

Remarks by the Honorable Ray Mabus  
Secretary of the Navy  
American Shipbuilding Suppliers Association  
Washington D.C.  
Friday, 9 March 2012

I appreciate it very much. Thank you all for having me here today.

You're exactly right. When I met last fall to discuss the founding of this group, I encouraged it. I thought that the shipbuilding suppliers ought to have a unified voice to talk to us, to talk to us about where we're going and how we're going to get there.

I'd like to recognize two people in the audience. It's always dangerous to start recognizing people, but Congressman Joe Courtney, who I think is still here – there he is – we were at the christening of the USS Mississippi, and he got up, and he said he wanted to be known as “Two-Subs Joe” – two submarines a year. I hope we can at least make it two subs, Joe. And in my speech that followed, I said I wanted to be known as “11-Ship Ray” 11 ships per year.

And the other is former Congressman Gene Taylor, from my home state of Mississippi, my good friend and somebody that I've worked with at various levels, in various capacities. Thank you for being here, Gene.

We've got a new defense strategy, as you are all very aware. And in it, with its understandable focus on the western Pacific, the Middle East, the need for engagement around the rest of the world, the necessity for a light-footprint, low-cost, flexible, agile strategy to not only have engagements, but to also deter war, win if necessary, the strategy that's written, that the president announced, the strategy that was developed by all the joint chiefs, the chairman, the vice chairman, all the service secretaries, the secretary of defense – and the president had personal involvement in developing this strategy, and he announced it in January.

But if you look at that strategy, it's a maritime strategy. It requires, absolutely requires a great Navy, Marine Corps team. It requires us to be forward-deployed. It requires us to be persistent in our presence. It requires the things that the Navy and Marine Corps do either better than anybody else, or we're the only people who can do it.

And I want to talk to you briefly about the budget that we've put in and how we're planning to implement this strategy, particularly in terms of shipbuilding. And then I'll be happy to answer whatever questions you've got.

But first, I'd like to give you just a little history. On 9/11/2001 the United States Navy stood at 316 ships and 377,000 Sailors. Eight years later in 2009, when I took this office, the fleet had declined to 283 ships, and we were down by almost 49,000 Sailors. So in one of the great military buildups in American history, the U.S. Navy got smaller.

So one of the first things that I and this administration tried to do was stabilize the fleet because we had gotten to a low of building three ships in 2008. And over the next three years almost, we've done that. And even though – even though because of the Budget Control Act we're having to cut, defensewide, 487 billion [dollars] over the next 10 years and 259 billion [dollars] of that in the FYDP, in the five years from here, from '13 to '17 – even though we've had to do that, we are going to have no smaller fleet in 2017 than we do today.

That's in spite of the fact that we've deferred building 16 ships. That's in spite of the fact that we're retiring seven cruisers early – four of those cruisers have some structural problems; the other three would need substantial modernization – and it's in spite of the fact that we're putting two small amphibs into reserve status.

We have 285 ships in the battle fleet today. In 2017, we will have 285 ships in the battle fleet, but they will be more capable ships in that 2017 fleet than there are today. And by 2019, we will once again reach 300 ships in the Navy. The way the Pentagon works, as all of you are very, very familiar and aware – is on 5-year plans, future year defense plans.

And so we presented one; we presented the '13 through '17. But this is far more than a one FYDP issue. We've got to look at this out at least 10 years to see where we are taking the fleet because we are feeling the effects as the Navy came down on two ground wars for a decade, and we will continue to feel those effects in the first FYDP.

In terms of specific ships, right now, today, we have 36 ships under contract and, going forward, the major types of ships that we're going to be building and sort of how the programs have evolved, and I'll start with the Virginia-class submarine, Joe Courtney's, "two-sub-Joe," ship. That program to recapitalize our attack submarine force had some of the usual issues when the program started, with the first boat or two, but now it is as stable a program as you can imagine. We're building two ships a year, and they're coming in under budget. And the Mississippi, which will be commissioned in Pascagoula on June 2<sup>nd</sup>, is being delivered a year ahead of schedule.

Some of the other programs – the littoral combat ship, one of the backbones of our fleet for the future, very fast, shallow draft, modular, so that as technology changes, you can switch out the weapon system and without building a new sea frame. It's one of the ships that we're going to depend on for anything in the littorals, but also in blue water. Right now we've got three mission modules: countermine, counter-sub and counter-surface. We're looking at others. This is one of the most versatile ships that we have.

When I got there, into this job, we had two variants, and one of each variant was in the water and one of each variant was being built. And again, first ship of the class, more expensive, harder to build. But we bid out three more ships about two months after I got there, and the bids came back just unsustainably high. We couldn't afford them. And so I made the decision that, even though we wanted both versions, even though each version gave us something, a capability that was different, that both of them met all the requirements that we had. And so we were going to have a competition between the two, and we were going to base the outcome mainly on price. So, over the course of the next year, as negotiations went on, the price of those ships came down

by 40 percent. And I still don't know who won. I didn't want to know because they were very close.

But I went back to Congress and asked for permission and, thanks to people like Gene Taylor and Joe Courtney, got permission to, instead of – our original plan had been to buy 10 ships from the winner, 10 over five years, and then get the technical package with the drawings and the engineering details and bid it out so that we could put a second shipyard in competition and buy nine ships from the second shipyard – instead Congress allowed us to buy 10 from each shipyard for less than we had budgeted for 19. So we got 20 ships instead of 19 and we saved \$2.9 billion in the program.

