs that continue to accrue.

But that's going to continue to be something that pressurizes us. I think many would agree in the department that health-care costs are one of the significant drivers of that manpower

cost because we have not really seen any adjustment to that since the program was conceived. And in addition to the active reserve and civilian force we have, we carry about half a million Navy retirees, and that is a cost that continues to be incurred. And I see some of the retirees out here, yeah, looking at one another.

MR. CLARK: (Chuckles.) These 20,000 thousand people you just alluded to, if I understood you correctly, are on joint assignments.

ADM. ROUGHEAD: Will be moving into joint assignments.

MR. CLARK: They're moving into joint assignments. That cuts down on the capability of the Navy to do its traditional missions, I think you are saying.

ADM. ROUGHEAD: Well, I think what it does is it causes us to have to think some of our manpower strategies and assignments. I think clearly, you know, one of the benefits of a littoral combat ship is the fact that it's a significantly smaller crew, so you don't have that large number of people. In fact, that's one of the reasons why I'm comfortable with the more rapid introduction of LCS with the strategy we've laid out because the crew size is small and that's relatively absorbable.

But, you know, we're going to, I think, have to continue to focus because at the end of the day, it's the people that make the Navy what it is. And we are seeing extraordinary retention, interest in the Navy, to the point where we are now asking very good sailors who want to stay in the Navy – we're telling them that that's not an option for them, and that's tough.

Not only are they not allowed to stay, but in some instances, in a particular specialty area, we may have to tell a sailor, you know, you're extraordinary but you can't stay there because you're clogging that particular specialty and you have to go do something else. And if you've been doing something for 12 or 13 years and you now check into another work center, as we call it, and there's a sailor who's been in the Navy two years that knows the job better than you, that's a hard thing to be able to absorb as well.

And so, I'm very, very mindful of that but I think that's the environment that we're in because we don't see the retention environment in the Navy changing until we get to about 7.5 percent unemployment in the country. That's where we think the break point is. There will be a couple of specialty areas that will begin – I call them the canaries in the room. They'll be the first ones to go – nuclear operators, I think some of our information technology people – and that will be the first indication.

But, you know, we have to be ready for that as well, and that's one of the reasons why we've left so many recruiters in the field. In times past we've tended to pull the recruiting force out because we could save money by doing that, but we've kept them in the field this time so that we don't get caught short when the economy begins to turn.

MS. PETERS: If I could ask you a bit about ship crews. As I understand it, the Navy is studying putting civil service mariners aboard amphibious ships. That would be a significant shift for the Navy.

ADM. ROUGHEAD: Yeah.

MS. PETERS: Tell me about why you're looking at that.

ADM. ROUGHEAD: The basis of that is that, as you may know, our logistics force is primarily crewed by civilian mariners, and we even, on our large command ships, the command and control ships that are used by our forward-numbered fleet commanders, they have civilian mariners on them as well, and they're run under our Military Sealift Command.

As we looked at how can we become more efficient – because the MSC ships run with fewer people, particularly in the engineering departments than we do in the Navy – we looked at the logistics force and someone said, you know, that the amphibious ships are basically the same type of ship. They don't have the more complex combat systems on them that have a lot of need for sailors on board, so I said that I was comfortable with doing a pilot to see how it could work because I think that we can very easily become very tradition-bound.

And so, I'm willing to give this a try to see how an amphibious ship would run with a mixed crew. It is not simply a matter of running with a mixed crew. There are some laws-of-war issues that we have to take a look at because of where the ships may operate, but I do believe that it will give us some good information and I'm open to trying things like that.

MS. PETERS: What kind of costs savings would you anticipate?

ADM. ROUGHEAD: We really haven't been able to nail that down but we do know that in the engineering areas on the MSC ships, that they run – it's less costly. So we're going to give this a try. We're going to take one ship and we'll see, you know, what we learn. And it may lead us to nothing more than having to make some modifications that we run with on some of the MSC ships, backfit those into amphibious ships, so it's an experiment.

MS. PETERS: What is the benefit to the Navy, because –

ADM. ROUGHEAD: Well, if I could bring the number of people down –

MS. PETERS: So it's a personnel –

ADM. ROUGHEAD: Personnel. It's manpower cost again.

MS. PETERS: Okay. But that also would have ripple effects in terms of the number of engineer rating –

ADM. ROUGHEAD: Exactly, and so you would have to look at how your model would work and how you would apply that.

MS. PETERS: And you're conducting a pilot right now? Have you started that or you're planning to?

