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Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO CONSIDER THE NOMINATION OF:

RICHARD V. SPENCER

TO BE SECRETARY OF THE NAVY

Tuesday, July 11, 2017

Washington, D.C.

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HEARING TO CONSIDER THE NOMINATION OF:
RICHARD V. SPENCER
TO BE SECRETARY OF THE NAVY

Tuesday, July 11, 2017

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:38 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Wicker, Fischer, Cotton, Rounds, Ernst, Tillis, Sullivan, Perdue, Cruz, Graham, Strange, Reed, Nelson, McCaskill, Shaheen, Blumenthal, Donnelly, Hirono, Kaine, King, Heinrich, Warren, and Peters.

1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: The Armed Services Committee meets
4 today to consider the nomination of Mr. Richard V. Spencer
5 to be Secretary of the Navy.

6 To begin with, I would like to acknowledge the tragedy
7 in Mississippi yesterday. The 16 service members who lost
8 their lives in the crash of a Marine Corps KC-130 from
9 Cherry Point, North Carolina remind us that these brave men
10 and women put themselves in harm's way every day, at home
11 and abroad, in training and in combat in service to our
12 Nation. We are all keeping their families in our hearts and
13 prayers.

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

18 It is the standard for this committee to ask certain
19 questions in order to exercise its legislative and oversight
20 responsibilities. It is important that this committee and
21 other appropriate committees of the Congress be able to
22 receive testimony, briefings, and other communications of
23 information. So I am going to ask you the standard
24 questions we ask every nominee before this committee.

25 Have you adhered to applicable laws and regulations

1 governing conflicts of interest?

2 Mr. Spencer: I have.

3 Chairman McCain: Will you ensure that your staff
4 complies with deadlines established for requested
5 communications, including questions for the record in
6 hearings?

7 Mr. Spencer: I will.

8 Chairman McCain: Will you cooperate in providing
9 witnesses and briefers in response to congressional
10 requests?

11 Mr. Spencer: I will.

12 Chairman McCain: Will those witnesses be protected
13 from reprisal for their testimony or briefings?

14 Mr. Spencer: They will.

15 Chairman McCain: Do you agree, if confirmed, to appear
16 and testify upon request before this committee?

17 Mr. Spencer: I do.

18 Chairman McCain: Do you agree to provide documents,
19 including copies of electronic forms of communication, in a
20 timely manner when requested by a duly constituted committee
21 or to consult with the committee regarding the basis for any
22 good faith delay or denial in providing such documents?

23 Mr. Spencer: I do.

24 Chairman McCain: Have you assumed any duties or
25 undertaken any actions which would appear to presume the

1 outcome of the confirmation process?

2 Mr. Spencer: I have not.

3 Chairman McCain: Thank you.

4 The next Secretary of the Navy will assume this role
5 during a time of immense importance for U.S. seapower.

6 I note the presence of one of our most distinguished
7 members and dear friend of every member of the committee,
8 Republican and Democrat, and perhaps it would be more
9 convenient for us to hear from Senator Warner before I
10 proceed with my opening statement. Senator Warner, you are
11 recognized.

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1 STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM
2 VIRGINIA, RETIRED

3 Senator Warner: Thank you, Mr. Chairman, Senator Reed,
4 and members of the committee, particularly Jim Inhofe and
5 Bill Nelson and Mr. Wicker.

6 It is a very humbling experience for me to appear here
7 on behalf of this distinguished nominee. If I ever reflect
8 on this great committee, I just think about the marvelous
9 traditions it has established for the entirety of the Senate
10 throughout its long existence. And I say to the new members
11 of the committee I wish you well, and I am confident as you
12 pursue your careers in life, that you will always look back
13 on your membership on this committee as a very special
14 privilege because after all, the function of this committee
15 is to provide care for the men and women of the armed forces
16 of the United States, together with their families.

17 Now, I know the chairman is anxious for me to be brief,
18 and I shall be brief, Mr. Chairman. But I would like to say
19 that on my left is Mr. Spencer, his lovely wife, and they
20 will be a magnificent team in my humble judgment to serve
21 America and to serve the men and women of the armed forces,
22 most particularly the Navy and the Marine Corps.

23 Mr. Spencer has a very interesting and broad career.
24 He is quite adept and knowledgeable on all aspects of
25 finance, not only domestically here in our country but

1 globally. And together with his other achievements in life,
2 which are manifold -- and you have got all the papers before
3 you. But I point out that he served on the Department of
4 Defense Business Board for some 6 years showing his interest
5 in national security for those years. And then he was
6 chairman of the Marine Corps Heritage Foundation. So he has
7 kept all of his priorities carefully in tow throughout his
8 life.

