MCCAIN: The Armed Services Committee meets today to consider the nomination of Mr. Richard V. Spencer to be secretary of the Navy.

To begin with, I'd like to acknowledge the tragedy in Mississippi yesterday. The 16 servicemen who lost their lives in the crash of a Marine Corps KC-130 from Cherry Point, North Carolina, reminds us that these brave men and women put themselves in harm’s way every day, at home and abroad, in training and in combat, in service to our nation.

We're all keeping their families in our hearts and prayers.

Mr. Spencer, we thank you for joining us this morning. We also welcome your family and friends with us today. As our -- as is our tradition, at the beginning of your testimony, we invite you to introduce those who are joining you.

It's the standard for this committee to ask certain questions in order to exercise its legislative and oversight responsibilities. It's important that this committee and other appropriate committees of the Congress be able to receive testimony, briefings and other communications of information, so I'm going to ask you the standard questions we ask every nominee before this committee.

Have you adhered to applicable laws and regulations governing conflicts of interest?

SPENCER: I have.

MCCAIN: Will you ensure that your staff comply -- complies with deadlines established for requested communications, including questions for the record in hearings?

SPENCER: I will.

MCCAIN: Will you cooperate in providing witnesses and briefers in response to congressional requests?

SPENCER: I will.

MCCAIN: Will those witnesses be protected from reprisal for their testimony or briefings?
SPENCER:
They will.

MCCAIN:
Do you agree, if confirmed, to appear and testify upon request before this committee?

SPENCER:
I do.

MCCAIN:
Do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted committee, or to consult with the committees regarding the basis for any good-faith delay or denial in providing such documents?

SPENCER:
I do.

MCCAIN:
Have you assumed any duties or undertaken any actions which would appear to presume the outcome of the confirmation process?

SPENCER:
I have not.

MCCAIN:
Thank you.

The next secretary of the Navy will assume this role during a time of immense importance for U.S. seapower. I note the presence of one of our most distinguished members, and dear friend of every member of the committee, Republican and Democrat. And perhaps it would be more convenient for us to hear from Senator Warner before I proceed with my opening statement.

Senator Warner, you are recognized.

WARNER:
Thank you, Mr. Chairman, Senator Reed and members of the committee, particularly Jim Inhofe and Bill Nelson and Mr. Wicker. It is a very humbling experience for me to appear here, and -- on behalf of this distinguished nominee.

If I ever reflect on this great committee, I just think about the marvelous traditions it has established for the entirety of the Senate throughout its long existence. And I -- if I may say to the new members of the committee, I wish you well. And I'm confident, as you pursue your careers in life, that you will always look back on your membership on this committee as a very special privilege, because after all, the function of this committee is to provide care for the men and women of the armed forces of the United States, together with their families.
Now I know the chairman is anxious for me to be brief, and I shall be brief, Mr. Chairman, but I'd like to say that on my left is Mr. Spencer, his lovely wife, and they'll be a magnificent team, in my humble judgment, to serve America and to serve the men and women of the armed forces, most particularly the Navy and the Marine Corps.

Mr. Spencer has a very interesting and broad career. He's quite adept and knowledgeable on all aspects of finance, not only domestically, here in our country, but globally. And together with his other achievements in life, which are manifold and you've got all the papers before you, but I point out that he served on the Department of Defense Business Board for some six years, showing his interest in national security for those years. And then he was chairman of the Marine Corps Heritage Foundation, so he's kept all of his priorities carefully in tow throughout his life.

And I would like to say that he achieved something that I always wanted to achieve. Our distinguished chairman got the Navy wings of gold and he got the Marine Corps wings of gold and spent his one whole (ph) tour, several years, as a pilot of the helicopters, of the rotary. But he did his fixed-wing time, I'm sure, before he got there. And he loved the Marine Corps and he loved the military life. And he looked forward to that day when he might be able to return and become more active.

WARNER:
And this is one of the most interesting and wonderful positions in our entire establishment of federal government, is secretary of the Navy.

So I'd like to say that I'm not a stranger to the proceedings we're undertaking, but there is an aspect of this particular confirmation proceeding that I've never encountered before. On his own initiative, he reached out and counseled with 10 secretaries of Navy to ask of them what they thought of the challenges of today, how best he might be able to fulfill those challenges.

And we have with us today -- Will Ball was one of them; John Dalton; Richard Danzig; Gordon England; John Lehman; Sean O'Keefe; Sean Stackley, who's acting secretary; Jim Webb; Don Winter and yours truly.

And I want to be very careful in my summary, having talked to all of them about this moment where I, sort of, represent the gang. We do not wish to be presumptuous, so we couch our words in the following sentence. And that is, we believe this fine man and his lovely wife are most worthy of being here today and being given the opportunity to appear before you as you perform your constitutional duty of advising consent.

So, with that, I conclude my remarks. Semper fi, my good friend. You're on your own.

Thank you, Senator.

(LAUGHTER)

MCCAIN:
Senator Warner, you bring unique credentials to this body, having served as both secretary of the Navy and chairman of this committee, and I and the members on both sides of the aisle take your words with the utmost seriousness.

We thank you for your return. Thank you for your leadership. Thank you for the many years that you spent with me, helping me in my responsibilities as a member of this committee. We thank you, sir.

WARNER:
I thank you, Mr. Chairman, and for our long personal friendship. And I recall so well, when I became undersecretary of the Navy, prior to being secretary, how your father, then commander in chief, all forces of Pacific, together with your extraordinary mother, reached out to help me as a very young man -- very young man, I was about the youngest at that time -- as I took on these responsibilities in 1969, many years ago.

Thank you very much.

MCCAIN:
Thank you, Senator Warner.

The next secretary of the Navy -- the next secretary of the Navy will assume this role during a time of immense importance for U.S. seapower. Some of the greatest threats and challenges of the future will be in the maritime domain, and it is critical that our Navy and Marine Corps are prepared to fight and win decisively.

The secretary has broad authority and responsibility for all affairs of the Department of the Navy, including the manning, training, equipping and maintaining of naval forces. As we heard from the chief of naval operations and commandant of the Marine Corps last month, their forces face significant readiness shortfalls and the urgent need to grow and modernize.

This committee looks forward to hearing how you would address the challenges confronting the Navy and Marine Corps: more than $15 billion in readiness shortfalls and unfunded priorities, plans to achieve the larger Navy and Marine Corps service leaders say we need, and delivering acquisition programs at cost, on schedule and with the promised capability.

The sad truth is, in recent years, we have not given our sailors and Marines what they need to succeed. As we've asked ever more of them, we have failed in our responsibility to provide them with the necessary resources, training and equipment.

This puts their lives in greater danger every day, and we can waste no time in reversing course. Restoring readiness, rebuilding capacity and modernizing to regain the technological advantage of our naval forces will require clear vision and strong leadership from the next Navy secretary.

Mr. Spencer, I look forward to discussing your plan to approach these demands, if confirmed. This committee is grateful both for your prior service, as well as your willingness to serve again.
As a U.S. Marine, as a member of the Defense Business Board, you've demonstrated your dedication to this nation.

I'm confident that your decades of experience leading large, complex operations and businesses has prepared you to take on this role, and if you are confirmed.

In closing, this committee honors the service and sacrifice of all of our sailors and Marines. Mr. Spencer, we look forward to hearing your testimony about how you plan to lead the Department of the Navy during this crucial time.

Senator Reed.

REED:
Well, thank you very much, Mr. Chairman, and let me join you in welcoming Mr. Spencer to the committee. And thank you for your willingness to serve as secretary of the Navy. And also let me thank your family for the support they provide you.

Let me also recognize Senator Warner. Senator, your example continues to inspire this committee we're in. We'll get there, eventually, to your level, but were trying let me assure you. I, too, want to join the chairman in recognizing and paying tribute to servicemembers and their families in the Navy and Marine Corps.

We are saddened by the loss of life during the recent incident on the USS Fitzgerald and just last evening with the crash the KC-130 Marine Corps tanker. Our prayers go out to the crews and families of those two units. This accident serves as a humbling reminder of the perils that our servicemembers endure daily, whether they're deployed to combat zones or conducting routine operations.

Mr. Spencer, if you are confirmed for this position, you'll be faced with a number of critical issues that confront the Department of the Navy. The Navy and Marine Corps have historically had to deal with the day-to-day strains of deployment and high operating tempos.

With concerns about supporting the readiness of the deployed non-deployed forces, the next secretary's efforts in managing improvements in the force and its supporting structure will be critical.

As a first priority, it seems to me that the secretary of the Navy should focus on improving readiness of the existing forces. For example, it seems very shortsighted to me for the Navy to have allowed the diving certifications for the USS Boise to expire, then have to tie that boat to a pier for more than a year when combatant commanders' demand for submarine services aren't met.

Our global threat environment dictates increased need for advanced platforms like the Boise to be utilized for our national security, instead of docked due to administrative shortcomings.
While readiness is very important, the next secretary must also confront other challenges that face our Navy. For a number of years many of us have expressed concern about the size of the Navy fleet and the number of ships we are building each year. Last December, the chief of naval operations release an updated force structure assessment which recommended a total fleet of 355 ships.

REED:
However, as challenging as it may be to increase the number of ships in the fleet, numbers alone are not enough. This past May, the CNO also released a paper titled, "The Future Navy," in which he said, in part, more platforms are necessary, but not sufficient. The Navy must also incorporate new technologies and new operational concepts.

I echo the CNO's sentiments about modernizing our fleet and operational concepts, but it is a goal that, you will find, faces many obstacles. By implementing the Packard Commission recommendation years ago, Congress and Palmer (ph) took the service secretaries out of the chain of command for major defense acquisition programs.

The service secretary, however, plays a critical role in the budget and requirements decisions that drive the acquisition programs. As we begin procurement funding for the Columbia-class program this year, I believe the secretary of the Navy will play an integral role in guiding this critical program.

The challenges that the Navy faces are further exacerbated by the budgetary constraints imposed by the Budget Control Act. Left unaddressed, these challenges will limit the Navy's ability to field, train and equip a marred (ph) Navy required to confront the global threats to our country.