The DDG-51, former Secretary of Defense of Bob Gates announced in April of '09, a month before I got there, that we were going to restart the DDG-51 line. DDG-51s are built in two places, Bath and Pascagoula. Because we need both of those shipbuilders for our industrial base, it's hard to get competition. But what we did was we bid out three DDG-51s. And we said that each shipyard was going to get one no matter what, but the low bidder would get the third ship, and whatever the difference was between the high bid and the low bid, that difference was coming out of the high bidders' profit. So if you're the low bidder, you're going to get your fee, your profit. If you're the high bidder, you're going to get your fee minus however much you were higher than the low bidder. And so we got competition back into the DDG-51 program. And we saved \$300 million on those three ships.

On the TAKEs that we're building out now, 14 ships in the class, the 14th ship is taking 40 percent of the man-hours that the first ship in that class took. That's the sort of thing we're looking for.

I think we owe industry certain things. We owe you transparency in terms of what ships we're planning to build. We owe you stable designs; you should not start building a ship before you know what it's going to be. That's the expensive way to do it. And we owe you mature technology. If technology changes, put it on the next block of ship. Don't let the perfect be the enemy of the good.

In exchange, we think industry owes us some things. One is that you will make the investments in the infrastructure and in training to build the type of ships that we're planning to build. And two is that there is a positive learning curve, that every ship or piece of a ship that's exactly the same as the one before costs less and takes fewer man-hours than the one that preceded it.

And the last platform I'll talk about is CVN-78, the Ford – our new carrier. And again, I'm going to give you just a brief amount of history, and a lot of you know this history better than I do. When the Navy first decided to build the successor to the Nimitz-class carrier in the late '90s, the notion was to put – because it was going to be so much new, so much new technology, so much new design – to put it on three successive carriers, to put basically a third of the new technology and the new design on the first one; the next third; and then finally the third carrier would have all the new technology.

In 2002, the leadership, DoD, decided now we're going to put it all on one, CVN-78. That sent risk through the roof. The contract was supposed to be signed for that in 2006. It didn't get signed until 2008. And when the contract was signed, that ship was about 30 percent designed. That is not the way to build a ship.

And so we have had cost overruns in this. We have had problems here. I testified last week, and one of the things when I'm asked about the carrier – and I use the punch line of an old joke: You know, that bed was already on fire when I got in it.

But we have done some things. We have recovered in large measure the entire fee from the shipbuilder, from suppliers.

If our design gets stable – and it should be now – if your price is going up beyond what is sustainable, if you're asking us to bet our ship on your technology, we're going to ask you to bet your company on it, because we're in this together.

And the most important thing I think we're doing with CVN-78 is taking the lessons learned so that we will not have the same issues for CVN-79, the John Kennedy, that we'll begin building in a couple of years.

So I think we got all of our programs, all our shipbuilding programs, in good shape today. They're all coming in now, aiming at coming in on budget, at least, and on schedule.

We're also trying to reach out to small business. We're trying to make sure that the industrial base below the shipyards stay viable, because once we lose you guys, once we lose the industrial base for shipbuilding, because it is so specialized, it is so unique, it is very, very hard to get it back. And we've made some of these decisions on industrial base grants in terms of when we could build ships, how fast we needed to do it, because we simply can't afford to lose the industrial base that we have.

I'm going to end by – I didn't realize it was the 150<sup>th</sup> anniversary of the Battle of the Monitor and Merrimac – by talking just for a moment about one of my favorite things, and that's energy. We're also changing the way we get and use energy in the Navy. And we're doing it to make us better fighters. We're doing it as a matter of national security.

We're going to cut the amount of fossil fuels the Navy uses both afloat and ashore in half by no later than 2020. And the Monitor, the Virginia, Merrimac, that battle is an example of why the Navy needs to be in the energy business, because we went, right around then, from sail to steam, from wood to iron. And there were people then saying, are you nuts? The wind is free. You're going to have to pay for this coal. In fact, one of my predecessors as secretary of the Navy said, I'll never turn our fleet into fire-belching monsters.

When we went to coal, partly as a result of that battle and partly as a result of technology movement, and then when we decided to change to oil in the early part of the 20<sup>th</sup> century, some of the same type people said, wait a minute, you got all these coaling stations around the world, look at all this infrastructure; you're walking away from that? Are you nuts? Oil is too

expensive. Won't work. And then when we pioneered the use of nuclear in the 1950s, same sort of reaction. You can't get a nuclear reactor small enough to fit into a submarine. Are you nuts? And even if you could, it's not safe.

I think the folks that are complaining today about the Navy changing energy have their forbearers in the same people who said it won't work in the 1850s, it won't work in the early part of the 20<sup>th</sup> century, it won't work in the 1950s. Those folks were wrong; these folks are going to be wrong too.

So thank you for what you do. Thank you for what you do for this country. Thank you for what you do for the United States Navy and Marine Corps.

For 236 years, from sail to steam to nuclear, from the USS Constitution to the USS Carl Vinson, from Tripoli to Tripoli the United States Navy and the United States Marine Corps have projected our power and protected our country and kept the sea lanes open for the economy of the world. And this new defense strategy and the way we're going to execute it, I'm absolutely confident that this naval tradition, the maritime warriors that we have will not only persevere, but we will continue to prevail.

Thank you all very much.