ADM. ROUGHHEAD: No, we have not but we will. In this coming year we'll go ahead and do that.

MS. PETERS: Okay.

MR. CLARK: Let me say that we have these little three-by-five cards out there, and I see some people writing questions on them. My colleague Megan Hupp here is ready to collect them. We also had asked for people who were intending to e-mail us questions and we have quite a few good ones there too.

Admiral, while we're collecting those, let me ask you – you know, we're in a very, very tough budget climate now, as you know, and a lot of concern about the deficit and who knows what's really going to happen to the military budget going forward, so it's in that context that I want to ask you about missions that the Navy is now undertaking that one might not consider to be, you know, sort of in line with the traditional assignments of the Navy.

And I'm wondering whether some of these might be contemplated for reduction or even elimination; for example, fighting the pirates in Somalia, perhaps your pursuit of drug traffickers, perhaps some of the humanitarian missions. Now, these are not, strictly speaking, military functions. In the first two instances they're really police functions and in the last one it's really more of a humanitarian or rather nation-building or aid mission.

So these are missions that the Navy is undertaking, perhaps because there's no one else to do it. But I'm wondering, as you focus in on the military functions you need to have going forward, whether these are things that might fall by the wayside.

ADM. ROUGHHEAD: I would say that, you know, particularly in the case of piracy, that's why we exist. That's how the Navy began and what caused our creation in the first place, but it really does get to that fundamental principle of providing for the safety and security on the sea lanes of the world for the flow of commerce.

And it's not simply the U.S. Navy involved in counter-piracy. I would submit that the coalition that has formed to take that on has really been a pretty unique development and, I would say, a very beneficial development because of – you know, I refer to those who are doing counter-piracy as the strange bedfellows because of course we're there, the EU is there, NATO is there, Korea, Japan, countries that you would normally expect but Malaysia has jumped into the mix. China is participating. Russia is participating.

And, you know, it is a daily military operation with those countries that doesn't exist anywhere else on the planet. And that goes on every day – the exchange of information, the cooperative effort to go after the pirates and suppress the piracy activity. So, the spin-off of that and the ability to work with these other navies I think is something that you can build on.

There is no question that inhibiting the flow of narcotics into the country I think is a matter of national interest to us and I'm very comfortable with the Navy being part of that. Of course we work closely with our Coast Guard colleagues because we don't have the law enforcement authority, so it's the Coast Guard detachments on board our ships so we can kind of maximize the coverage as we work against that.

In the area of humanitarian assistance, there is no question that as a result of having adopted this more proactive humanitarian assistance, that we have been able to go and do things and again develop partnerships and relationships that otherwise we wouldn't be able to do. And since 2005, when we stepped off on the proactive humanitarian assistance, with the first mission being in the Pacific with our hospital ship Mercy when I was commanding the Pacific Fleet, since that time we have treated over half a million patients from our ships.

But what we have been able to do is to bring into that endeavor other militaries, nongovernmental organizations, that when it comes time to do a Haiti or it comes time to do a Pakistan or the Philippines again, where they had some torrential rains and mudslides, that the effectiveness of that disaster response is now greatly improved, the relationships exist, and I think that it benefits many people.

MR. CLARK: Thank you. Katherine?

MS. PETERS: Yeah, just a question – to really shift gears here but a question on leadership. The Navy this year has relieved more than a dozen commanding officers for a range of reasons. Are you seeing any trends in leadership, or is this unusual from previous years and does that lead you to have concerns about leadership in the fleet?

ADM. ROUGHEAD: You know, it's something that we've looked at, and clearly the number this year is higher, but as I've made it clear to my leadership, the standards aren't going to change. And so, as you look at it, you know, the question becomes why? And most of the cases are not because of a lack of professional or technical competence. We've had a couple but, you know, it's not because they don't know how to run a nuclear power plant or that – there's a very small number. It really is for what I would call personal shortcomings.

And so, as I've looked at that, you know, what is the difference and what's taking place, for one, I think that the divide between our personal and our professional lives is evaporating because of some of the mediums and the way that people can communicate and that our personal lives potentially are no longer as private as we once thought they were. So, I think that that could be a factor.

I'm also very mindful of the fact that we in the Navy particularly, in some of our leadership, are leading their personal lives differently. The idea of the geographic bachelor, where you elect to leave your family in one place and – you know, whether it's because you are economically tied down to – you know, if you're underwater on a house and you can't move and can't afford to have another one, if your children are locked into a particular school and you don't want to pull them out.