I look for to hear your testimony on how we can modernize our fleet and improve our cost efficiency of our acquisition process. Mr. Chairman, thank you for calling this hearing. I look forward to supporting this nomination and working with Mr. Spencer in the future.

MCCAIN:
Mr. Spencer, welcome, and, as I mentioned earlier, if you'd like to introduce members of your family who are here today, please proceed so we can interrogate you as quickly as possible.

(LAUGHTER)

SPENCER:
Thank you, Senator.

First, I'd like to thank Senator Warner for his eloquent introduction and his unending service to our country.

I'd also like to thank Secretary Mattis for his support, and the president for his continuing confidence in nominating me for this position.
At this time, I'd also like to introduce my wife, Polly, my daughter, Averill (ph), my son, Pierce, my stepson, Joseph, who are here with me today.

I, too, would like to reflect for a minute. The Navy-Marine Corps team was struck last night with a tragedy -- 15 Marines, 1 sailor perished. And I'd just like us all to keep their loved ones and their families in our thoughts and prayers as we conduct our business today.

Thank you, Mr. Chairman, Ranking Member Reed, members of this committee.

Thirty-six years ago, to the month, I was driving through the tomato fields surrounding the landing pads at Marine Corps Air Station Tustin, California. My trusty steed at that time was a beige 1968 VW Bug that carried me out of the gates for the last time as I ended a tour with Marine Helicopter Squadron 161.

Headed northbound to the entrance of the Pacific Coast Highway, I can tell you without hesitation that the thought of me sitting before this august group, being considered as secretary of the Navy, was not to be found even in the most remote parts of my mind.

However, during those 36 years, I was educated in financial and operational management, increasing in scope as I progressed through my career. The leadership skills developed in the Marine Corps were strengthened and honed through various positions I held in both public and private sector.

I was a student and then practitioner of disruptive technology while being respectful of industrial science. The journey from the gates of Tustin to here has, I believe, provided me with the knowledge and the skill set to tackle the issues at hand.

It truly is a great honor for me to appear before you seeking the -- confirmation as the 76th secretary of the Navy. The honor to be here today is magnified by the current state of play in the world today, which is nothing less than a perfect storm.

We've been at war for the past 16 years, with the operational tempo of the various conflicts in which we are engaged denying us the needed time and resources for modernization and maintenance. Add to that the growing requirements generated by the combatant commanders who are facing continuously evolving threats from all corners of the globe, and you have a Navy-Marine Corps team that has been continually engaged and stretched thin.

At the same time, the impact of the Budget Control Act, which gave birth to sequestration, coupled with the inability to produce consistent sources of funding in the form of annual budgets, has produced an environment where, as Secretary Mattis has said, we are no longer managing risk, we are now gambling.

We must immediately commence the heavy lifting needed to buttress the effects of the storm in order to build fleet readiness in the near term and to increase the Navy-Marine Corps capability and capacity in the near future.
Before I answer your questions addressing my ability to lead the Department of the Navy, let me briefly provide you with my views of naval matters.

First, people are our most valuable and most expensive resource within the Navy. The Navy-Marine Corps team, their families and their civilian teammates have never failed our nation, and they never will. However, I believe that we are failing them through such actions as the Budget Control Act and continuing resolutions.

Due to their determination and patriotism, they have and continue to do more with less. I also believe their diligence, attention to duty, and commitment to putting the nation and their teammates above themselves has not been reciprocated in all instances.

If confirmed, I do not want to stifle their can-do attitude. I do not want to do that in the least. But I also do not want to send the signal that we're taking it for granted. It is not the secretary of the Navy nor the Department of Defense nor Congress that is bearing the brunt of this situation. Rather it is the sailors, Marines, our citizen soldiers in the reserves and their families who are squarely shouldering the burden.

All the while, there's a growing demand from the private sector to employ our sailors and Marines, which puts more pressure on readiness and retention. We must work together to find the resources and the solutions necessary to make the Navy a preferred career.

Second, I believe that U.S. naval superiority is a cornerstone for the foundation of American security and global stability. A maneuverable, forward-deployed Navy-Marine Corps team is an integral element that increases the options available for a whole-of-government solution to situations around the globe. In order to support that mission, we must address the capability and capacity of our fleet forces.

I believe the nuclear triad is one of America's more effective threat deterrents. And the Navy owns the most survivable leg of that weapon system. Therefore, it owns the task to maintain and modernize its component of the triad.

As the Navy steps out to act upon the intent of the president and the secretary of defense, it must do so with a renewed rigor and effectively apply the resources granted by you, the Congress, with an enhanced sense of urgency.

The organization must analyze all its existing systems and platforms to extract all additional efficiencies, while, at the same time, it incorporates the advantages provided by both internal research and development and advancements developed by the private sector.

Urgency must be the theme as we enhance our readiness and existing capabilities in order to fight beyond our present capacity, all the while addressing the future buildout of the fleet.

Finally, I believe the organizational construct -- construct needed to deliver the aforementioned goals is one that is flat, lean and agile. It is an organization where those who face and manage
critical situations have the ability to make decisions with the full understanding of the responsibility and accountability associated with the outcome.

My business career has been well served by the credo that accountability starts at the top and then permeates throughout the organization. I've also learned that each member of an effective organization must be empowered to put forth changes that will enhance its operational efficiencies. To adapt in the face of competition, the whole Navy team must be engaged.

If I am confirmed, I would use a tagline borrowed from the Department of Homeland Security and that I've paraphrased as my guiding principle to change the organization. "If you see something, say -- suggest something."

SPENCER:
In closing, let me say that I do not come before you with a preconceived agenda to address the issues facing the Navy and the Marine Corps. I come before you ready to expeditiously assess the current situation, develop the tools needed to enhance its ability to fight, and to deliver on the responsibilities of the Office of the Secretary the Navy, as delineated in Title 10.

If confirmed, I will accomplish this by coordinating the efforts of the chief of naval operations, the commandant of the Marine Corps, the secretariat and the senators and members of Congress through leadership that is grounded in transparency and accountability.

Thank you, and I look forward to your questions.

MCCAIN:
Jay (ph), Do you want to say anything else?

REED:
(OFF-MIKE)

MCCAIN:
OK. Well, thank you, Mr. Spencer.

I was just on a trip with several of my colleagues: Senator Warren, Senator Perdue, Senator Graham, Senator Whitehouse. And among other places, we spent Fourth of July, as I have for many years, in Kabul with -- and outside of Kabul with the men and women serving in the military.

Among a number of events that we do with them for Fourth of July, one is to do a town hall meeting with a large number of men and women who are in uniform. Senator Graham, as happens once every decade, asked a very astute question.

He asked how many in the room were there for more than the first time, in Afghanistan. Majority raised their hands. He said, "how many have been here more than twice?" Majority raised their hands. And he said, "how many have been here three times?" A significant number raised their hands.
In other words, to me, it was something that was a graphic demonstration of the incredible burden that active duty military has been bearing over the last 15 or 16 years.

They're brave, they're proud, they're the best Navy we've had in a long, long time. But they're not fully equipped, and they're not fully trained, and they're not given the authority and responsibility that they need in order to win this conflict. The fact is, in Afghanistan, we are not winning. We're not winning. And our -- no less than our military commander in Afghanistan will tell you that is a fact.

That has to be turned around. We cannot ask these young men and women to keep going over there with a strategy that, in order to defend a ANA, Afghan National Army, garrison, to -- in order to defend itself, it has to have permission from somebody in the White House on the National Security Council staff.

I'm exaggerating a bit, but the fact is that, if you ask any of these young men and women who have been there and there and there, they will tell you that they can win this fight, but they've got to have both equipment and the authority to do so.

It's not that they're not well-led. They are. It's not that they're not capable. They are. But it is a "don't lose" strategy, which is epitomized by the former president's speech at West Point, where he said we're going to surge, and we're going to increase the number of troops there, and we're going to win, and, by the way, we're leaving on a certain date. You're -- you're Mr. Baghdadi and you hear that, I think the conclusions you draw are obvious.

We've got ships that are stuck at the pier -- two nuclear submarines that have been sitting at the pier for over a year because of lack of spare parts. Sixty percent of our F-16s are grounded. The list goes on and on and on and on.

And it's got to do with the Budget Control Act, one of the greatest acts of cowardice ever enacted by the Congress of the United States. How serious do you think the problem is, and what do you think we need to do?

SPENCER:
Senator, I believe it's probably one of the most serious issues that we are facing right now for national security. The Budget Control Act has wreaked havoc with our readiness. The impact on the lives of our sailors and Marines -- doing the office calls that I had with you all, I find great comfort and excitement in the fact that everyone is leaning in on this issue.

There's a lot of heavy lifting that has to be done. There's a lot of cheese-moving that has to be done. We have to streamline processes, we have to address capabilities, and I believe that is number one on the issue. If you look at my priorities, they are people, capabilities and process -- to address these, and provide, apply the resources that we have for the down payment on readiness and move forward into building out the fleet.

MCCAIN:
Well, on your third one, the process, probably the greatest source of frustration to members of this committee on both sides is the continued cost overruns associated with acquisition.

A few years ago, in 2013, I asked a former chief of naval operations who was responsible for the $2 billion -- $2 billion cost overrun on the USS Gerald R. Ford. He said he didn't know. When I asked a former Air Force chief of staff about the F-35 cost overruns, he didn't think anyone had been fired.

What -- what -- what are we going to do about this? Now, the -- two years in a row, now, we have held people accountable. We put the service chiefs in the -- in the mix and made them responsible. We have done -- taken a number of measures to hold people responsible.

But how is it we've reached a point where you can have a $2 billion cost overrun on an aircraft carrier, one ship -- one ship, $2 billion cost overrun, and no one is responsible?

SPENCER:
Senator, my career has been steeped in accountability, and I can tell you right now that the accountability starts right here.

The way that we address this is through behavioral management. You reward positive events and you have other events -- or other tools at your disposal to take care of people who aren't, or projects that aren't performing. And you make this very transparent.

