SECRETARY RICHARD V. SPENCER: Well, it certainly is a pleasure to be here. There’s some familiar faces in the audience, and there’s familiar faces even as I look across all ways.

We were out this weekend at the Reagan National Defense Forum. And for those of you in the audience who might not have been there or had the chance to see the live version on television – which, if you were watching it, I suggest you find a life because it was a beautiful Saturday. (Laughter.) You shouldn’t have been inside watching television. But it was – it was very interesting. And it was timely topics.

I want to thank you all for asking me to come and address this – I sincerely mean it – august group. I saw the honorable Bob Work on my way in. And he’s standing up straight because that 4,000-pound rucksack on his back was off and he was smiling happily. So it’s great to see him. It’s great to see all of you.

It’s interesting times that we’re living in, as the Chinese fortune cookie always says. But I’d like to kind of address with this group – who I know, in looking here, you’ve been enduring endorsers of national security and forceful advocates for a strong Navy and Marine Corps team. And I want to kind of address my thoughts on how we’re going to take this institution going forward.

I’ll pause and give you an update right now. It’s already started out to be a good week in the Pentagon, which doesn’t mean that that’s going to keep on the same trajectory. But today certainly is a nice day because I swore in the new undersecretary of the Navy, Thomas Modly. Tomorrow I get to swear in James “Hondo” Geurts as the assistant secretary for RDNA. And I think we’re really putting meant on a frame that is really going to carry the organization forward in a very positive trajectory.

I think one of the first things we do when we address the topic of national security is acknowledge that we are a commercial nation. We’re a maritime nation. We benefit from the use, we benefit from the sea lanes that are open for commerce. And we are a protector of those sea lanes. We have a responsibility to provide security and contribute to the collective safety and stability of a global nation, not only for ourselves but for our allies. It’s not only the right thing to do but, as you all know, it’s in our best interest to do it also.

An overarching theme to American naval policy has always been freedom of seas to support the open, robust trade amongst nations. Threats to global stability put our notion of the – and our purpose of freedom of seas at risk. And that, we cannot abide. The United States Navy-Marine Corps team, as you well know, is forward deployed around the world for the preservation of global stability.
Their presence is a deterrence to potential adversaries, and a reassurance of our allies. Whether it be the green suits of the Navy onshore, whether it be the gray ships in the harbor, presence provides stability.

It’s my job to make sure our naval forces have the fangs, and the longer and the sharper is better. The Navy-Marine Corps team needs to be ready to fight tonight and win. That’s easy enough to say, but clearly it’s a challenge to do. And I must be blunt here. We have readiness issues in both the Navy and Marine Corps. We’re getting at them, but we have a ways to go. Yet, despite the challenges that we’re facing, I’m confident we’re going to successfully tackle every single issue, and right the ship.

We’re going to utilize the aid of some outstanding problem solvers we have within the organization. And we’re going to task some problem solvers from outside the organization. Our 7th Fleet forces are under the microscope right now, and rightfully so. The CNO’s comprehensive review is an example that leadership and problem solving from within our organization will be done with focus. It has given us a deeper insight into the systemic issues and has provided us a way forward to address the shortfalls that we see.

My strategic readiness review has enlisted the outside aid that I just mentioned. It’s still forthcoming, but we’re looking at everything. And I mean we’re looking at everything, from DOPMA, to how the Joint Chiefs task our organization, to Goldwater-Nichols and the fleet forces structures. As you’re well aware, there are a multitude of obstacles in our path – both current and emerging. Let’s go over some, just to refresh your memory.

Funding issues born of the Budget Control Act and continuing resolutions have taken a toll on readiness, maintenance cycles, and have also cost us time and resources that we cannot buy back. The infrastructure needed to grow and support, refit, repair our fleet, as you well know, are showing signs of strains and are woefully underfunded. Technological leaps have put new, affordable capabilities in the hands of our adversaries. And a number of these adversaries have begun demonstrating renewed aggressions that we have not seen in some time.

These points are simply the basis for the environment in which we operate. So, in the challenging world, how do we maintain our advantage? I believe the key is to remain focused on mission, with three priorities in mind: People, capabilities, and processes. People are our greatest asset. We don’t win without them. And we need to keep the winners that we have. We need to recruit, train, empower the subject matter experts, and hold these people accountable. Our ships, planes, submarines, vehicles – they’re all just hunks of metal. They can’t do much without the human interface. They need sailors and Marines to bring them to life.