9 And I would like to say that he achieved something that
10 I always wanted to achieve. Our distinguished chairman got
11 the Navy wings of gold and he got the Marine Corps wings of
12 gold and spent one whole tour, several years, as a pilot of
13 the helicopters, the rotary. But he did his fixed wing
14 time, I am sure, before he got there.

15 And he loved the Marine Corps and he loved the military
16 life, and he looked forward to that day when he might be
17 able to return and become more active. And this is one of
18 the most interesting and wonderful positions in our entire
19 establishment of the Federal Government is Secretary of the
20 Navy.

21 So I would like to say that I am not a stranger to the
22 proceedings we are undertaking, but there is an aspect of
23 this particular confirmation proceeding that I have never
24 encountered before. On his own initiative, he reached out
25 and counseled with 10 Secretaries of the Navy to ask of them

1 what they thought of the challenges of today, how best he
2 might be able to fulfill those challenges. And we have with
3 us today -- Will Ball was one of them, John Dalton, Richard
4 Danzig, Gordon England, John Lehman, Sean O'Keefe, Sean
5 Stackley who is acting Secretary, Jim Webb, Don Winter, and
6 yours truly. And I want to be very careful in my summary,
7 having talked to all of them about this moment where I sort
8 of represent the gang. We do not wish to be presumptuous.
9 So we couch our words in the following sentence, and that is
10 we believe this fine man and his lovely wife are most worthy
11 of being here today and being given the opportunity to
12 appear before you as you perform your constitutional duty of
13 advice and consent.

14 So with that, I conclude my remarks. Semper fi, my
15 good friend. You are on your own.

16 [Laughter.]

17 Chairman McCain: Senator Warner, you bring unique
18 credentials to this body, having served as both Secretary of
19 the Navy and chairman of this committee. And I and the
20 members on both sides of the aisle take your words with the
21 utmost seriousness. We thank you for your return, thank you
22 for your leadership, thank you for the many years that you
23 spent with me helping me in my responsibilities as a member
24 of this committee. We thank you, sir.

25 Senator Warner: I thank you, Mr. Chairman, and for our

1 long personal friendship. And I recall so well when I
2 became Under Secretary of the Navy prior to being Secretary,
3 how your father, then commander-in-chief of all forces of
4 the Pacific, together with your extraordinary mother,
5 reached out to help me as a young man, very young man. I
6 think I was about the youngest that time, and I took on
7 these responsibilities in 1969, many years ago. Thank you
8 very much.

9 Chairman McCain: Thank you, Senator Warner.

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

15 The Secretary has broad authority and responsibility
16 for all affairs of the Department of the Navy, including the
17 manning, training, equipping, and maintaining of naval
18 forces. As we heard from the Chief of Naval Operations and
19 Commandant of the Marine Corps last month, their forces face
20 significant readiness shortfalls and the urgent need to grow
21 and modernize.

22 This committee looks forward to hearing how you would
23 address the challenges confronting the Navy and Marine
24 Corps: more than \$15 billion in readiness shortfalls and
25 unfunded priorities, plans to achieve the larger Navy and

1 Marine Corps service leaders say we need, and delivering
2 acquisition programs at cost, on schedule, and with the
3 promised capability.

4 The sad truth is in recent years we have not given our
5 sailors and marines what they need to succeed. As we have
6 asked ever more of them, we have failed in our
7 responsibility to provide them with the necessary resources,
8 training, and equipment. This puts their lives in greater
9 danger every day, and we can waste no time in reversing
10 course.

11 Restoring readiness, rebuilding capacity, and
12 modernizing to regain the technological advantage of our
13 naval forces will require clear vision and strong leadership
14 from the next Navy Secretary. Mr. Spencer, I look forward
15 to discussing your plan to approach these demands, if
16 confirmed.

17 This committee is grateful both for your prior service,
18 as well as your willingness to serve again. As a U.S.
19 marine and as a member of the Defense Business Board, you
20 have demonstrated your dedication to this Nation. I am
21 confident that your decades of experience leading large,
22 complex operations and businesses has prepared you to take
23 on this role, if you are confirmed.

24 In closing, this committee honors the service and
25 sacrifice of all of our sailors and marines. Mr. Spencer,

1 we look forward to hearing your testimony about how you plan
2 to lead the Department of the Navy during this crucial time.