I'm going to be coming before you all, asking for resources, but I also have to have my decks clean to make sure those resources and the treasures of the American taxpayer are put forth in a fiduciarily prudent manner.

MCCAIN:
You know of anyone who's been fired from their job because of cost overruns?

SPENCER:
Not yet, Senator.

MCCAIN:
Senator Reed.

REED:
I thank you very much, Mr. Chairman.

And thank you, Mr. Spencer, again, for your service already and your commitment to serve the Navy.

You reflected in your opening statement the critical nature of the Triad, and the fact that the Navy is the leading edge of that with the Columbia class program. And the CNO is called it the Navy's top modernization priority. I assume you feel the same way?
SPENCER:
Most definitely, Senator.

REED:
And I think, in spirit of the conversation we had with the chairman -- is that one of things we want to do is make sure that program stays on schedule and on budget or below budget.

Both General Dynamics and Ingalls have done a remarkable job with the Virginia class, keeping them ahead of schedule with each new boat and making sure the budget's sound. We want that same tradition, and I know you want that same tradition, with Columbia.

SPENCER:
Most definitely, Senator.

REED:
Thank you.

As I mentioned before, not only do we need more ships; we need new operational concepts and new technologies. And I wonder if you've given any thought, when you had discussions with the former secretaries or with the CNO, about what areas you see that you could collaborate with the CNO on.

SPENCER:
I have, Senator, starting out with the just the acquisition process itself. I think, if you heard what I -- I laid out in my priorities, we now have, I believe -- when I did -- we did a study at the Defense Business Board, 32-plus layers of people needed to sign off on an acquisition process. And that also -- that did not involve major platforms.

We have to allow the people who have the education and the intelligence to make acquisitions and to face off problems to provide the solutions. And they have to know and be responsible for the outcome and be accountable for it. And I think that's one of the biggest steps forward we make right off the bat.

REED:
Are there any technologies that you're -- given your extensive experience on the Defense Business Board, any technologies that you think could be -- sort of break -- break the mold and, you know, a leap-ahead approach (ph)?

SPENCER:
Most definitely, Senator. I mean, people have asked, "what do you think of the 355-ship Navy?" And I said it -- it is a great goal to have. I can't tell you what the construct of that would be, sitting here today, because I think unmanned, both below the water, on the water and in the air, is an area we're just beginning to -- to -- to chip away at. And that's going to provide some great yield for us.

REED:
Thank you.

There's another aspect of this whole technology: that is to operate more efficiently. And one of the major constraints, going back to the age of steam, is fuel. So energy efficiency, from an operational standpoint, would seem to be a critical aspect.

Are you going to continue the efforts of the Navy? And they've done some remarkable things in terms of alternate energy, fuels, et cetera.

SPENCER:
It is -- I believe, if confirmed, my responsibility as the Secretary of the Navy to explore any and all avenues that provide us longer legs, less of a tether to fuel sources. And that goes across the board for technologies, also.

REED:
We're -- we've all indicated the -- I don't know what the right word is -- the discomfort, if you will (ph), with the Budget Control Act. But I think it's reached a point now and -- where our, you know, complaints are important.

But do you think it would be helpful if the president made a major address to the country and -- and a major proposal of how to resolve this? I don't recall very much of his comment on the BCA.

SPENCER:
I -- I believe we all have to come together as a country to address this. It is devastating what it is doing to us. If we look back at when it was created, it was, in -- in my eyes, a bluff card that was to bring everyone together, and all of a sudden the bluff was called and -- and BCA was put into place.

We all have to get behind this. I look forward to working with all of you and doing whatever we can to educate the American voters as to what is going on with the BCA and how it's affecting us.

REED:
Well, I concur. I -- again, to (ph) -- you know, the bully pulpit is one -- well, at least one major one. And that -- I think, we need some direction, some guidance; not just an exhortation to do better, but a plan to actually get it done.

SPENCER:
Agreed.

REED:
So I thank you, Mr. Secretary. And, as I said in my comments, I look forward to working with you.

SPENCER:
Thank you, Senator.

MCCAIN: (OFF-MIKE)

INHOFE: Whatever happened to the 1968 beige Volkswagen?

SPENCER: Senator, I wish I'd keep it (ph). It would probably be worth more than the car I'm driving now.

INHOFE: You know, one of the things that I've been very proud of our uniforms -- is the fact that they're, for the first time, at least in my years that I've spent here, both in the House and the Senate -- they're talking about the threat that's so real out there.

And you and I talked -- and, by the way, thank you for the time that you gave not just me, but everyone I've talked to has had a little (ph) visit with you, and -- and we all know pretty much where you're coming from.

But -- and I mentioned this to you in my office, that it's the first time that I've seen the -- the uniforms come out and talk about this unprecedented threat that we're facing right now and why it's a threat. And we had a -- when we stand on the stump and talk about this, we don't have the credibility of someone in uniform.

And so that goes all the way up to the secretary level. And I -- I'm sure that you're going to be talking about that. You're not going to shy away from the reality that the -- the level of threat that we have.

The news reports that North Korea has successfully tested an ICBM capable of reaching -- ranging to the United States -- coupled with the nuclear program, it now poses an imminent threat to the United States. I -- in one of our hearings, we had General Stewart, the DIA director, saying -- going as far as to say it's not a matter of if, it's a matter of when.

So I -- I would hope that you would elaborate, as much as some of the rest of them are, in joining in (ph), because we're not going to get the attention.

We all are talking about sequestration, we're talking about the -- the problems that we're having. And we remember when -- what -- 1964, that 52 percent of the entire budget was defending America. It's been steadily going down since that time. So it's going to take a kind of resurgence of people at the top -- letting them know that times are not the way they used to be.

Right now, we have a mentally deficient individual running a country that is totally unpredictable. We've had hearing after hearing, and that's the one thing that the -- the top people in the military say that that's totally unpredictable.
So, in our readiness subcommittee that we had in January, going back to January, Admiral Moran said that the Navy has a readiness debt that will take years to pay down.

So, in your advanced policy question response, you wrote, "our highest priority is to address the fleet-wide readiness by strengthening and leveraging their capabilities." Is there anything you want to say about that now that hasn't already been said in response to the questions from my predecessors?

SPENCER:
Well, Senator, I -- I will tell you that shying away from issues at hand is not something that I do well. If I am confirmed, I truly believe the whole focus of -- of my work would be the pointy end of the spear. And we're going to stand up and make sure that -- not only working with you all here in this chamber, but going out into America and letting Americans know what the real issue is.

INHOFE:
OK.

I'd like to get -- ask you a question on shipyards and depots. The Navy's recent aviation readiness challenges have been well- documented, as the chairman said. We have -- 62 percent of our -- our F-18s are unavailable due to maintenance problems. And, you know, how do we solve this? For -- we're looking into the future, and we're looking right now at a problem that's there today. Do you have any ideas on the first thing you're going to do?

And -- and also, I want to mention the whole idea of maintaining an organic capability. I remember when I was first elected, we talked about -- it's an arbitrary 50-50. And that -- I thought, surely we can do better than that, but no, we're still 50-50. And, quite frankly, I think it's worked pretty well. What do you think about the handling of this -- the depots and about our organic capability?

SPENCER:
Senator, it's a very interesting -- a balancing act, I believe, that we have to address, when it comes to industrial capability. I can separate aviation and shipbuilding, and I'll address shipbuilding first, where we have lesser of -- of numbers of providers.

I don't say we glad-hand people at all, but industrial science says that the most efficient way to produce is to have a clear line of sight to resources. And, in this chamber, I believe we can address that.

We have to work outside the chamber, I think, to work with some of our providers to ensure that they are providing us the best long- term, sustainable relationship we can have to deliver equipment in the most cost-effective, quick manner we can.

INHOFE:
Yeah.
And, lastly, I'd just say that you addressed the 355-ship issue, and I'm sure you've given some thought to what would be the appropriate personnel end strength to -- for a fleet of 355, looking into the future. And I assumed you'd be starting to address that now, while we're addressing the great threat that currently faces us.

SPENCER:
Yes, Senator. If we take the full gamut of what's available to us to tackle the 355-ship goal, we should be thinking outside the box. We should be thinking, possibly, bringing things out of the ready reserve. We should be looking at ways to construct better, faster, cheaper. We'll be looking at a frigate, down the road.

All of this capacity increase will require manning, so there will be some numbers that have to be adjusted, going forward, for end strength.

INHOFE:
Sure. Well, I'm looking forward to working with you.

SPENCER:
Thank you, Senator.

MCCAIN:
Senator King.

KING:
Thank you, Mr. Chairman.

Mr. Spencer, welcome to the committee. I think you'll be pleased to know that an amendment was adopted during our recent markup of the defense bill sponsored by myself and Senator Cotton, affectionately known as the King-Cotton amendment, that calls the unconditional repeal of the Budget Control Act.

So this committee is on record -- and, I think, in following up on Senator Reed's questions, it would be very helpful if you could, in your capacity as secretary, assuming you're confirmed -- to work with the administration to impress upon them the importance of this issue and the really critical role that it is playing in undermining the readiness of our forces. I commend that to you as a suggestion.

You used the term "disruptive technology," and then later on, you mentioned, in your work on the Business Defense Board (sic), that there were 32 layers of the acquisition process. How in the world do you incorporate disruptive technology, having to go through 32 layers of approvals?

SPENCER:
It dies fairly early, probably on layer two, Senator. So you have to actually address, as I call it, the behavioral management of how we're going to think and act in our actions, if, in fact, you provide people the latitude to make decisions and the span of control actually expands and hierarchy contracts. But, again, you have to tie this to accountability and responsibility.
KING:
Well, I hope, as -- and following up on the chairman's questions and his concern about this issue, I would urge you to get together with your colleagues and step back and really look at the acquisition process in a fresh way, given the imperative of technological incorporation in a speedy way.

And think about, how do we -- how do we get on a war footing? When -- we were (ph) making destroyers, one every two weeks, and airplanes, one every 15 or 20 minutes, as we were during World War II. How do we get a sense of urgency into this process? And that, to me, is -- I think you'd be a great person to lead that, given your experience.