And our sailors and Marines, our sons and daughters, are the best in the world at what they do. They’re all volunteers and they’ve given wholly of themselves to ensure that we at home can enjoy the freedoms that we sometimes take for granted. They are hearing the reinforcing message every single day now that they are our warriors. And that is their job. They deserve the right gear and lethal platforms to deliver the fight tonight. I’m dedicated to ensuring that our people, these warfighters, get the capabilities that they need.
I’m also dedicated to ensuring that our service members and their civilian teammates receive the best training, because it’s well-trained people that will employ their gear and extract capabilities in the most efficient and effective manners. We must foster an environment where our sailors and Marines are given the choice and paths to challenge them and give them a career path that will keep them in our organization. We need to ensure that our people have the professional and educational opportunities they need to grow as leaders and critical thinkers.

We must also ensure that families and loved ones of our sailors and Marines are taken care of. Those families are entrusting us with the lives of their husbands, wives, sons, daughters, brothers and sisters. When we send our warfighters over the horizon, they need to be sure that their loved ones are being taken care of at home so they can devote their focus towards the mission. And when our sailors and Marines can focus 100 percent of their attention on the mission, they will be able to effectively apply warfighting capabilities whenever and wherever they are needed.

Which leads to my second priority: Giving the right capabilities into the hands of our sailors and Marines. You all know our sailors and Marines are the best in class, and they deserve the best in class. They deserve it in a timely manner. To that end, I directed my acquisition teams to do their part in expediting our research development and acquisition process. Our technological advantages are real. Those advantages, though, are diminishing. You can be sure there are some countries and so non-state actors out there working hard to bridge these technological gaps. And that is why my goal is to never send our troops into a fair fight.

I learned from the world of business that when you’re facing competition, you need to have the resources and processes in place to complete and win, and to stay ahead of the competition at all times. It’s when you take your hand off the throttle that the competition begins to close. It’s bad enough in business when you don’t win, but ladies and gentlemen the stakes here, as you well know, are much, much higher. I can assure you that near-peer potential adversaries aren’t just treading water. They’re at full throttle, and catching up quickly. They’re spending the money needed to develop the lethal capabilities that will challenge ours. And they have a path that, in many cases, is much more expeditious than ours.

But fear not, we will answer this challenge. We must respond on all fronts – internal research and development, rapid prototyping, accelerated learning, and partnering with industry to get the capability our people need. I’m talking about true partnership. We talked about this this weekend out at Reagan. It’s based upon the concept of shared risk will yield shared benefits. The U.S. government can’t be the only entity when it comes to acquisition that takes all the risk, or the majority of risk. We must come back to a true understanding of partnership with our industrial base, so we can have a sustainable acquisition process, not a transaction-oriented process that simply grinds down to the lowest common denominator.

This is a partnership where we provide industry a clear line of sight to our needs, and we must provide them a clear line of sight to our resources, so they can invest in the necessary research and development and provide us solutions to our challenges. The challenges we have on the Navy-Marine team side are immense. And there’s no relief in sight that we’ll have all the resources we need.
We must leverage every single aspect we have. And, as I said, that’s both internal and external partnerships. And we must do this all the while by making sure we don’t squander the resources of our taxpayers.

A component of the partnership I’m talking about requires that we be a responsible customer to industry. And, frankly, that’s something we have room to improve upon. We can start by focusing on our third priority, and that is process. To meet the threats of today and tomorrow, we must reform our processes now. We’ve been talking about this for decades. We actually are starting to move the needle. And you’ll see some of this come to fruition, I believe, in the near future.

Sometimes that means joining with our fellow services to share expertise to meet a common goal. We’ve struck a partnership, as an example, with the United States Coast Guard as they begin the acquisition process for a polar icebreaker, where we’re combining best practices. The Navy knows how to build ships. So does the Coast Guard. We know how to build large capital asset ships. And we’re teaming up to see how we can provide the best solution for our sister-service. The Navy will benefit, the Coast Guard will benefit, the taxpayer will benefit.

We’ve had success in working with Congress on lowering costs through process improvement, but we have a long way to go. We appreciate the past congressional authorities for block and multiyear buys. And we continue to use those to effectively fund our programs. Tools like these help us balance the economies of scale by ensuring the health of the defense industrial base, a base that at the end of the day provides us our capabilities. I also appreciate the bipartisan congressional advocacy in defining a 355-ship navy as law.