3 Senator Reed?

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1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman.
4 And let me join you in welcoming Mr. Spencer to the
5 committee and thank you for willingness to serve as
6 Secretary of the Navy. And also let me thank your family
7 for the support they provide to you.

8 Let me also recognize Senator Warner. Senator, your
9 example continues to inspire this committee. We will get
10 there eventually to your level, but we are trying we assure
11 you.

12 I too want to join the chairman in recognizing and
13 paying tribute to the service members and their families in
14 the Navy and Marine Corps. We are saddened by loss of life
15 during the recent incident on the USS Fitzgerald and just
16 last evening with the crash of the KC-130 Marine Corps
17 tanker. Our prayers go out to the crews and families of
18 those two units. This accident serves as a humbling
19 reminder of the perils that our service members endure
20 daily, whether they are deployed to combat zones or
21 conducting routine operations.

22 Mr. Spencer, if you are confirmed to this position, you
23 will be faced with a number of critical issues that confront
24 the Department of the Navy.

25 The Navy and the Marine Corps have historically had to

1 deal with the day-to-day strains of deployment and high
2 operating tempos. With concerns about supporting the
3 readiness of our deployed and non-deployed forces, the next
4 Secretary's efforts in managing improvements in the force
5 and its supporting structure will be critical.

6 As a first priority, it seems to me that the Secretary
7 of the Navy should focus on improving readiness of the
8 existing forces. For example, it seems very shortsighted to
9 me for the Navy to have allowed the diving certifications
10 for the USS Boise to expire and then have to tie that boat
11 to a pier for more than a year when combatant commanders'
12 demands for submarine services are unmet. Our global threat
13 environment dictates an increased need for advanced
14 platforms like the Boise to be utilized for our national
15 security instead of docked due to administrative
16 shortcomings.

17 While readiness is very important, the next Secretary
18 must also confront other challenges that face our Navy. For
19 a number of years, many of us have expressed concern about
20 the size of the Navy fleet and the number of ships we are
21 building each year. Last December, the Chief of Naval
22 Operations released an updated force structure assessment
23 which recommended a total fleet of 355 ships.

24 However, as challenging as it may be to increase the
25 number of ships in the fleet, numbers alone are not enough.

1 This past May, the CNO also released a paper titled "The
2 Future Navy," in which he said in part "more platforms are
3 necessary but not sufficient. The Navy must also
4 incorporate new technologies and new operational concepts."
5 I echo the CNO's sentiments about modernizing our fleet and
6 operational concepts, but it is a goal that you will find
7 faces many obstacles.

8 By implementing the Packard Commission recommendations
9 years ago, Congress and the Department took the service
10 secretaries out of the chain of command for major defense
11 acquisition programs. The service secretary, however, plays
12 a critical role in the budget and requirements decisions
13 that drive the acquisition programs. As we begin
14 procurement funding for the Columbia class program this
15 year, I believe the Secretary of the Navy will play an
16 integral role in guiding this critical program.

17 The challenges that the Navy faces are further
18 exacerbated by the budgetary constraints imposed by the
19 Budget Control Act. Left unaddressed, these challenges will
20 limit the Navy's ability to field, train, and equip a modern
21 Navy required to confront the global threats to our country.

22 I look forward to hearing your testimony on how we can
23 modernize our fleet and improve our cost efficiency of our
24 acquisition process.

25 Mr. Chairman, thank you for calling this hearing. I

1 look forward to supporting this nomination and working with
2 Mr. Spencer in the future.

3 Chairman McCain: Mr. Spencer, welcome. As I mentioned
4 earlier, if you would like to introduce members of your
5 family who are here today, please proceed so we can
6 interrogate you as quickly as possible.

7 [Laughter.]

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1 STATEMENT OF RICHARD V. SPENCER TO BE SECRETARY OF THE
2 NAVY

3 Mr. Spencer: Thank you, Senator.

4 First, I would like to thank Senator Warner for his
5 eloquent introduction and his unending service to our
6 country.

7 I would also like to thank Secretary Mattis for his
8 support and the President for his continuing confidence in
9 nominating me for this position.

10 At this time, I would also like to introduce my wife
11 Polly, my daughter Averil, my son Pierce, my step-son Joseph
12 who are here with me today.

13 I too would like to reflect for a minute. The
14 Navy/Marine Corps team was struck last night with a tragedy.
15 15 marines, one sailor perished. And I would just like us
16 all to keep their loved ones and their families in our
17 thoughts and prayers as we conduct our business today.