SPENCER:
Senator, my analogy that I'd been using, just in talks prior to -- to this meeting, is that we're looking at October of 1957, and Sputnik has just flown over our head.

The technological gap and our production gaps are shrinking, compared to our one-on-one competitors, and we need to get a sense of urgency, get on the forward foot and use all resources available to us. This is what makes this job exciting, in my eyes.

KING:
And one of the lessons from that era -- for example, President Kennedy saying we're going to put a man on the moon in 10 years -- is to have goals, even though they may be audacious, but to have specific goals and say, "this is what we're going to achieve."

A different line of question, do you have any idea of the retention rate in the Navy, what our -- what our loss rate is of these highly trained sailors and Marines?

SPENCER:
I don't know the exact number, Senator, but I know it's of concern.

KING:
Well it seems to me that one might be an area of rich usefulness to investigate, because if we can retain someone rather than recruiting and training new people, that would be saving taxpayers dollars, and it would also be retaining the expertise that we need. I commend that to you as an area of focus.

SPENCER:
Another great area of excitement, in my eyes, Senator, as I stated in my opening statement -- the -- the human capital section of our of our budget is our most expensive and our most valuable. And we have to work and extract the best practices from the private sector in areas -- in how we can keep people and make the Navy the preferred career.

KING:
And every pilot and mechanic we can retain is one that we don't have to spend $1 million to train.

Final area, we talked a bit about procurement and cost overruns -- is we've had multiple hearings before this committee on the Ford, on the F-35, on other programs. One of the one of the things that comes through is trying to build things before they're fully designed before the -- the design is mature and tested. We just approved a 15-ship multi-year for the DDG Flight III, which the Navy wants, we want, everybody wants.

The question is, is that design fully mature? Not one has yet been built, and I hope that's an area that you will look at it in your work. I'm representing a state that builds these ships, want them build as soon as possible. But I also don't want to repeat some of the mistakes that we've seen with the Ford and the F-35.

SPENCER:
Senator, on behalf of the Navy, I'd like to thank your efforts, Senator Collins's efforts, everyone's efforts in this building for providing us an increased capacity. If you would allow me the time to spool up and get up to speed on the direct issue at hand, I look forward to coming back to you with a -- with a granular answer.

KING:
Thank you. Thank you very much Mr. Chairman.

MCCAIN:
Senator Ernst.

ERNST:
Thank you, Mr. Chair. Thank you, Mr. Spencer, for joining us today. I truly do appreciate it and your testimony. I'd like to start by just asking you some simple yes or no questions, if I may.

Do you commit to cutting wasteful spending and making it a priority?

SPENCER:
Yes.

ERNST:
Do you commit to working with me to combat and prevent military sexual assault and retaliation in the Navy and the Marine Corps?

SPENCER:
Most definitely.

ERNST:
Will you provide me with advance notice, should changes to the gender integration policies be considered?
SPENCER:
I will.

ERNST:
Do you commit to upholding an unbiased and transparent approach throughout the acquisition process?

SPENCER:
I do.

ERNST:
Absolutely. Thank you so much.

I appreciate the fact that you took some time last night -- or, excuse me, last month to sit down and visit with me about the needs of the Navy and the Marine Corps. And one thing that I was very encouraged about is the fact that you said, "in order to move the needle, we're going to have to perspire a little bit."

And I don't want to speak for other members in Congress, but I will say that I think, here on this committee, we are ready to perspire a little bit and get things moving. So, if you could, if you are confirmed, how do you envision the department's relationship with Congress, and what is your plan to enhance that relationship? And how do we work together to move that needle?

SPENCER:
Senator, from the time I left the Marine Corps and entered private sector, I have reported to either -- quote, unquote, "my bosses." And then, as I progressed down my career and ran companies, I still reported to a board of trustees or a board of directors or an executive committee. And that's the way I've been trained.

It works the best. It's been proven to work the best. I look to you all as the board of directors. You are my, quote, unquote, "partners" in this -- senior partners, I agree. And I look for you for - - for guidance and direction.

We're going to have to work together in lockstep to tackle the problems that we have. We're going to be asking for a tremendous amount of resources; we're going to be moving a lot of cheese; we're going to be trying to streamline an organization, all simultaneously. We might fall off the bicycle every now and then.

I will be completely transparent and tell you when we've fallen off the bicycle, and hopefully tell you before we do. But I mean that I want to manage expectations in an open, transparent manner.

ERNST:
I appreciate that very much. And -- and, as you know -- we did talk a little bit about this, but I'm sure you know that our air crews continue to experience physiological episodes in high-performance aircraft: the F-22, the T-45, F-18 and now the F-35; and yet we still haven't found a fix for that.
And, a few weeks ago, the Air Force announced it was testing sensors for the F-35A that actually monitor pilots' inhale, exhale gases, and automatically activate emergency oxygen if there is a problem. This is something that I've recommended to both the Air Force and the Navy leaders in past hearings, and so I am very pleased that they are finally taking action.

If you are confirmed, do you commit to finding solutions to this problem? And how would you ensure that these solutions are shared across aircraft and service branches so that we don't repeatedly see the same costly problems undermining our warfighting capabilities?

SPENCER:
I will commit to you, Senator, it will be a top priority.

To address the second part of your question, our studies at the Defense Business Board -- one of the things that we -- that became readily apparent, at least in my career on the board, was the building is a -- an amazing problem-solving machine.

Some of the problems that result from the problem-solving is -- no one either sunsets the solution, or they don't actually share the solution amongst the building. It's fairly siloed. I believe that, working with my fellow service secretaries, if confirmed, that is one of our key issues -- is to start sharing best practices.

ERNST:
Very good.

And, finally, in my remaining time, we've talked a little bit about the number of ships. And I guess I am -- I'm not so concerned about the number of ships, just to ensure that those platforms are doing what they should be doing. But the types of ships are important as well, and making sure that we have an optimal Navy and a Navy that will also support our Marine Corps.

We know that the Marine Corps has been playing a critical role, most often in an infantry-type role. We see them in the desert quite frequently. But amphibious ships seem to be an afterthought. Can you just explain to me what your direction might be in making sure that amphibious ships are included in the discussion, when it comes to the number and type of ships that we have?

SPENCER:
Most definitely, Senator.

If you look at what the Navy-Marine Corps team is inherently, it's our forward deployed force. And to effect that forward deployment in the most effective manner, we have to have the amphibious ships for the Marine Corps.

ERNST:
OK. Thank you for your time.
Thank you. Thank you, Mr. Chair.

MCCAIN:
(OFF-MIKE)

KAINE:
Thank you, Mr. Chair.

And thanks, Mr. Spencer. I applaud you for your nomination, congratulate you for it. You are very qualified for this position. I look forward to supporting you, and -- and my friend John Warner's support for you didn't dissuade me from my initial inclination. So I look forward to working together with you.

Before I ask you a question or two, I just want put on the record a concern I have. As secretary of the Navy, you will set a tone, and one of the tones you have to set is that everybody who comes before us is scrupulously candid in answering questions.

KAINE:
At the most recent hearing of the seapower subcommittee, a public hearing that we held just within the last couple weeks, I asked Admiral Lescher a question. There had been a Bloomberg article about the president's budget coming to us with funding for a second LCS. And the Bloomberg article that came out in -- in the 19th or 20th of June said that part of the funding for the second LCS was going to come through a $325 billion reduction of funding for aircraft carrier overhaul.

I asked Admiral Lescher this question in that public hearing. I'm a big LCS fan, but my understanding from the article is part of the funding for that second LCS is going to be reducing aircraft carrier overhaul by $300 million. Is that accurate? And if that's so, give me context as to why that's a good idea and what it would mean.

His answer -- Admiral Lescher, "Yes, sir. I won't speculate on what will be in the OMB submission to you, but I will tell you that -- that what you just cited is inaccurate. It would not be a source coming out of aircraft overhaul."

"Are you familiar with the Bloomberg piece that he just referenced? And so far as you know, is that not an accurate article?"

Admiral Lescher, "Correct."

That was his testimony to me. I was very surprised, just a week after the hearing, to get the president's budget submission, June 29, and $325 billion -- $325 million is being moved from aircraft carrier reactor to support a second LCS.
I think that's exactly the question I asked him. He told me that I didn't -- you know, that the money wasn't coming from that and that the article was inaccurate. And I've yet to get an explanation for why he testified to that.

We're all big boys on this committee, we're -- we're big boys and girls. We're used to getting answers. And some answers, we like, and some answers, we don't like. But we do depend on getting candid answers.

And I hope that that will be a tone that you will set as secretary of the Navy, for all witnesses who would appear before the committee, that they would not try to hide the ball or play semantic games with us, that they would endeavor to answer the questions that we have.

SPENCER:
Senator, in my eyes, we can't afford to do that. So I will support transparency and accountability. It's going to be the tone set at the top.

KAINE:
Thank you. Thank you for that. And if the tone is set at the top, that message will be very, very clear, I'm sure.

Three-hundred-fifty-five-ship Navy -- I just want to ask you about this, because we did an amendment in the -- in the NDAA process to state, as a concept, that this committee supports it. I think it would be a good thing.

You talked about grappling with what the ship mix is. And let me just talk about two aspects of what it would mean: 355 ships, that's a number, but surface, underwater, manned, unmanned -- I mean, there's a lot of work to do to determine, if we're to be at 355, what the right ship mix would be. Correct?

SPENCER:
Correct.

KAINE:
And then the second issue is it's not just about shipbuilding. I mean, to the extent that were talking about ships, we're talking about personnel. To the extent we're talking about aircraft carriers, we're talking about air wings.

Talk a little bit about -- so we can think about what this commitment might mean down the road for our committee as authorizers -- what are some of the bigger questions, in addition to just the numbers of ships that we're to have to grapple with, together with you, if we try to reach that goal?