And it’s not just the ships when we talk about growing the fleet. It’s every asset across the board. We’ll work diligently to implement the decision to rapidly and frugally – with the resource provided by Congress – grow the fleet of the United States Navy. As we press forward, I’m committed to expanding the fleet on the sea, under the sea, and in the air. But we have to lay the foundation for that growth. We must ensure the health of the defense industry and workforce are in place. Large capital investments need to be made today to build the fleet of tomorrow and to maintain that fleet the way that we should, so those that have these assets in future years have the capability to fight.

I can’t tell you exactly what the maritime fleet will look like in 20 to 25 years. But I can tell you that it won’t exist unless we get serious about providing the funding needed to build those capabilities today. We can’t buy back time. And we don’t – if we don’t invest for the future, we will be in a corner that will be tough to extract ourselves from. The bottom line, ladies and gentlemen, urgency is the battle cry.

In addition to our efforts with Congress, we’re reaching out to our industry partners to spur innovations and efficiencies. I know that wherever there’s a challenge, someone else has almost certainly already addressed it, whether directly or tangentially, and that they have insights on what works. We’re looking for the best practices, the best practices of people who’ve gone through similar situations.
I found out that just by reaching out, talking about our issues produces amazing feedback from outside the building, and from some of the most unlikeliest places you could imagine. You’ll see that forthcoming in the strategic review that we’re going to roll out in about a week and a half.

We’ve already reached out to industry leaders to learn how they have improved safety. And I’m confident – I truly am confident, after seeing these people and what they’ve contributed, that we’ll gain from their valuable insight and improve our own culture as we move down the road to work for sustainable readiness.

So what is needed? We need the right processes in place to recruit, train, equip, and organize our people in a sustainable, responsible manner, giving them the capability to win at any time, anywhere. The challenge of doing this may seem daunting to some, but I see opportunity. There is opportunity to enhance our partnerships, that I just discussed. There’s an opportunity to innovate. And oh, do we have innovators. There’s the opportunity to lead. And there’s the opportunity to properly address what has been the most harmful impediment to reaching our goal, the Budget Control Act and continuing resolutions we’ve seen, and will continue to be incredibly harmful unless we address this as soon as possible.

CRs have cost the Department of the Navy roughly $4 billion. Since 2011, we have put $4 billion in a trashcan, put lighter fluid on top of it, and burned it. Four billion dollars, as you know – you’re all doing the math; I can see it – or, you’re snoozing. I can’t tell if you’re – (laughter). Four billion’s enough to buy a squadron of F-35, two Arleigh-class destroyers, 3,000 Harpoon missiles – think about some of this – 2,000 tactical Tomahawk missiles. It’s enough money that it can buy us the additional capacity and capability that we need. Instead, that $4 billion of taxpayers’ money was lost because of inefficiency of the ways of the continuing resolution.

Each member of our all-volunteer force makes a promise to protect our nation from harm if called, and to give their full measure to do so. It’s time for our nation and Congress to keep the same promise to them. As Secretary Mattis has said: Our nation can afford survival. And another continuing resolution is a broken promise and one more chip away at our ability to survive.

In closing, I want to thank you all for the opportunity to stand in front of you. And I’m going to stop bloviating and take questions from the floor, because that’s where we find the most interesting things to talk about. So, open the mics. (Applause.)

Q: Good morning, Mr. Secretary. My name’s Lieutenant Roger Misso (ph). I’m a cryptologic worker in Group Six now. And my question is this weekend at the Reagan National Defense Forum the commander of U.S. Strategic Command, General Hyten, said that when he was growing up he aspired to be a colonel program director, and not a general, because he had the responsibility and authority to deliver products and processes to the warfighter. He also said that when the lieutenants and captains want to be colonels again, that’s when we’re going to have things right.
And so my question is, how do you as secretary plan to fix the bureaucracy that warfighters at that point deal with day in and day out, whether that’s in the fleet or in the Pentagon, to ensure that our ensigns and JGs grow up wanting to be commanders and captains, and not necessarily admirals and secretaries?

SEC. SPENCER: It is a timely question, because there’s a couple of things going on here. I won’t say it’s an alarming rate, but the fact that there’s one or two of these events really just shocked me completely. There are officers that are asking not to take command. That they would rather take another path than take command. When I was in the Marine Corps, the ultimate goal that I had immediately in front of me was to become a captain and to take command. We are doing something terrible if in fact there is more than one person who wants to check that box and say I’d rather not take command.