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

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

1 entrance of the Pacific Coast Highway, I can tell you
2 without hesitation that the thought of me sitting before
3 this august group being considered as Secretary of the Navy
4 was not to be found even in the most remotest parts of my
5 mind.

6 However, during those 36 years, I was educated in
7 financial and operational management, increasing in scope as
8 I progressed through my career. The leadership skills
9 developed in the Marine Corps were strengthened and honed
10 through various positions I held in both public and private
11 sector. I was a student and then practitioner of disruptive
12 technology while being respectful of industrial science.
13 The journey from the gates of Tustin to here has, I believe,
14 provided me with the knowledge and the skill set to tackle
15 the issues at hand.

16 It truly is a great honor for me to appear before you
17 seeking the confirmation as the 76th Secretary of the Navy.
18 The honor to be here today is magnified by the current state
19 of play in the world today, which is nothing less than a
20 perfect storm. We have been at war for the past 16 years
21 with the operational tempo of the various conflicts in which
22 we are engaged denying us the needed time and resources for
23 modernization and maintenance. Add to that the growing
24 requirements generated by the combatant commanders who are
25 facing continually evolving threats from all corners of the

1 globe, and you have a Navy/Marine Corps team that has been
2 continually engaged and stretched thin.

3 At the same time, the impact of the Budget Control Act,
4 which gave birth to sequestration, coupled with the
5 inability to produce consistent sources of funding in the
6 form of annual budgets, has produced an environment where,
7 as Secretary Mattis has said, we are no longer managing
8 risk. We are now gambling. We must immediately commence
9 the heavy lifting needed to buttress the effects of the
10 storm in order to build fleet readiness in the near term and
11 to increase the Navy/Marine Corps capability and capacity in
12 the near future.

13 Before I answer your questions addressing my ability to
14 lead the Department of the Navy, let me briefly provide you
15 with my views of naval matters.

16 First, people are our most valuable and most expensive
17 resource within the Navy. The Marine Corps/Marine Corps
18 team, their families, and their civilian teammates have
19 never failed our Nation and they never will.

20 However, I believe that we are failing them through
21 such actions as the Budget Control Act and continuing
22 resolutions. Due to their determination and patriotism,
23 they have and continue to do more with less. I also believe
24 their diligence, attention to duty, and commitment to
25 putting the Nation and their teammates above themselves has

1 not been reciprocated in all instances. If confirmed, I do
2 not want to stifle their "can do" attitude. I do not want
3 to do that in the least. But I also do not want to send the
4 signal that we are taking it for granted. It is not the
5 Secretary of the Navy nor the Department of Defense nor
6 Congress that is bearing the brunt of this situation.
7 Rather, it is the sailors, marines, our citizen soldiers in
8 the Reserves and their families who are squarely shouldering
9 the burden. All the while, there is a growing demand from
10 the private sector to employ our sailors and marines which
11 puts more pressure on readiness and retention. We must work
12 together to find the resources and the solutions necessary
13 to make the Navy a preferred career.

14 Second, I believe that U.S. naval superiority is a
15 cornerstone for the foundation of American security and
16 global stability. A maneuverable, forward-deployed
17 Navy/Marine Corps team is an integral element that increases
18 the options available for a whole-of-government solution to
19 situations around the globe. In order to support that
20 mission, we must address the capability and capacity of our
21 fleet forces. I believe the nuclear triad is one of
22 America's more effective threat deterrents, and the Navy
23 owns the most survivable leg of that weapons system.
24 Therefore, it owns the task to maintain and modernize its
25 component of the triad.

1 As the Navy steps out to act upon the intent of the
2 President and the Secretary of Defense, it must do so with a
3 renewed rigor and effectively apply the resources granted by
4 you, the Congress, with an enhanced sense of urgency. The
5 organization must analyze all its existing systems and
6 platforms to extract all additional efficiencies while, at
7 the same time, it incorporates the advantages provided by
8 both internal research and development and advancements
9 developed by the private sector. Urgency must be the theme
10 as we enhance our readiness and existing capabilities in
11 order to fight beyond our present capacity, all the while
12 addressing the future build-out of the fleet.

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

19 My business career has been well served by the credo
20 that accountability starts at the top and then permeates
21 throughout the organization. I have also learned that each
22 member of an effective organization must be empowered to put
23 forth changes that will enhance its operational
24 efficiencies. To adapt in the face of competition, the
25 whole Navy team must be engaged. If I am confirmed, I would

1 use a tag line borrowed from the Department of Homeland
2 Security and that I have paraphrased as my guiding principle
3 to change the organization: "If you see something, suggest
4 something."