SPENCER:
Senator, to address the -- the second of my priorities, which is capability, I agree with you. The 355 is a good number for people to focus on. Do -- do we know exactly what the mix is? I think,
since we're talking out a decade, we might not know, and we shouldn't know right now, because we have evolving technologies.

What I will tell you is that, whether it's a 355-ship or not, what we also want to get our head around is, can we have a capacity number, but have a capability that's even greater than that, so have the capability of a 355 that might be a 300-ship Navy.

And I'm just speculating now, but that's the concept that I would like to work with you all on -- is where we go for our capabilities, because that's where the punch is.

And if, in fact, technologies allow us to have different platforms, some that we might not even know of right now, that will develop in five years, we should keep our eyes and ears open to that. And I look forward to working with all of you in the chamber here on those type of issues.

KAINÉ: Great. Thank you very much. Thanks, Mr. Chair.

MCCAIN: (OFF-MIKE)

COTTON: Mr. Spencer, congratulations on your nomination, and thank you for accepting the call of duty of your country once again.

I want to associate myself with the remarks of Senator King about the amendment to the National Defense Authorization Act on the Budget Control Act. The Budget Control Act must be repealed. It has not worked. It has not restrained spending, and it will not in the future.

I think we all know exactly what will happen if it goes forward: We'll have a continuing resolution in September, we'll have some two- year budget that doesn't restrain spending in November, and then we'll have an omnibus in December, and then we'll have another omnibus in December of 2018.

And the whole thing will be started over again in 2019 and 2020, all for a bill that no one, from Senator Fischer to my right and Senator Donnelly and to his left, voted for. The 112th Congress was not the Constitutional Convention, and the Budget Control Act is not the Constitution.

My question, just to be clear, is, can you build a 350-ship Navy if the Budget Control Act remains in force.

SPENCER: No.

COTTON: Thank you for that.
Is the president's budget request sufficient to build that 350-ship Navy if the Budget Control Act is repealed?

SPENCER:
It would depend upon the timeline you would be giving the future secretary of the Navy as a goal.

COTTON:
Thank you.

I have to say, Mr. Spencer, that the morale and welfare of sailors and Marines is of utmost concern for me. Your predecessor displayed what I think is questionable, indeed strange judgment on some matters. That left him as one of the most unpopular service secretaries of the modern era.

Just to go through a few of those decisions, he politicized the naming of U.S. Navy ships. He made some very strange changes to the Navy uniform that caused a revolt among female sailors. He publicly dismissed official reports about combat effectiveness of mixed-gender units without even having to read them, by his own admission.

He dumped the Navy's ratings titles, some of which, like boatswain's mate and gunnery's mate (sic), have been around for 200 years. He's tried to power Navy fleets with unproven, expensive and inadequate fuel alternatives based on current technology, in some cases, at the cost of $28 to the gallon. And he questioned the character and integrity of Marines who dared to disagree with some of these policies.

I think it's unfortunate that you've inherited this legacy, and it's going to make it somewhat hard, as you start out, to restore the credibility of the secretariat. But do you think making these kind of changes is going to enhance the Navy's ability to deter war and, if necessary, fight and win war?

SPENCER:
Senator, I testified before this committee, I believe in 2015 that it was my belief that the Department of Defense -- specifically, individual services -- was not to be a Petri dish for social experiments.

I totally believe that policy should be developed that the DOD level, and then discussed and socialized and deployed and then obeyed. We have to work together, including all our service people, to make sure that they are given what they need, whether that be spiritually, whether that be psychologically, whether that's materialistically, to fight forward so that -- so readiness is the key and lethality is the product.

COTTON:
Thank you for that answer. I agree. I think pretty much every sailor and Marine that you'll have serving underneath your leadership would agree that our foremost priority has to be to deter our nation's adversaries and fight and win our nation's wars, where necessary.
I want to turn to a particular matter, now, in the time I have left, Mr. Spencer. Last month, the Navy revoked the license of a contractor that they have long used to be base security for civilian vendors.

The change was sudden and concerning to me. After incidents of shootings and terrorist attacks on military installations, I'm concerned that the Navy is fixing something that isn't broken. Could you please be sure to review the contracting plan for base access and get back to me about why the Navy took this action and what its plans for base security, going forward, are?

SPENCER:
If confirmed, Senator, I will.

COTTON:
I don't want you to do anything that would presume confirmation, even though it seems like a pretty good bet, so far, this morning.

Thank you, Mr. Spencer, again, for your willingness to serve our country.

SPENCER:
Thank you, Senator.

MCCAIN:
(OFF-MIKE)

STRANGE:
Thank you, Mr. Chairman.

And, Mr. Spencer, welcome to the committee today. It's an honor for me, as the newest member of the committee, to be here and to get to meet Senator Warner, who served with such distinction over many years. It was a pleasure.

I want to thank you, too, for your willingness to serve, and I want to add my condolences to the families that suffered the tragic loss of the 50 Marines and sailors yesterday.

I, too, enjoyed the time we got to spend together in my office. I appreciate your comments on the need to keep a robust industrial base active in order to achieve the 355-ship Navy. We have to have consistent workflow through our Navy yards. Of course, Austal is in my state, but there are many others around the country who are facing the same situation.

Let me ask you one question about testimony that Admiral Lescher gave the seapower committee, just two weeks ago, I believe, that we must increase our procurement of helicopters like the Seahawk to meet the needs of a much larger presence.

And my question is, do you share this view, and can you just simply commit to the committee that, if you're confirmed -- that you will take a close look at our helicopter force structure as we
grow our Navy? And I know helicopters are of particular interest to you, given your previous service to the country.

SPENCER:
Senator, I will commit, because we have to look at all resources necessary to fight the wars. Yes.

STRANGE:
Thank you very much.

And I'd like to wish you the best, really, in the time I have, as you take on this critical position, assuming your confirmation. And I appreciate your previous comments on sequestration budget caps.

I share the concerns of my chair -- our chairman and my colleagues on the committee about the disastrous way we go about things. As the newest person in the Senate, it's -- it's shocking to me. I certainly wasn't here, like most of my colleagues, when the budget act was passed. So we'll do our job, I hope, to correct that for you, going forward.

So I want to thank you again for your service, and I look forward to working with you once you're confirmed.

Thank you, Mr. Chairman.

SPENCER:
Thank you, Senator.

MCCAIN:
(OFF-MIKE)

ROUNDS:
Thank you, Mr. Chairman. Mr. Spencer, first of all, thank you for your service to our country. I did appreciate the opportunity to sit down and to visit with you in our office, and I find this -- the opportunity to visit in advance to be very, very helpful.

I'm curious, and I'd like to have you share a little bit of information about the state of our depots. In particular, I've heard anecdotally that the effectiveness of depot-level aviation maintenance is inconsistent across the services. If confirmed, will you commit to exchanging such best practices with other services?

SPENCER:
Senator, again, right in the wheelhouse, we have to share best practices. And, if confirmed, the mantle that you'll hear coming from the Navy is working with other service secretaries to find out where they are extracting the best efficiencies, and what we can adapt. And if, in fact, we are doing something with great efficiency, we will share with the other services, too.
ROUNDS:
I think this is something which is critical, because, right now, you've got -- you've got responsibilities for the service of the aviation assets. Some depots seem to have a better handle on how they're doing it than others. Most certainly, there are different approaches to having this - - being done.

And I -- I think it would be beneficial for the different services to have established a best-practices approach in those areas in which they have similar responsibilities and opportunities to improve. So I appreciate your willingness to move forward in that -- in -- in that type of -- of -- of a process. So thank you for that.

In 2010, as part of the Defense Advisory Board, you proposed the closure of DOD commissaries in the United States under the banner of saving taxpayers $1 billion per year. As you know, this measure was never adopted.

What was the biggest lesson that you learned about your experience with the restructure proposal?

SPENCER:
It was a -- was an interesting proposal. I mean, it was -- interesting study, and it never became a formal proposal, but it ended up in the Washington Post.

What we were working under -- the banner there was something that the commandant quotes as, "quicker, better, faster." If we could provide a service to our uniform members and retirees that was equal or better, at a more efficient manner, more efficient price, why wouldn't we look at it?

We had a solution provided by one of the major logistic companies that's in the -- in the soft goods business. It was a fascinating experience for me to find out how the building works and how the society works that -- that is the DOD. You have to pace yourself in certain areas.

But, again, when it comes to -- if I'm confirmed, I will look everywhere in the Navy, under every single rock where we can find efficiencies. And when I've shared with you that we're going to have to work lockstep together with the Senate Armed Service Committee, there's going to be some big boulders we might have to move.

ROUNDS:
There's a difference between finding efficiencies and simply reducing benefits. And I just want to walk into this a little bit. In light of that 2010 recommendation to restructure the Department of Defense commissary benefits in the United States, what will be your philosophy regarding personnel benefits, should you be confirmed by this committee?

SPENCER:
Senator, a learning lesson that will give you insight into my thoughts if confirmed as secretary was, more, our study on the modernization of the military retirement system.
When we rolled that program out -- our study out, there was quite a bit of feedback. In fact, one of the veterans service organizations was nice enough to publish my home e-mail and my home phone. And I took 127 phone calls.

And it was fascinating, once you got through anger and frustration and you started talking to people -- and you came with the following approach: You have a dollar to spend on your benefits. Your retirement costs 60 cents, your health care costs 40 cents, your commissary costs 15 cents, your morale and welfare costs 7 cents. Where do you want to spend your dollars?

I believe, if we can provide a value association for the benefit received, and also understand from our service members what they value, I think we can come to some good conclusions without any erosion in benefit performance.

ROUNDS:
OK.

One last question: Do you agree that the F-35C and its fifth-generation capabilities are needed for the air wing now and into the future?

SPENCER:
Yes.

ROUNDS:
Thank you.

Thank you, Mr. Chairman.

MCCAIN:
(OFF-MIKE)

TILLIS:
Thank you, Mr. Chair.

Mr. Spencer, thank you. And I'm sure, if you had a Fitbit on for the past couple of weeks, you've put on dozens of miles, because I've seen you all over the building. I appreciate you being so accessible.