Addressing – in the strategic review I told you we were looking at DOPMA. We have to provide – and we will provide – the environment for our enlisted and our officers to have a career, a challenging career, and provide them the educational environment to actually progress. And will it take moving cheese? Yes, it’s going to take moving cheese. Will we will be able to do it in four years? I don’t know if we will, but I’ll tell you what we’re going to set sail to try to do it. We have to do it.

One example that – someone asked me this weekend was, well, give me some context for this. And I said, here’s a fine example. When I flew the Battle Phrog, you couldn’t – you couldn’t tune up on an FM frequency to an Army frequency. I mean, we were talking about a center of excellence. We were such a center of excellence, we couldn’t speak to anyone else because we never thought they were that excellent. But, no, I’m just kidding. (Laughter.) We have now gone to joint. And we had to prime the pump to joint. And what I mean by that is everyone – we had to set up the joint command. We had everyone think about joint. Well, joint is now in our DNA. Everyone does joint.

Can we now say, OK, we have the understanding of joint as an early, DNA stage and now we don’t have to have as many joint billets as we have now? That might be one avenue we might want to look at. But going back to providing the environment and the tools the extract the best from our people is something we’re going to have to do. It’s a very valid question. And we are focusing on it.

Q: Mr. Secretary, Norman Polmar. On the people issue, today I believe the Navy’s shore about 3,000 enlisted men, and women of course. In that context, the economy’s improving, unemployment is down, we see – I can go through each ship type – but looking just at submarines, in the last 25-30 years there’s been no reduction in crew requirements. How are we going to man a fleet of more than 275 ships?

SEC. SPENCER: Another timely question. I should use you guys as my red team. (Laughter.) I’ll answer that question by backing into something else. I think it was 2010, Secretary Gates asked – actually, I was brought in by Michael Baer (sp) into Secretary Gates’ office to get an assignment for what the Defense Business Board might be working on.
And he turned around, and all of a sudden, since I was sitting there with my mouth shut, I got assigned with modernizing military retirement, addressing the commissary issue, and Department of Defense education. And at that point, he asked his chief of staff to go out and get Mr. Spencer a Kevlar vest and send him on his way.

But one of the things we did do, if you remember, we simply started a discussion – which is what the Defense Business Board does so well. We started the discussion on military retirement. And now, as you all well know, we have the Blended Retirement System, the BRS. And I’ve had a couple people come up to me and go: OK, smarty, now you’re the – now you’re the secretary of the Navy and you’re going to have to live with this thing. And it allows people to walk out the door much easily. And they walk out with some assets.

And I turned around and say: You know what? Good on us because game on. We are going to have to work to make it more advantageous and more challenging and more desirable to be in the naval enterprise than be wooed out the door by competition. We’re not going to win 100 percent of the time, but we’re going to make an effort by the changes that we’re talking about here in the previously asked questions to make those people want to stay. And that’s part one.

Part two, which is the question that you asked, with the economy bubbling along as it is, how are we going to find these people? Three weeks ago I got an update on how we are recruiting. Both Navy and Marine Corps, two separate pots don’t get me wrong, are doing well. If we had to surge right now, there might be some problems. The economy is strong. To grow 3,000, I think we would – we would easily be able to do that. Do we also have to addressing manning TAOs, et cetera? Yes, we do. If you look at the LCS – which I’d like to stop right now and talk about the LCS.

It’s time for a conversation change on the LCS. It was an atrocious acquisition process according to everybody who wants to comment on it. And you can take either side of the argument. I’d like to find someone on the pro side, but – (laughter) – you can – but the fact of the matter is, we’re now getting feedback from the fleet, from the commanders who are actually using these platforms. And it’s good feedback. But that vessel right there, as you know, was structured for a more efficient crew. We have to start doing that going forward.

For legacy platforms, what can we do? We’re going to be somewhat limited, but this is where we try to enhance the capabilities of the assets we have on board to possibly lighten the load in the regard. We have challenges. And my only other point, to the personnel question, is we have to be very careful with personnel. They are the most expensive asset that we have. When you truly compute the life-cycle cost of a uniformed career member, it is a very expensive proposition. Right now, roughly 50 percent of my budget is benefits and personnel that I can’t touch. And it’s increasing.