And so, that number has been going up over time. In fact, I was quite surprised when I, about two years ago, had a sense that the number was getting pretty high. And we took a look at it and we really don't have a very good way to do it, so we looked at where is the code of the command to which you're assigned and where is the code that your housing allowance is being paid? And the difference – the number of differences we found were 44,000.

MS. PETERS: Wow.

ADM. ROUGHHEAD: And so, is that a factor? And so we're looking at it to address what some of the underlying issues may be. We stress it within our command training programs and continuously with our command structure, but the bottom line is the standard isn't going to change and that sort of behavior is going to be unacceptable.

MS. PETERS: And do all those decisions end up on your desk eventually, anytime an officer is relieved of –

ADM. ROUGHHEAD: No.

MS. PETERS: No?

ADM. ROUGHHEAD: No. I mean, I'm made aware of it as it is happening but we have an administrative process that it moves through.

MS. PETERS: But are you briefed on that, I guess is what I meant to say.

ADM. ROUGHHEAD: I'm aware of what goes on.

MS. PETERS: Okay.

MR. CLARK: Let's turn briefly to the topic of the new media. We were talking at breakfast about your use of new media in the Navy – Facebook and other technologies. You are personally interested in using the iPad though it's not yet, I guess, approved for.

ADM. ROUGHHEAD: What a great feature that's going to be made available maybe. Who knows?

MR. CLARK: Well, maybe you could tell us about that. So, you know, you've got a lot of young sailors coming in –

ADM. ROUGHHEAD: Yeah.

MR. CLARK: – and young civilians, and they want to be connected, right? That fights against the military's, you know, security concerns and other concerns over the years. How are you dealing with that?

ADM. ROUGHHEAD: Yeah, well, I think some who are in that business know that we had, about 18 months ago, maybe two years ago, a pretty lively debate within the department about the use of social media. And as I mentioned at the breakfast table, I was in a pretty conservative place but have moved over as I looked at the benefits that I believe accrue with the use of social media.

Clearly we have a demographic coming in to the Navy now who live their lives that way and have every expectation that their life will continue to be lived that way. So, I think that we're not going to turn back that tide, but I also see great potential in how we communicate with some of the platforms and the new devices that are available.

And the anecdote that we discussed at breakfast – as some of you may know, we had a severe flood at our large personnel base in Millington, Tennessee, and I was getting very, very good reports from the leadership and knew what was going on, and they were coming in as I would expect them to. And it was on a weekend and I happened to go to my computer and I brought up the Facebook page of the base and it was as if I was there.

I could sense the tone. I could see where there were issues that were developing but I could also see where the leadership was moving very quickly to resolve those issues. And I believe that we have not yet even begun to realize the benefits to running an organization, and even within our more traditional command and control, by using some of these platforms.

So, I think there's great promise. I think we're on the very, very front end of that, and I'm leaning into it as hard as we can. We've found, particularly in the area of recruiting, the value of being able to use some of these systems and platforms.

MR. CLARK: Thank you. We have a lot of interest in the audience apparently in the F-35. We've got a number of questions about it. And perhaps there – here's one that is really quite to the point: "F-35, is it worth it and will it arrive in time?"

ADM. ROUGHHEAD: I think, as I've said on several occasions, the Navy has to get to F-35, that as I look to the future and as you look at the anti-access area of denial capabilities that are being developed, we have to move into that generation of airplane.

And, as you know, we're the third service to get it, and as a result of that, you know, I'm looking forward to the developmental process moving along but we have to get to the airplane. There is no question that it is going to be the premier fighter that will exist in the world and we have to get there.

And I would also say that we have now put in place probably the best program manager that we could have in the form of Dave Venlet, who was about ready to retire from NAVAIR and I had the pleasure of calling him up and telling him, not so fast. (Laughter.) And he went off to do that, and he's in the process of reviewing that program now and I look forward to the outcome of it.

But I would also say that, you know, we talk about the importance of people, and when Dave said, I'm good to go, he said, but there's one other thing that I need, and that is I need Dr. Al Somoroff to come with me. And I don't know if anyone knows of him, but he is probably the giant in our SES Corps when it comes to aviation programs.

And so, the team of those two, as is the case in many areas where our uniform leadership and Navy-civilian leadership team up – I have total confidence in the fact that they're going to pull that aircraft across the goal line.

MR. CLARK: Let's see, here's another question from the audience: "Would you please discuss the implications, strategic and otherwise, of the potential trade over the Arctic, and how soon do you expect this to be a factor in world trade flows, and what might the U.S. government need to do to react to it?"