I want to follow up on the F-35 question. In your -- in your responses to questions for the record, there was a question asked about directing a reassessment of the Department of Navy's total program procurement for the F-35s.

And I'm not sure what -- what precisely was thought about in terms of a reassessment, but you said review, and I think, in -- in response to Senator Rounds' question, you do believe it's a very important part of our arsenal. Can you talk a little bit about what you think a review or reassessment would actually yield?
SPENCER:
I believe that that, when it comes to a critical weapons platform, there -- there ought to be a continual focus on delivery of the actual aircraft or the weapon system, whatever the case may be. When we make a decision to buy a platform, it's not autopilot after that.

My response in that case was that this is a continually ongoing attention to the actual acquisition and the acquisition process itself.

TILLIS:
Thank you.

I -- I want to go to another response that related to BRAC, and I think that you said that you thought it made sense for us to consider another round in BRAC. Can you think of anything in particular, as it relates to within your lanes, that a BRAC would actually yield?

SPENCER:
Senator, from my -- I don't want to call them briefings, but just my knowledge-gathering over (ph) the past couple of months, I believe the Navy's probably in fairly good shape when it comes to utilization of assets. To the point, if, in fact, we grow to a 355-ship Navy, you can't give away waterfront property. It's very expensive to get back.

In the same token, I believe that we should continually review the value of our assets and our return on investments in infrastructure, just as a case of being.

TILLIS:
Thank you.

My final question: You mentioned in response to some of Senator Ernst's questions that you view us as a kind of board of directors, and I like that analogy. I've used it myself, here.

But we -- we know that senior managers, particularly in board meetings, are -- the best ones will come in and -- and be very direct and -- and forthright with respect to board policies or actions that are making your job more difficult.

I want to tie that into the perspiring line of questioning, too. When confirmed, or if confirmed -- I intend to support your nomination -- the -- what things do you think you've got to come before this board of directors and say we have to change, as a matter of policy, as a matter of consistency?

We all know that sequestration has to go away. But what more do you really need to put -- where do you think you're likely to put us out of our comfort zone?

You were -- you were actually spared, only because I forgot to bring it, the 680-page RFP that I bring, over 10 years, to define a handgun -- next-generation handgun. My guess is, as we go through that, some of those few hundred pages are because we told you all to do things a certain way.
How are you going to help us actually streamline, free up those resources for the right purposes in DOD and, in your case, within the Navy?

SPENCER:
Senator, when I originally said that we're going to work together, this is a fine example. Let's take acquisition. If, in fact, we have a large-platform weapons program, one of the things that I might propose is that we have the program executive and the program manager stay in place for the first generation of production.

TILLIS:
And have their job depend on it?

SPENCER:
And have your job depend upon it. But also, that kind of flies in the face of "up and out." So we're going to have to adjust some situations, here, on how we promote people and how we -- if we're going to expect this out of them.

So yes, coming to you with various situations that you can help us with -- some clear maneuvering lanes would be greatly appreciated.

TILLIS:
Well, I'll look forward, after your confirmation, to, perhaps, you coming back here and coming up with a long list of things that we need to do differently so that your job can be easier to achieve.

SPENCER:
Thank you, Senator. I look forward to it, if confirmed.

TILLIS:
Thank you.

MCCAIN:
(OFF-MIKE)

WARREN:
Thank you, Mr. Chairman.

And thank you to our witness for being here. And, before I begin, I want to join my colleagues in offering my deepest condolences to the families and loved ones of the service members who died in yesterday's crash of a transport and refueling aircraft. Our thoughts are with them and the entire Navy and Marine Corps family.

Now, Mr. Spencer, in recent years, there have been a number of reports of workplace safety violations at the private shipyards that the Navy relies on to build its fleet. And, in fact,
according to federal labor statistics, shipyard workers face an injury and illness rate that is roughly 80 percent higher than the construction industry, generally.

And the list of reported injuries and violations that these workers are exposed to is bone-chilling: amputation, electrocution, suffocation, falls, explosions, chemical burns, cancer-causing fumes. The Navy is spending hundreds of billions of dollars at shipyards where workers are routinely injured and maimed because of lax safety standards.

But a Navy spokesman responded to those concerns by saying, and I'm going to quote the spokesman, "We are not the overlords of private shipyards when it comes to workplace safety." Mr. Spencer, do you agree with this attitude?

SPENCER:
No, I can't, Senator. I truly believe that, if -- as we go forward in today's environment and we're talking about, in the case of shipbuilding, amping up the production and the throughput, we have to have a sustainable environment.

That does not support a sustainable environment. I would hope it would be a whole-of-government solution. I think that OSHA's probably involved. But we look forward to making sure that we are good stewards of resources.

WARREN:
Good. And so do I hear you saying that, if confirmed, you will commit to looking into how the Navy tracks and monitors workplace safety violations at the shipyards that it's doing business with?

SPENCER:
Yes, Senator.

WARREN:
Good. You know, we're talking about growing the fleet to a 355-ship Navy, which would result in considerably more volume at many of these shipyards. And I think the least we can do is make sure that American workers who are employed in those shipyards and are building those ships are afforded reasonable protections, going forward.

SPENCER:
I concur, Senator.

WARREN:
Thank you.

I have another question I want to ask you about. The Navy operates on the front lines of the threats posed by climate change, including rising sea levels and floods, more intense storms, higher temperatures. The Navy has long recognized the risks posed by climate change.
Back in 2010, the Navy released a climate change road map which observed, and I'm going to quote here, "Climate change is a national security challenge with strategic implications for the Navy. It is affecting and will continue to affect U.S. military installations and access to natural resources worldwide. It will affect the type, scope and location of future Navy missions."

Mr. Spencer, do you believe that climate is changing and that climate change will continue to affect the Navy's installations and missions?

SPENCER:
Senator, the Navy, from my briefings to date, is totally aware of rising water issues, storm issues, et cetera. We must protect our infrastructure, and I will work hard to make sure that we are keeping an eye on that, because, without the infrastructure, we lose readiness.

(CROSSTALK)

WARREN:
So I take that as a yes.

SPENCER:
Yes. All about readiness.

WARREN:
Good.

And, if confirmed, under your leadership, will the Navy prepare for climate change -- I think this is where you were going about readiness, and I want to say that -- both in terms of preparing our own bases and installations and preparing for the crises and the insecurity that climate change will exacerbate around the world?

SPENCER:
Yes, Senator.

WARREN:
Good.

You know (ph), in his farewell speech in front of sailors and Marines, former Navy Secretary Mabus warned that, if we fail to act upon climate change, instability around the globe will inevitably intensify, and even our bases will risk being lost.

I think he's right, and I will be counting on you, Mr. Spencer, to carry on where Secretary Mabus left off and to ensure that we adapt to this threat and we are ready.

SPENCER:
Thank you, Senator.

WARREN:
Thank you.

Thank you, Mr. Chairman.

MCCAIN:  
(OFF-MIKE)

SULLIVAN:  
Thank you, Mr. Chairman.

And, Mr. Spencer, congratulations to you and your family, and -- appreciate your desire to serve your country again.

I wanted to get back to the issue that I think was lost by the last secretary of the Navy. And I want to associate my concerns that Senator Cotton raised about your predecessor, who took his eye off the ball on many things, readiness, but particularly training.

To that list that Senator Cotton mentioned, the previous secretary of the Navy gave the commandant of the Marine Corps an order to integrate boot camp in two weeks. He said, "have this done in two weeks," the most ridiculous order I've seen, as a member of this committee, by anyone in the military. So I want to get a sense of your view in -- on training, on hard, rigorous training.

There's been a lot of focus on Korea in the last several months, and members of this committee, myself included, have a lot of concerns. Have you read the book, "This Kind of War," by T.R. Fehrenbach?

SPENCER:  
I've not.

SULLIVAN:  
So I think that's something -- I have an extra copy I'd love for you to take a look at. It's all about the Korean War and our lack of training and our lack of readiness and what it did to the men and women in the Marines and the Army who had to go fight.

And it's a really, really dire situation -- can (ph) -- as described in the book, because thousands of Americans were killed in the summer of 1950, because they weren't trained and they weren't hard and they weren't ready to fight.

Could you just give me a sense of your philosophy on training sailors and Marines? You know, unfortunately, just in the last month, we've had accidents at sea, we've -- a lot of talk and concern about what happened with the refueling tanker just yesterday. What -- what is your view on how we should be training our Marines and sailors?

SPENCER:
Senator, it's my point of view, and, if confirmed, the tone will be set from the secretary's office, that we are all here for one purpose, and that's the pointy end of the spear. All urgency, all focus, whether a dental hygienist, whether motor pool, whether pilot, whether flag officer, we are all here to attain the goal, and the goal is to deliver the fight.

We have to train, it's mandatory. The C.R.s, the BCA has really cut into training, and I think we're seeing some of the impact of that, unfortunately. We need to turn that around and correct it immediately.

SULLIVAN:
Well, I think, sometimes, and I'm looking forward to your confirmation, you'll see that even this committee puts forward issues and areas of focus that don't relate to training. And if you see that happens too much, you count me as one of the supporters to get back to what you're talking about, which is serious, hard training so our men and women can come home if and when they have to go to war.

SPENCER:
Yes, sir.

SULLIVAN:
You and I had a good discussion about an issue that's taken up a lot of time in the committee, with regard to Arctic strategy. And whether it's the new Arctic strategy that the secretary of defense put forward or Admiral Stavridis recently put out a book on seapower, it had a whole section on Arctic strategy, are you familiar with the new DOD's Arctic strategy?

SPENCER:
I have read it, sir.

SULLIVAN:
And part of that strategy talks about the ability conduct FONOPs. And yet, last month, Admiral Richardson said that it's absolutely true, we don't have the capacity or capability to conduct any FONOPs in the Arctic.

So we have a strategy that says we need to do something, and we have the CNO of the Navy saying we don't have the means to actually do it. So there's two areas I would like to get your commitment to work with this committee on, if confirmed.