I don’t complain about it. What I have to do is make sure that we are getting the best efficiencies and effectiveness out of the great people who serve. And that’s the way we have to look at this, is take this on as a positive challenge. And I truly believe it is a positive challenge.
Q: Sir, Lieutenant Thomas O’Keefe. I’m a term lieutenant with 25 days left in the Navy.

SEC. SPENCER: Thank you for your service.

Q: I’m on paternal leave too, so. So the question – I have three sisters, a mom, a wife and a brother-in-law in the Navy as well. And as we listen to the conversations about the strategic review and the investigations, we see conversations happening and we don’t see the inquiries happening at our level nor exploration of solutions at our level across. And there’s an element of cynicism that starts to set in when that kind of say-do gap happens. And I’m wondering in your review process, how are you ensuring – or are you? Maybe it doesn’t matter. Are you digging down to kind of get down to ensure that the feedback that actually exists at the lower levels is reaching the higher levels unfiltered? Because I think there’s an opportunity for partnership, not sort of like – not in a confrontational way. But people are genuinely interested in collaborating, right. Is there an element of that in your strategic review?

SEC. SPENCER: Most definitely. One of the things that – and I want to make sure everyone understands how the comprehensive review, which is the CNO’s and my review – the SR – so, it’s the CR and the SR. The CR – the immediacy of the CR was the 7th Fleet, because that is where the issues resided, plain and simple. Those remedial programs are underway right now. And that is getting the Christmas tree lights to line up on green for all certifications. There’s some immediate, tactical things that we are starting to do. Having the conversation is definitely what we have to do. My whole concept of people that I said earlier is: Who better to find a solution to a problem than the person facing off on the problem?

Someone the other day asked me what my job is as secretary of the Navy. And in a simple sense, it is wearing the Title X hat to man, equip, train, and deliver. But my true job is to clear maneuvering paths for those people that have solutions for problems. We have to engage in the conversation. The strategic review is going to be just that. It’s more of a strategic level to have conversations about actual fixes that are going to take either a cultural shift or big process adjustments. The CR is out there tactically now working. You’re going to see it start with 7th fleet. And it has, obviously, overlays for the whole fleet, and Marine Corps, by the way. This is not just a Navy issue.

If I have to bring up an example of how we’re attacking this on a different way, one of the people who ended up contributing some incredible insight to us was Boeing. And not aviation safety. This was Boeing, by self-admission, they were the kings of making aircraft and knowing how to produce them. And the way you go from 10 a month to 15 a month is make the people work faster and harder. And all of a sudden, their industrial accident rate just started increasing dramatically. And they said whoa, stop.

And they did quite a big review. And they brought a couple of people on from the outside. And they did a multitude of immediate tactical changes to how people worked on the floor itself. But here was the cultural shift that they made. You will rarely see the word “safety” in a Boeing plant. The word is respect. And the concept is, John, I respect you. What are you doing on my floor without your safety glasses on? If you get hurt, you’re off the team and you’re not producing. I need you to produce. I respect you. Please put your safety glasses on.
Having been an aviation safety officer in the Marine Corps, I can tell you that our concept back then was the bigger you painted the safety sign, the more you were all into safety. (Laughter.) There was no correlation actually to how you rolled it out. That’s the kind of change that we’re talking about, just to give you a feel. And that’s the kind of conversation we need to have. But I agree with you 100 percent. We have little time to let this languish on the shelf. The can and do loop has to be tighter.

Q: Good morning, Mr. Secretary. My name is Alisha Elliott (sp). And I’m serving at the Headquarters Marine Corps at the Pentagon.

SEC. SPENCER: Thank you.

Q: My previous job was out in 7th Fleet at the DESRON staff, and so the incidences that have happened hit close to home. My question is, having worked in the portion of scheduling in 7th Fleet, how do we expect to meet the operational tempo in 7th Fleet, but also meet our readiness metrics? Because the schedule is so hectic and changing, but we also want to be a responsible partner to our Japanese allies, as well as our own sailors, and getting them ready for the fight.