ADM. ROUGHEAD: Okay, great. Thank you. And we have been looking at this pretty hard for the last couple of years. I've put in place the oceanographer for the Navy who is a real oceanographer. It's the first time we've done that in a long time so it's – he brings with him a knowledge and a network and a level of credibility that I think is important.

And he leads what I call a task force climate change, which is more than just the Arctic. It really gets into – I talked about the littoral area, the mega cities – rises in seawater levels, or sea levels that will have significant implications. Shortages of water will have significant implications.

And so we're looking at that in its entirety but we are focused in on the Arctic. And my sense and the Navy's sense is that the first push up into the Arctic will be for fishing, as the fishing stocks migrate with the cooler water, or they'll start to move up toward the Arctic. So I think you'll see increased fishing activity up there, probably see some eco-tourism, and some of those eco-tourists getting in trouble and having to go in and get them out.

Then I believe you've going to see a push into the extraction of resources from the bottom, or even, you know, beneath the bottom. That probably will be taking place in the next 10 years or so. And then our sense is that the ice diminishment in the Arctic is – before you get to profitable trade routes is about maybe two decades out.

And so, if you were to say, what must we do to prepare, the first thing I would say is become a party to the Law of the Sea Treaty, which we have not done, which, as the issues of the Arctic sort out, the people that will be in the room sorting them out, if we're not a party to that treaty, we won't be in that room. And so, I would say that that has to be the first thing that we do.

The other thing that we must begin to prepare for is the communication architecture that we're going to have to have to operate in that area, and getting into the overhead architecture that we need needs to start happening now.

Even though the Arctic will be ice-diminished, it's still going to be pretty cold up there, so we have to, in the next few years, begin to look at what we do with regard to ship design, not to turn every Navy ship into an ice-breaker, but clearly the ventilation systems have to be able to support the colder temperatures. Top-side configurations have to be accounted for so that you don't accumulate a lot of ice, which then changes the stability characteristics of the ships.

And so, those are some of the things that are on our mind as we go forward, but I believe we have the right leadership in place, we have the right view. We're working very closely with the Coast Guard. Every six months the Coast Guard and Navy come together to talk on a variety of issues, and the one constant is the Arctic.

We are working with some of our foreign navies to make sure that we're synchronized with them – Canada, and I recently was in Norway where they're doing some terrific work with respect to the Arctic, so it's kind of where we are.

MR. CLARK: Let me ask you, on a different topic, though, to talk a little bit about the Tenth Fleet, the Cyber Command, the cyber operations you've got. I guess a lot of people are devoted to that exercise. And I wonder whether you could tell us a little bit about how you approach the whole cyber topic. Are we talking offense and defense? What's the balance between the two? And what are the main concerns that the Tenth Fleet is now addressing? What are you looking at by way of threat and opportunity?

ADM. ROUGHHEAD: Yeah. Well, there's no question that – and it's not just the military that's under –

MR. CLARK: Yes.

ADM. ROUGHHEAD: – attack with cleared defense contractors who feel it as well. So, there's clearly the defensive component, which I think is the one that is in the forefront of our activity. Then the attack piece is clearly going to emerge, because I believe the cyberspace is a battle space; it will be a battle space, so how do you maneuver in there? How are you aware of what's going on?

And I would say that where we are right now is, you know, what are the types of systems and tools that we have to have in place to really have a full understanding of what's going on in cyberspace?

It's very easy, I think also, to become captured by the technical dimension of defense and attack and exploitation, but I think the biggest area and one that will likely lag without a focus on it will be the policy and the legislative authorizations and how do you sort your way through that because you have the different domains. You have the military and the non-military.

In fact, when we created the new structure of N2/6 and Tenth Fleet, the other thing that I did was I created without our JAG Corps, Judge Advocate General Corps, a cyber shop to begin to develop some of our JAGs in cyber law, which I think is going to be a rapidly developing and very dynamic aspect of law, and we want to make sure that we have people who can advise

future commanders on, you know, where the lines are, what are the rules of engagement, because it's going to be extraordinarily complex. I think it's a fascinating area.

And so, you know, those are some areas that I think we have to pay attention to.

MR. CLARK: Thank you. Katherine?

MS. PETERS: We had a number of questions we received earlier from the audience on the DDG-1000.

ADM. ROUGHEAD: Yeah.

MS. PETERS: Any chance of seeing a shift either in reviving the program or terminating it after the completion of the first –

ADM. ROUGHEAD: We're committed to three ships.