First, as we look at a 355-ship Navy, in order to ensure that we can have the capability to conduct FONOPs in the Arctic, can you take a hard look at the issue of ice-hardening our ships, which, at a seapower subcommittee just last -- or two weeks ago, the Navy indicated they're not looking at that issue at all?

SPENCER:
Senator, when it comes to -- one of my priorities, if confirmed, you heard me talk about capabilities, and that would fall squarely underneath that.
SULLIVAN:
And then, just two weeks ago, again, this committee and the NDAA put forward language that authorizes the procurement of up to six icebreakers. Right now, the United States has two. One is broken. They're -- if you actually go out to Seattle, where they're home based, it's -- these are Coast Guard icebreakers. I would recommend you do it, because it's kind of a sad affair.

We have men and women in the Coast Guard, wearing the uniform of the United States, deploying on ships that were commissioned over 40 years ago and are really barely seaworthy. So there's been a bit of a back-and-forth, and you -- and you and I have discussed this, between who's responsible for that, the Coast Guard or the Navy.

Can I get your commitment to take a hard look at the Navy and Coast Guard's cooperation in order to enable our country to procure icebreakers, which -- the CNO of the Navy said it's absolutely in the national interest of the United States to have more than one icebreaker? The Russians have 40. They're building 13 more, several of which are nuclear-powered.

Can I get your commitment to work with the Coast Guard and this committee on that important task?

SPENCER:
Most definitely, Senator. And, if I'm not mistaken, you all have provided some money for the Navy to provide support for the Coast Guard and the exploration of the next generation of -- of icebreaker, and that's totally supported in my buy (ph).

SULLIVAN:
Great, thank you.

REED:
On behalf of the chairman, Senator Wicker, please.

WICKER:
Thank you, Mr. Spencer. I've been in and out, and it seems that you're doing well, and I think I -- I intend to the join a unanimous committee in -- in supporting your confirmation.

Let me say two things. Please know as our future secretary of the Navy that this committee is -- is serious about helping you and helping President Trump get to the 355-ship fleet. We've had, over time, since I was in the House of Representatives, goals that we never quite got to. It was 308, it was 313. Here we are at 276 ships in our fleet.

We have language in the DOD bill, and our House counterparts have language in -- in the NDAA over there, indicated to show you we're serious. And, frankly, we think we've got you the money this first year to get us on the path to 355 ships. So please know that we're serious about this and we want to be your teammates there.

Let me ask you one question about the physiological episodes that are occurring to our pilots, particularly our training pilots, in the T-45, at the three undergraduate pilot training bases. I've
learned more in the last four or five months about hypoxia than -- than probably is wise for someone of my educational attainment.

I have learned that there's -- there are many types of hypoxia, but the real problem with the training planes and our -- and our three pilot-training stations is the histotoxic hypoxia. And, try as we might with the best minds in the Navy and the federal government, we haven't gotten to a correct diagnosis.

And -- and the best I've heard is that we can maybe patch together a -- halfway of a solution here and with -- with a bit of solution there, and get us back to flying at the correct altitudes that we need to train these men and women to do the hard work that is expected of them.

And -- and you've already testified, in answer to Senator Ernst's question, that -- that these P.E., physiological episodes, will remain a top priority. Thank you for that.

We put a little something in the bill that I want to draw your attention to, and hope it stays in the bill and is signed by the president. And -- and -- and it basically says, while we're putting the best minds of the government at work, the Navy and DOD can, if they want to -- not forced to, but can if they want to, implement a prize competition.

Now, you come from the private sector, sir. And all we're doing is saying, after the best minds that we have in the federal government have tried and so far haven't found the exact diagnosis of what the problem is that causes this histotoxic hypoxia, we could offer a prize to anyone in the country, anyone on the face of the globe, for that matter, and you don't pay the money unless you -- unless you get a solution.

So I would just urge you to -- I would urge my colleagues, let's keep that in the bill and treat it seriously. And I would urge you, after you're confirmed and if we don't get to a solution, which -- I certainly hope we get to a solution quickly, but if we don't, take this -- this provision seriously, and let's unleash the brainpower of the entire country and the entire globe to try to get to the solution.

So, whatever thoughts you might have on -- on that statement in one minute, I would be happy to hear.

SPENCER: Senator, very exciting, chapter one of thinking outside the box. That's fantastic to hear, and it excites me that those tools and authority would be available to us.

WICKER: Thank you.

Thank you, Mr. Chairman. Yield back.

MCCAIN: (OFF-MIKE)
GRAHAM:
Thank you.

Congratulations, Mr. Spencer, this will be a (ph) real honor, and I appreciate you being willing to serve.

I keep hearing, from junior officers, in particular, the security clearance backlog. You know, everybody's asking you to look at everything. Could you please look at that issue? It is taking an inordinate amount of time for people to get their security clearances.

And a lot of jobs are being unfulfilled -- unfilled, and people are not able to do the job adequately without security clearance. So, if you need more help from the committee, if you need more money, more resources, please let us know.

SPENCER:
Most definitely, Senator. Having been a product of going through that, I know exactly what they're...

GRAHAM:
Yeah. This is -- I don't know what's going on out there.

It's the policy of the Trump administration to deny North Korea the capability to hit the American homeland with a nuclear-tipped ICBM. Do you agree with that policy?

SPENCER:
Yes.

GRAHAM:
And one of the challenges for the Navy is how they would avoid that if it ever came about. Do you agree with that?

SPENCER:
Yes.

GRAHAM:
All right. So, when you look at force structure and the number of ships, it's got to, really, be based on threats. When you look at the world from a Navy point of view, how would you say the world is in terms of a threat matrix for the Navy? Is a need for more ships?

SPENCER:
There -- definitely, Senator. The matrix of threats we're facing now from the four-plus-one, you know, however you want to define it, is one of the more complex that the country has ever faced. We need the capability. We need the capacity.

GRAHAM:
Would you say this is one of the more challenging times for the United States Navy since World War II?

SPENCER:
I would say it is.

GRAHAM:
Would you say it'd be a really bad idea for the Congress to cut the Navy's budget?

SPENCER:
A really bad idea, Senator.

GRAHAM:
Sequestration is an idea that needs to be set aside.

SPENCER:
Yes, Senator.

GRAHAM:
OK.

In terms of how the military services work, about 50 percent of all costs are personnel costs. Do you understand that?

SPENCER:
Yes, Senator.

GRAHAM:
We have done, on this committee, some pretty, I think, creative things to lower personnel costs, but be fair to the force. We want to be generous to those who serve the country. God knows they deserve it. We want to be fair and generous to those who retire. But we've got to look at everything, including personnel cost, to have a sustainable budget. Do you agree with that?

SPENCER:
Totally, Senator.

GRAHAM:
TRICARE -- TRICARE is a part of the Department of Defense's budget that's growing exponentially. It is health care for the military service members and their family, and everybody gets that.

But, on the retiree part, we haven't really had a premium adjustment of any significance since 1995. Are you willing to work with this committee to make TRICARE generous, but more sustainable?
SPENCER:  
Yes, Senator.

GRAHAM:  
How do you view the -- that part of the budget, over time?

SPENCER:  
That's one of our biggest challenges right now. The personnel factor is growing at an -- an unsustainable rate, I mean, where the -- where the discretionary budget is been eaten up by personnel costs.

We owe our uniformed members and our retirees the best that we can offer. We're going to have to think of different ways to deliver just as good, if not better, services.

GRAHAM:  
A Navy SEAL is one of the finest members of the force anywhere, a very elite group of warfighters. You have people in the cyber arena. Do you agree that cyber threats to the military are growing, not lessening?

SPENCER:  
Exponentially, Senator.

GRAHAM:  
So how do we keep the Navy SEAL on track for a 20 or 30- year career, when they can leave the Navy and probably make four times what they make in the Navy as a contractor? How do we attract the best minds on the -- in the cyber arena? They could go to Silicon Valley.

How do we do that? And you don't have to give me a complete answer, but I'd like for you to think about that, because the competition for these really high-skill warfighters is immense. And any thoughts on that?

SPENCER:  
Senator, again, my priorities being people, capacity and process, people are number one. And we are going to have to take every single best practice we can find from within the government, from the private sector, to address the situation you just mentioned.

Whether it be a SEAL, whether it be our cyber experts, we're going to have to find a flexible way to allow people in the cyber field to leave and come back, because I believe they have to be refreshed in their own community. And I look forward to working with you all to think outside the box on how we can do this.

GRAHAM:  
And, finally, sexual harassment and abuse of service members. This committee's spent a lot of time and attention of -- trying to change the law and the culture. What is your view of that
situation, and where do you want to take the Navy when it comes to sexual harassment and sexual assault?

SPENCER:
Senator, one is too many, but let's know that the job of the Navy-Marine Corps team is to inflict pain to the enemy, unsustainable pain to the enemy. When I see that we're inflicting pain upon ourselves, it's an anathema to me, and it must be stopped.

MCCAIN:
(OFF-MIKE)

CRUZ:
Thank you, Mr. Chairman.

Mr. Spencer, thank you for being here. Thank you for your willingness to serve. Let me say at the outset that all of us are -- are grieving and lifting up in our prayers the 15 Marines and sailor who were killed last night in the C-130 crash in Mississippi, and we certainly want the men and women of the Navy and the Marines to know that we're standing with them as they're grieving those losses.

Want to ask you initially about morale in the Navy, and that's been a concern raised by number of observers. What is your sense of the current state of morale, and what needs to be done to improve that?

SPENCER:
Senator, the Navy-Marine Corps team is biased for action. "No" is a -- is a -- is a tough word to pull out of the vocabulary. In my opening comments, we talked about -- I talked about how they've been continually engaged and stretched thin.

They will never let us down. That being said, we need to make sure that we are paying attention to their needs, whether it be changing the PCS move notification time out to the -- where it was at six months versus one month, to more sweeping needs in -- in benefits and compensation to deliver a better product.

As I view my job, defined by Title 10, if confirmed, this is a key focus that has to be addressed. Morale is the barometer.