5 In closing, let me say that I do not come before you
6 with a preconceived agenda to address the issues facing the
7 Navy and the Marine Corps. I come before you ready to
8 expeditiously assess the current situation, develop the
9 tools needed to enhance its ability to fight, and to deliver
10 on the responsibilities of the office of the Secretary of
11 the Navy, as delineated in title X. If confirmed, I will
12 accomplish this by coordinating the efforts of the Chief of
13 Naval Operations, the Commandant of the Marine Corps, the
14 secretariat and the Senators and Members of Congress through
15 leadership that is grounded in transparency and
16 accountability.

17 Thank you and I look forward to your questions.

18 [The prepared statement of Mr. Spencer follows:]

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1 Chairman McCain: Well, thank you, Mr. Spencer.

2 I was just on a trip with several of my colleagues,
3 Senator Warren, Senator Perdue, Senator Graham, Senator
4 Whitehouse, and among other places that we spent the Fourth
5 of July, as I have for many years, in Kabul and outside of
6 Kabul with the men and women serving in the military, among
7 a number of events that we do with them for Fourth of July
8 was to do a town hall meeting with a large number of men and
9 women who are in uniform.

10 Senator Graham, as happens once every decade, asked a
11 very astute question. He asked how many in the room were
12 there for more than the first time in Afghanistan. The
13 majority raised their hands. He said how many have been
14 here more than twice. The majority raised their hands. And
15 he said how many have been here three times. A significant
16 number raised their hands.

17 In other words, to me it was something that was a
18 graphic demonstration of the incredible burden that our
19 active duty military has been bearing over the last 15 or 16
20 years. They are brave. They are proud. They are the best
21 maybe we have had in a long, long time. But they are not
22 fully equipped and they are not fully trained and they are
23 not given the authority and responsibility that they need in
24 order to win this conflict. The fact is in Afghanistan we
25 are not winning. We are not winning. And no less than our

1 military commander in Afghanistan will tell you that is a
2 fact.

3 That has to be turned around. We cannot ask these
4 young men and women to keep going over there with a strategy
5 that in order to defend an ANA, Afghan National Army,
6 garrison -- in order to defend itself, it has to have
7 permission from somebody in the White House on the National
8 Security Council staff. I am exaggerating a bit, but the
9 fact is that if you ask any of these young men and women who
10 have been there and there and there, they will tell you that
11 they can win this fight but they have got to have both the
12 equipment and the authority to do so. It is not that they
13 are not well led. They are. It is not that they are not
14 capable. They are. But it is a "don't lose" strategy which
15 is epitomized by the former President's speech at West Point
16 where he said we are going to surge and we are going to
17 increase the number of troops there, and we are going to
18 win. And by the way, we are leaving on a certain date. If
19 you are Mr. Baghdadi and you hear that, I think the
20 conclusions you draw are obvious.

21 We have got ships that are stuck at the pier, two
22 nuclear submarines that have been sitting at the pier for
23 over a year because of lack of spare parts. 60 percent of
24 our F-16's are grounded. The list goes on and on and on and
25 on. And it has got to do with the Budget Control Act, one

1 of the greatest acts of cowardice ever enacted by the
2 Congress of the United States.

3 How serious do you think the problem is, and what do
4 you think we need to do?

5 Mr. Spencer: Senator, I believe it is probably one of
6 the most serious issues that we are facing right now for
7 national security. The Budget Control Act has wreaked havoc
8 with our readiness, the impacts on the lives of our sailors
9 and marines.

10 Doing the office calls that I had with you all, I find
11 great comfort and excitement in the fact that everyone is
12 leaning in on this issue. There is a lot of heavy lifting
13 that has to be done. There is a lot of cheese moving that
14 has to be done. We have to streamline processes. We have
15 to address capabilities. And I believe that is number one
16 on the issue. If you look my priorities, they are people,
17 capabilities, and process to address these and provide --
18 apply the resources that we have for the down payment on
19 readiness and move forward into building out the fleet.

20 Chairman McCain: Well, on your third one, the process,
21 probably the greatest source of frustration to members of
22 this committee on both sides is the continued cost overruns
23 associated with acquisition. A few years ago in 2013, I
24 asked a former Chief of Naval Operations who was responsible
25 for the \$2 billion -- \$2 billion -- cost overrun on the USS

1 Gerald R. Ford. He said he did not know. When I asked a
2 former Air Force Chief of Staff about the F-35 cost
3 overruns, he did not think anyone had been fired.