SEC. SPENCER: Look, not lost on anyone in this crowd, the Navy-Marine Corps team is an organization that is biased for action. Sitting around and waiting is not something that we enjoy doing. Also, this organization finds it hard to reach into the bag to find the word “no.” I can’t do that. But we have to come to a balance. We have to start weighing in a new word, which is “sustainable”. We have to have sustainable readiness and sustainable operational tempo. You heard me, I think, earlier when we talked about the strategic review addressing now the vice chiefs task us. The fact of the matter remains, it’s somewhat arithmetic. We only have so much capability and so much capacity – primarily capacity – to do the tasks that we can do.

It’s Hooke’s law. We can stretch things, and things are somewhat elastic, but you’re going to reach a tension point where that object cannot go back to its original form. And that’s what we’re dealing with right here. You keep spreading – I can use tons of analogies – you keep spreading the mayonnaise thinner and thinner, you don’t get mayonnaise on the toast anymore. We have to come to the reality to say: These are our resources. These are what we can do. Is it a pleasant answer? No. We’d like to fill all tasks that we’re required to do. But this is where we’re going to have to work in teamwork to increase our capacity to fill the bill. We’re in a – we’re in a – we’re on the backside of the power curve, but we’re approaching – we’re coming over the peak. But we have work to do. I’ll be the first one to admit this. And this is what we’re working on right now.

Q: Hi, Mr. Secretary. Geoff Ziezulewicz with Military Times. The Fat Leonard scandal keeps reverberating throughout the active and retired ranks of leadership. In your time here so far, have you been able to glean any systemic causes of this scandal, that this, you know, kind of keep grabbing more and more leadership? Or do you view it as a – you know, a failure of 7th Fleet leadership or Navy leadership at that time, and it just filtered down? Just curious kind of what your take is on this whole issue.
SEC. SPENCER: Yeah. My take right now is the pig is through the python. We have processed through and we are seeing – and you saw that I issued a Secretary of the Navy letter of censure last week. And I think we’re going to – we’re seeing the process do its job. But to answer your question, yeah, I’m concerned. I’m concerned across the board. When I see packages come across my desk asking for exceptions on retirement, seeing actions that were unbecoming of an officer or an enlisted person, but yet the board of inquiry says let him go with full – let he or she go with full ruffles and flourishes, I have a real problem with that.

We have to make sure that every decision we make, when we’re making a decision for the Naval enterprise, supports and enhances the brand equity of this organization. We have a trust that is given to us by the American taxpayer and the American citizen. If that corrodes or goes off-center, I can’t even imagine what the path is to bring it back on-center. And one of the messages that we are getting out to the Navy-Marine Corps team is that when you are making decisions – whether in uniform or at home going down to 7/11 to pick up a quart of milk, think about the decisions you’re making and what it does to your organization.

It’s that simple in some ways, but it’s that expansive because in today’s world, with today’s media, everything you do represents the United States Marine Corps or the United States Navy. And we have to get that message through. It is something we are definitely focusing on. And the message is loud and clear. The irony, not lost on anyone in this room – which I will be the first one to say this is quite frustration – is when you cross the line from leadership to undue command influence – and it’s something that we have to really work on. And it’s something we have to tell the American public so they understand and we don’t have some people in the middle interpreting it for them.

Q: Yes, sir. Rafael Ortiz (sp), Coast Guard Reserve, retired. Sir, we’ve been at war my entire career, if you really want to go back to 1990. We have some of the best people that we spend a lot of time and money, as you have stated, into training. Yet, they leave early, and we lose them. Given the cost, given the ramifications of losing that expertise and not having it available to us, why are we continually decreasing the Reserve side? And why have we not further looked at – seeing a congressional on retired/reserve, letting that door swing both ways so, as you say, we get the both – best from both worlds? They can go out, go to corporate, learn something, and come back, with maybe some ideas outside the box, without being detrimental to their career? We need to really change that.

SEC. SPENCER: I love softball questions. (Laughter.) That’s not just the Navy-Marine Corps team doing that. That is coming down from Secretary Mattis. The citizen soldiery, the Reserves, are an absolute integral part of the warfighting nature that we have. The institution has proven itself the last 16 years seamlessly. As we go forward, and we look at the challenges that we have – and let’s address – I mean, all of them count, but I’ll address cyber as a blatantly obvious problem that we’re looking at – you really do have to have a revolving door.

And the Reserve component fits this argument to a T. Because if you’re going to come in and help us with cyber, you have to remain current. I’d actually love for the ability, and so would Secretary Mattis, for that door to be swinging so our experts can go back out into the private sector and become current and then come back in.
But you can – you can overlay that to almost every single talent that we have – whether the Coast Guard, the Marine Corps, and/or the Navy. And that is actually being addressed actively as we speak, starting with cyber. But there’s no reason that’s not a best practice that can be put down to every single MOS or specialty.