MS. PETERS: You're committed. That's a done deal. I mean, there's no –

ADM. ROUGHEAD: I gave my word on three ships and we're going to do three ships.

MS. PETERS: Okay.

MR. CLARK: Let's see, here's another question from the floor here today. "Please comment on China's growing naval clout. Do you expect China to build enough carriers to offset the lopsided U.S. advantage in naval power projection?"

ADM. ROUGHEAD: As some of you may know, I've been watching China closely on a person level since the early to mid-'90s. Through a series of assignments I've had the opportunity to visit there. I've had the opportunity to spend time with my current counterpart on several occasions.

And as I look at China and the rise of the navy, it's doing what has happened throughout history. As the country's economy – and as that economy is driven by trade – grows, then their navy grows with it. The Portuguese did it; the Dutch did it; the British did it; the United States did it. China is now in that process of building up.

China is doing it at a time where they are able to adopt and adapt technology quite quickly, and so their navy is growing. The navy is changing its operating patterns. It is more active in areas that are important to them as determined by sea lanes, by resources, and so that's going to continue.

I think it's important that we work toward a cooperative relationship with the PLA Navy, but it has to be transparent. The work we do in the Somali Basin, in my opinion, should be replicated in the South China Sea and in other places, that same level of cooperation, and so I seek to do that, and why I believe the military-to-military relationships are so important.

That said, when you talk about aircraft carriers, you know, having a ship that can have airplanes on it is one thing. Masterfully operating it is very different. And I've told my Chinese colleague that it only took us 75 years to get good at it.

So I think that there's a very – there's a significant difference. And then there are differences in carriers themselves. The Nimitz class and now the new Gerald Ford, which will have the electromagnetic launching system on it, a different flight deck design. It will be even more capable than Nimitz. And so, I think that our position as a carrier-capable navy is quite secure for quite some time.

MR. CLARK: Very good. I think we'll end with two questions. One of them is a question about riverine operations, and then a question about leadership. This is a question from the floor: "Riverine operations are the virtual inverse of blue water operations. How will the Navy advise or construct doctrine in the emerging littoral conflicts?"

ADM. ROUGHHEAD: One of the things that I think has been quite successful has been the evolution of the Navy Expeditionary Combat Command, and the Riverine Force is part of that. They have been heavily deployed into Iraq because of the work that they've been able to do on rivers and protecting critical infrastructure on those rivers.

In our recent budget we have added a fourth riverine squadron. I want it to be a little heavier than the others because I think you have to be able to operate in the rivers but then you need to also be able to come offshore a bit into the entrances to those – to the river systems themselves.

So we're looking at that. One of the things that we've worked quite hard at in the last couple of years was that when we initially stood up the NECC, it was almost all funded with supplemental money. And when I came into this position, I was, you know, looking at the books and I said, you know, if supplementals go away, this capability, which is being heavily used, is all dependent on supplemental money. So, over the last couple of years we've been working to get that more in the base, so actually make it more a part of the enduring Navy.

I would also say that whereas we had a very large and very competent riverine force, we walked away from it following Vietnam, so we're growing that back again, and there are several countries who, because of the nature of their river systems, are really quite good at this, and I'm always looking for opportunities to get our riverine force partnered with them so that we can train together, work together and learn from some folks that have actually been fighting wars on the rivers.

MR. CLARK: Admiral, lets end with – thank you for that interesting answer. Let's end with this question. It came in from a member of the audience by e-mail before we began here. You are a longtime leader of the Navy. You've obviously developed leadership skills over the course of your career, and so let me ask you to reflect – and this questioner does ask – "What leadership skills are most critical to success, and what can the civilian agencies learn from a military leader?"

ADM. ROUGHEAD: I won't advise the civilian agencies because I think there's a different dynamic, but I believe that any leader needs to be willing to listen, needs to be open to other ideas regardless of where they come from within an organization, needs to be an observer of the behavior and be able to discern what can motivate one or motivate someone else.

But I think the most important thing is that, as a leader, you are continuing to develop every day and that you have to be open to the opportunities, you have to take some chances, and sometimes you may come up short; sometimes you may find that a decision you make is a total bomb, but you have to be able to analyze it and move on.

And I would say it's because of that environment and because of the great people that I continue to learn from why I find putting this uniform on every day the best thing that anybody could ever do.

MR. CLARK: Well, thank you for your service and thank you very much for being with us today. Please join me in giving Adm. Roughead a round of applause. (Applause.)

(END)