4 What are we going to do about this?

5 Now, 2 years in a row now, we have held people
6 accountable. We put the service chiefs in the mix and made
7 them responsible. We have taken a number of measures to
8 hold people responsible. But how is it we have reached a
9 point where you can have a \$2 billion cost overrun on an
10 aircraft carrier, one ship -- one ship, a \$2 billion cost
11 overrun -- and no one is responsible?

12 Mr. Spencer: Senator, my career has been steeped in
13 accountability, and I can tell you right now that the
14 accountability starts right here. The way that we address
15 this is through behavioral management. You reward positive
16 events, and you have other tools at your disposal to take
17 care of projects that are not performing. And you make this
18 very transparent. I am going to be coming before you all
19 asking for resources, but I also have to have my decks clean
20 to make sure those resources and the treasures of the
21 American taxpayer are put forth in a fiduciarily prudent
22 manner.

23 Chairman McCain: Do you know of anyone who has been
24 fired from their job because of cost overruns?

25 Mr. Spencer: Not yet, Senator.

1 Chairman McCain: Senator Reed?

2 Senator Reed: Thank you very much, Mr. Chairman.

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

5 You reflected in your opening statement the critical
6 nature of the triad and the fact that the Navy is the
7 leading edge of that with the Columbia class program. The
8 CNO has called it the Navy's top modernization priority. I
9 assume you feel the same way?

10 Mr. Spencer: Most definitely, Senator.

11 Senator Reed: And I think in the spirit of the
12 conversation you had with the chairman is that one of the
13 things we want to do is make sure that program stays on
14 schedule and on budget or below budget. Both General
15 Dynamics and Ingalls have done a remarkable job with the
16 Virginia class, keeping them ahead of schedule with each new
17 boat and making sure the budget is sound. We want that same
18 tradition, and I know you want that same tradition with
19 Columbia.

20 Mr. Spencer: Most definitely, Senator.

21 Senator Reed: Thank you.

22 As I mentioned before, not only do we need more ships,
23 but we need new operational concepts and new technologies.
24 And I wonder if you have given any thoughts from your
25 discussions with the former Secretaries or with the CNO

1 about what areas you see that you could collaborate with the
2 CNO on.

3 Mr. Spencer: I have, Senator, starting out with just
4 the acquisition process itself. I think if you heard what I
5 laid out in my priorities, we now have I believe -- we did a
6 study at the Defense Business Board -- 32-plus layers of
7 people needed to sign off on an acquisition process. And
8 that did not involve major platforms. We have to allow the
9 people who have the education and the intelligence to make
10 acquisitions and to face off problems to provide the
11 solutions. And they have to know and be responsible for the
12 outcome and be accountable for it. And I think that is one
13 of the biggest steps forward we make right off the bat.

14 Senator Reed: Are there any technologies -- given your
15 extensive experience with the Defense Business Board, any
16 technologies that you think could be -- sort of break the
17 mold and a leap-ahead approach?

18 Mr. Spencer: Most definitely, Senator. People have
19 asked what do you think of the 355-ship Navy, and I said it
20 is a great goal to have. I cannot tell you what the
21 construct of that would be sitting here today because I
22 think unmanned, both below the water, on the water, and in
23 the air, is an area we are just beginning to chip away at.
24 And that is going to provide some great yield for us.

25 Senator Reed: Thank you.

1 There is another aspect of this whole technology, that
2 is, to operate more efficiently. And one of the major
3 constraints going back to the age of steam is fuel. So
4 energy efficiency from an operational standpoint would seem
5 to be a critical aspect. Are you going to continue the
6 efforts of the Navy? And they have done some remarkable
7 things in terms of alternate energy, fuels, et cetera.

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

13 Senator Reed: We have all indicated -- I do not know
14 what the right word is -- the discomfort, if you will, with
15 the Budget Control Act. But I think it has reached a point
16 now where our complaints are important, but do you think it
17 would be helpful if the President made a major address to
18 the country and a major proposal of how to resolve this? I
19 do not recall very much of his comments on the BCA.