**Q:** Mr. Secretary, Tim Oliver (sp), retired Navy captain. With the all-volunteer military, one aspect seems to be that there’s continued multi-generational families into the military. And the question is about, A, the separation from our general population. What are your thoughts?

**SEC. SPENCER:** Yeah. A lot of thoughts there. Hailing from Wyoming, I’m a firm believer that everybody ought to serve their country in some capacity. And it doesn’t have to be in the Department of Defense. It can be in the Post Office. It can be in the Department of the Interior. But as I used to listen to my father, who was a PT boat commander over in the Pacific – he said it was fascinating. It’s when Harvard met Iowa. It’s when Washington met Florida. This country had a fabric back then that was intertwined tightly, and it superseded socioeconomics, it superseded ethical interplay. I mean it was – it was when America was America.

Are we getting polarized? Polarized is the wrong word, because only 1 percent serve right now. And you’re right, within that 1 percent, 40 percent are legacy. I don’t know what I can do as far as the Navy alone is concerned. I actually – I’d like to put a footnote on the fact that it’s an all-volunteer service. It’s an all-recruited service. And that – we have to watch out when we walk away from the word volunteer and we start getting to all recruited, because we start encroaching on professionalism. And I don’t mean that everyone’s not a professional, but all of a sudden we’re getting a DNA strain of professional warriors. And are we actually taking from the American public, and have a full span of appreciation for what we do?

This is a problem. I don’t have an answer for this. I have an observation. And I share your concern. But on the other hand, if I’m to be completely selfish, I love the people that we’re getting, because they understand the commitment. They understand the fabric. They understand their duty going in the door right away. So if I was to say a glass half-full to that, they certainly are stellar contributors to our effort.

**Q:** Hi, sir. John Correll (sp), retired Navy captain. I’m part of the panel today. And last night I went out to dinner with my two cohorts. Met for the first time. We’re all defense contractors. And two things struck me. One is, we’re all kind of working on some of the same things, but we’re coming at it from very different perspectives with very different backgrounds and very different solutions. At some point, a RFP comes out, and we compete to our corners and compete against each other. And then one of us will win and the other one walks away with nothing. So I just wondered, in your process change or acquisition, is there a way to get away from a winner-take-all prospect of things?

**SEC. SPENCER:** As I stated this weekend, I’m an unapologetic capitalism and free-marketeer. At the same time, I have an appreciation for the industrial base. In the – in the private sector, it leans more towards winner-take-all when it comes to competition – although you can have a second-best product that if in fact you can put lipstick on it you can also sell it.
But when it comes to – when it comes to the question you’re talking about, we have to think about this, because one of the feedback we got – we had a panel out in California that was fascinating. It was Wall Street’s impact on the Department of Defense. And it was all based on capital and the flow of capital for the industrial base, and benefits and problems that lie therein.

And two of the feedbacks were – let me back up and give you the 30,000-foot. Norm Augustine once told me when I was speaking to someone when I was in the Defense Business Board, complaining about the industrial system and how acquisitions are – the acquisition process really is quite painful. He said, Richard – he goes: Remember one thing. He goes: You are dealing with a capitalist, free-market environment. They are simply mirroring the system that they see. And they will capitalize on it. It’s human behavior.

So we have to change the system that we have. And in that, the question was, how can you provide compensation for those taking risk? And what I mean by that is you might all attack a solution from different angles. To be very frank with you, that’s what I want. I want the most robust, torqued, tested idea – competitive produced idea that I can get. And only one person probably will win. But that doesn’t mean that I shouldn’t keep score and, in fact, you have a stronger suit somewhere else, with a requirement – filling the need of a requirement that I have, that consideration ought to be taken place.

And I’m not saying you strip away competition. I’m saying there is an understanding. This is done in – this is done in corporate America all the time. It’s called strategic sourcing. When in fact you have those around you that provide solutions on a regular basis that you can say, OK, we’re going to have a sustainable long-term relationship. You’re not going to win every single one, but you’re going to be able to have a sustainable market-acceptable return so you can find – so you can go to the capital markets, assess the capital you need to provide me solutions.

Thank you very much. (Applause.)

(END)