CRUZ:
As of yesterday, the Navy reported that it had 276 deployable battle force ships, with over a third of those, 103, currently underway for deployment or training. Do you believe we currently have sufficient capacity to meet the strategic requirements we've placed on the Navy?

SPENCER:
There might be two answers to that, Senator. Let me say that, with the -- with the assets that we have right now, we are managing the best, in my overview, that we can.

It comes down to risk management. Are we addressing every single risk? No, we're prioritizing them. With more asset, more capability and more capacity, we could do a better job.

CRUZ:
So what is the current deployment-to-dwell ratio of the Navy, and how does that need to be improved given shipbuilding and fleet growth is a years-long initiative?

SPENCER:
If we could -- again, I go back to the primary tenet of industrial science when it comes to productivity. If we could have a clear sight to funding and resources, I believe we'll have a much more efficient flow-through on maintenance, whether it be aviation, whether it be sea craft.

This will fit into adjusting the dwell time back to a normalized rate. And I think that's where we really have to focus, because, again, that goes back to your original question -- is, where is morale. We have to adjust both.

CRUZ:
How do you plan to rapidly rebuild the fleet, taking into consideration the CBO's recent analysis that it would take until the year 2035 to reach a 355-ship Navy, even with accelerated shipbuilding?

SPENCER:
Senator, first, I look forward to working with the CNO and the expertise that is involved in the -- the naval organization.

That being said, I really think we have to start thinking outside the box; whether we look to the Ready Reserve, what's sitting on the water that's been, quote, unquote, "mothballed," whether we look at expediting a frigate transaction -- transition -- all of these have to be taken into account to expedite putting capacity on the -- on the water.

CRUZ:
Talk for a minute about the Ohio replacement submarine program and the Columbia class. It'd be the country's second most costly acquisition program in history, and -- and part of a trillion-dollar program to modernize the nuclear triad over the next 30 years.

And -- and the submersible leg of the triad is responsible for roughly 70 percent of the nation's forward deployed nuclear warheads and -- and remains a -- a -- a vital part of our national security. A little over a month ago, it was reported that the program suffered, quote, "its first known glitch" in the overheating of a prototype motor.

Where do you think we are in replacing and -- and upgrading the Ohio-class submarine, and what needs to be done?
SPENCER:
Senator, I've not received any classified briefs on the actual performance glitch you're talking about.

On a fundamental basis, as -- as I said in the opening statement, that -- I believe the -- the undersea leg of the nuclear triad is -- is the most survivable and probably one of the -- we -- put it this way: We must address the replacement situation.

It is a huge cost, a huge expense. I realize that. We're going to have to work in a whole-of-industry, whole-of-government solution to address this.

CRUZ:
Thank you.

MCCAIN:
(OFF-MIKE)

SHAHEEN:
Thank you, Mr. Chairman.

And thank you, Mr. Spencer, for your willingness to take on this new role.

The Navy instituted something called the accelerated promotion program to allow shipyards to compete with the private sector. As I'm sure you're aware, one of the real challenges we have is that many of our skilled workers are aging out, and replacing them in a tight work environment is very challenging.

So the APP guarantees that engineers hired into the four public shipyards at the GS-5 or GS-7 levels will be eligible for a one-time accelerated promotion to the next higher grade after they complete a training program.

Do you think that kind of program is helpful in retaining the workforce that we need, and do you have other ideas of how we can get the workers we need to keep our shipyards up to date?

SPENCER:
Senator, I'm -- I'm not aware specifically of the program. And if confirmed, I look forward to finding out more about it and sitting down and having a conversation with you about it.

I do have firm beliefs on how we're going to have to work as a team, both the industrial complex and the Department of the Navy, to go forward and fulfill our goal to put capacity on the water, whether that is what we call vocational schools, training schools, out in the communities.

I've been informed that, for a welder, it takes seven years to become a journeyman. That's an extraordinary amount of time, but that's an extraordinary -- important position. We have to start filling the pipeline and finding any vehicle we can that is beneficial to supply this -- the process.
SHAHEEN:
Well, thank you. I'm -- I'm sure that Senator King would join me in inviting you to come up to
the Portsmouth Naval Shipyard to see the APP program and to hear more about the challenges
that they're facing. I hope you will be willing to do that.

SPENCER:
I look forward to it, Senator, if confirmed.

SHAHEEN:
Thank you.

MCCAIN:
It's a great experience.

SHAHEEN:
This committee has spent a lot of time on the challenges that Russia presents to Eastern Europe
and to our allies in Europe. And obviously one of the places where he seen them be the most
aggressive is in the Black Sea, where they have, with increasing frequency, buzzed our ships and
our planes in both the Baltic and the Black Sea.

Can you talk about what -- what you would do, as secretary of the Navy, to respond to that?

SPENCER:
Senator, Russia is a threat and -- in many ways, to the country. We must -- and I think every
single naval officer, whether -- and also weapons person, whatever -- is trained that they must
protect themselves from lethal force, but they also must weigh in restraint.

We have to stand strong. We have to have avenues of communication open with our adversaries
when it comes to professional actions on the seas. One would hope that, in the military sector,
there is professionalism that spreads to all, even our adversaries -- that we can have
communications in that regard.

SHAHEEN:
Do you think that is communications have so far been successful? Do we need to establish more
channels?

SPENCER:
I would think what -- I have not been briefed in depth to it, Senator, but on a topical basis, I
would think we'd need more channels.

SHAHEEN:
Thank you.

I was surprised to hear in testimony before this committee that China is looking at a 350-ship
Navy by 2020. Given the challenges that we're facing as we look at our long-term needs in the
Navy, are you concerned as -- if you become secretary of the Navy, about what that means for
China's ability to have more control over the South China Sea and other seaways where we might come in conflict?

SPENCER:
Most definitely, Senator. The goal that -- one of the presentations that I sat through was 2045 is a goal of China to have many things in place, their ship count in 2020 to be larger than they are now.

It all concerns me tremendously, and I think we have to respond in kind to have the capability and capacity to ensure that we are positioned to enforce the free shipping lanes, for not only ourselves and our interests, but for those of our allies.

SHAHEEN:
Thank you.

Thank you, Mr. Chairman.

MCCAIN:
(OFF-MIKE)

BLUMENTHAL:
Thanks, Mr. Chairman.

And thank you, Mr. Spencer, for your dedication and your service to our nation, and your family as well. And I was gratified that you mentioned the tragedy last night, and our thoughts and prayers being with those families.

On June 17th, the Navy experienced another tragedy, as you well know, when the USS Fitzgerald was hit by a ship under circumstances that we don't know completely, and I understand there is an investigation under the way (sic). One of the sailors, Sonar Technician 3rd Class Truong Huynh, from Connecticut, was among the deceased, and I attended a memorial service for him just last week.

And his family is still grieving, as are the other families who lost loved ones during that incident. The commander of the United States Seventh Fleet appointed Rear Admiral Brian Fort to lead a judge advocate general manual investigation of the mishap.

I'd like to know, if you are confirmed, will you commit to ensuring a prompt and thorough investigation of the USS Fitzgerald collision with the cargo ship ACX Crystal, and will you commit to reporting its findings fully to this committee?

SPENCER:
Senator, prompt, thorough and transparent, with expedition.

BLUMENTHAL:
Thank you.

There's been talk about the construction of submarines, the Columbia class and Virginia attack class, which is required to go from 48 to 66, as you know. And the challenge, as Senator Shaheen mentioned, is not just with the flow of materials, but also the industrial base, and not only at Electric Boat in Newport News, but also the supply chain, the defense industrial base.

And I wonder if you've thought about what can be done to provide the kinds of training, skill development resources, for the suppliers and contractors and all the medium and small businesses that are involved in that defense industrial base.

SPENCER:
Senator, I'm glad the supply chain has been brought up, because we definitely have a limited supply of hands and backs to build things. But people, many times, don't focus on the actual supply chain itself. There are many cases out there in the private sector that we can take best practices from.

Off the top of my head, we did a study of the Defense Business Board, and -- and IBM, when Sam Palmisano was there, took over, when IBM was in its grips of looking at running out of cash and a major American icon almost going into bankruptcy. And one of the things he did was restructure his supply chain, which he now bills as a $16 billion competitive advantage.

How did he do that? He brought everyone in the tent. I would see us, whether through DLA -- beyond the Navy, the whole DOD acquisition force, having to really do a whole-of-team effort in this regard.

BLUMENTHAL:
Finally, let me ask you about the CH-53K. As you know, it is the replacement for the Marine Corps's only heavy-lift helicopter. It will play an integral role in the United States Marine Corps for probably decades to come, improving the CH-53E Super Stallion.

Will you commit to supporting this critical program, assuming you're confirmed?

SPENCER:
Most definitely, Senator.

BLUMENTHAL:
And let me also ask you about the F-35. The Navy has a variant of it. What's your view of the F-35?

SPENCER:
Again, I've not received any classified briefs, but, just in my knowledge-gathering over the past month, the Marine Corps is -- is quite excited about what the F-35 can deliver as a platform.

The Navy has its plans to adopt the fifth-generation, fourth-generation structure within their aviation wing, also, and I look forward to finding out more when -- if confirmed.
BLUMENTHAL:
Will you commit to supporting the plans under way now for acquisition?

SPENCER:
I do, because it doesn't seem like there's going to be a major change, but yes.

BLUMENTHAL:
Thank you.

Thank you, Mr. Chairman.

MCCAIN:
We thank you for your appearance here. I take it you have completed all of the paperwork. Is that correct?

SPENCER:
That is correct, Senator.

MCCAIN:
Well, it will be my intention, then, to move your nomination at the next gathering of the Senate Armed Services Committee, and we look forward to confirming you, clearly, before we reach our well-deserved rest of a pause for the month of August.

So we will be moving your nomination quickly to the floor of the Senate, and hopefully we can get it done to get you to work.

Senator Reed?

REED:
No, thank you (ph).

MCCAIN:
Thank you, Mr. Spencer.

SPENCER:
Thank you, Senator.

MCCAIN:
We look forward to interrogating you again soon.

SPENCER:
Thank you.