20 Mr. Spencer: I believe we all have to come together as
21 a country to address this. It is devastating what it is
22 doing to us. If we look back at when it was created, it was
23 in my eyes a bluff card that was to bring everyone together,
24 and all of a sudden, the bluff was called and BCA was put
25 into place. We all have to get behind this. I look forward

1 to working with all of you and doing whatever we can to
2 educate the American voters as to what is going on with the
3 BCA and how it is affecting us.

4 Senator Reed: Well, I concur. Again, the bully pulpit
5 is one or at least one major one. I think we need some
6 direction, some guidance not just an exhortation to do
7 better but a plan to actually get it done.

8 Mr. Spencer: Agreed.

9 Senator Reed: I thank you, Mr. Secretary. And as I
10 said in my comments, I look forward to working with you.

11 Mr. Spencer: Thank you, Senator.

12 Chairman McCain: Senator Inhofe?

13 Senator Inhofe: Whatever happened to the 1968 beige
14 Volkswagen?

15 Mr. Spencer: Senator, I wish I could keep it. It
16 would probably be worth more than the car I am driving now.

17 Senator Inhofe: You know, one of the things that I
18 have been very proud of our uniforms is the fact that they
19 are, for the first time at least in my years that I have
20 spent here both in the House and the Senate -- they are
21 talking about the threat that is so real out there. And you
22 and I talked. And by the way, thank you for the time that
23 you gave not just me but everyone I have talked to has had a
24 long visit with you. And we all know pretty much where you
25 are coming from.

1 And I mentioned this to you in my office that it is the
2 first time that I have seen the uniforms come out and talk
3 about this unprecedented threat that we are facing right now
4 and why it is a threat. When we stand on the stump and talk
5 about this, we do not have the credibility of someone in
6 uniform. So it goes all the way up to the Secretary level.
7 And I am sure that you are going to be talking about that.
8 You are not going to shy away from the reality of the level
9 of threat that we have.

10 The news reports that North Korea has successfully
11 tested an ICBM capable of ranging to the United States,
12 coupled with the nuclear program. It now poses an imminent
13 threat to the United States. In one of our hearings, we had
14 General Stewart, DIA Director, going so far as to say it is
15 not a matter of if, it is a matter of when.

16 So I would hope that you would elaborate as much as
17 some of the rest of them are in joining in because we are
18 not going to get the attention. We all are talking about
19 sequestration. We are talking about the problems that we
20 are having. And we remember when in 1964 that 52 percent of
21 the entire budget was defending America, and it has been
22 steadily going down since that time. So it is going to take
23 a kind of resurgence of people at the top letting them know
24 that times are not the way they used to be.

25 Right now, we have a mentally deficient individual

1 running a country that is totally unpredictable. We have
2 had hearing after hearing, and that is the one thing that
3 the top people in the military say that it is totally
4 unpredictable.

5 In our Readiness Subcommittee that we had in January,
6 going back to January, Admiral Moran said that the Navy has
7 as readiness debt that will take years to pay down.

8 So in your advance policy question response, you wrote
9 our highest priority is to address the fleet-wide readiness
10 by strengthening and leveraging our capabilities. Is there
11 anything you want to say about that now that has not already
12 been said in response to the questions from my predecessors?

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

20 Senator Inhofe: I would like to ask you a question on
21 shipyards and depots. The Navy's recent aviation readiness
22 challenges have been well documented. As the chairman said,
23 we have -- what -- 62 percent of our F-18's are unavailable
24 due to maintenance problems. How do we solve this? We are
25 looking into the future and we are looking right now at a

1 problem that is there today. Do you have any ideas on the
2 first thing you are going to do?

3 I also want to mention the whole idea of maintaining an
4 organic capability -- I remember when I was first elected,
5 we talked about it was an arbitrary 50/50. I thought surely
6 we can do better than that, but no, we are still 50/50. And
7 quite frankly, I think it has worked pretty well. What do
8 you think about the handling of the depots and about our
9 organic capability?

10 Mr. Spencer: Senator, it is a very interesting
11 balancing act, I believe, that we have to address. When it
12 comes to industrial capability, I can separate aviation and
13 shipbuilding, and I will address shipbuilding first where we
14 have lesser of numbers of providers. I do not say we glad
15 hand people at all, but industrial science says that the
16 most efficient way to produce is to have a clear line of
17 sight to resources. And in this chamber, I believe we can
18 address that. We have to work outside the chamber I think
19 to work with some of our providers to ensure that they are
20 providing us the best long-term, sustainable relationship we
21 can have to deliver equipment in the most cost effective,
22 quick manner we can.

23 Senator Inhofe: And lastly, I would just say that you
24 addressed the 355-ship issue, and I am sure you have given
25 some thought to what would be the appropriate personnel end

1 strength for a fleet of 355. Looking into the future, I
2 would assume that you would be starting to address that now
3 while we are addressing the great threat that currently
4 faces us.

5 Mr. Spencer: Yes, Senator. If we take the full gambit
6 of what is available to us to tackle the 355-ship goal, we
7 should be thinking outside the box. We should be thinking
8 possibly bringing things out of the ready reserve. We
9 should be looking at ways to construct better, faster,
10 cheaper. We will be looking at a frigate down the road.
11 All of this capacity increase will require manning. So
12 there will be some numbers that have to be adjusted going
13 forward for end strength.

14 Senator Inhofe: Sure.

15 I look forward to working with you.

16 Mr. Spencer: Thank you, Senator.

17 Chairman McCain: Senator King?

18 Senator King: Thank you, Mr. Chairman.

19 Mr. Spencer, welcome to the committee.

20 I think you will be pleased to know that an amendment
21 was adopted during our recent markup of the defense bill
22 sponsored by myself and Senator Cotton, affectionately known
23 as the King-Cotton Amendment, that calls for the
24 unconditional repeal of the Budget Control Act. So this
25 committee is on record. And I think, following up on

1 Senator Reed's questions, it would be very helpful if you
2 could, in your capacity as Secretary, assuming you are
3 confirmed, to work with the administration to impress upon
4 them the importance of this issue and the really critical
5 role that it is playing in undermining the readiness of our
6 forces. I commend that to you as a suggestion.

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

12 Mr. Spencer: It dies fairly early probably on layer 2,
13 Senator. So you have to actually address, as I call it, the
14 behavioral management of how we are going to think and act
15 in our actions. If in fact you provide people the latitude
16 to make decisions and the span of control actually expands
17 and hierarchy contracts, but again you have to tie this to
18 accountability and responsibility.

19 Senator King: Following up on the chairman's questions
20 and his concern about this issue, I would urge you to get
21 together with your colleagues and step back and really look
22 at the acquisition process in a fresh way given the
23 imperative of technological incorporation in a speedy way
24 and think about how do we get on a war footing when we were
25 making destroyers one every 2 weeks and airplanes one every

1 15 or 20 minutes, as we were during World War II. How do we
2 get a sense of urgency into this process? And I think you
3 would be a great person to lead that given your experience.

4 Mr. Spencer: Senator, my analogy that I have been
5 using just in talks prior to this meeting is that we are
6 looking at October of 1957 and Sputnik has just flown over
7 our head. The technological gap and our production gaps are
8 shrinking compared to our one-on-one competitors, and we
9 need to get a sense of urgency, get on the forward foot and
10 use all resources available to us. This is what makes this
11 job exciting in my eyes.

12 Senator King: And one of the lessons from that era --
13 for example, President Kennedy saying we are going to put a
14 man on the moon in 10 years -- is to have goals even though
15 they may be audacious, but to have specific goals and say
16 this is what we are going to achieve.

17 A different line of question. Do you have any idea of
18 the retention rate in the Navy, what our loss rate is of
19 these highly trained sailors and marines?

20 Mr. Spencer: I do not know the exact number, Senator,
21 but I know it is of concern.

22 Senator King: Well, it seems to me that might be an
23 area of rich usefulness to investigate because if we can
24 retain someone rather than recruiting and training new
25 people, that would be saving taxpayers' dollars and it would

1 also be retaining the expertise that we need. I commend
2 that to you as an area of focus.

3 Mr. Spencer: Another great area of excitement in my
4 eyes, Senator. As I stated in my opening statement, the
5 human capital section of our budget is our most expensive
6 and our most valuable, and we have to work and extract the
7 best practices from the private sector in areas of how we
8 can keep people and make the Navy --

9 Senator King: And every pilot and mechanic we can
10 retain is one that we do not have to spend \$1 million to
11 train.

12 The final area. We talked a bit about procurement and
13 cost overruns. We have had multiple hearings before this
14 committee on the Ford, on the F-35, on other programs. One
15 of the things that comes through is trying to build things
16 before they are fully designed and before the design is
17 mature and tested. We just approved a 15-ship multiyear for
18 the DDG Flight III, which the Navy wants, we want, everybody
19 wants. The question is is that design fully mature. Not
20 one has yet been built. And I hope that is an area that you
21 will look at in your work. I, representing a State that
22 builds these ships, want them built as soon as possible, but
23 I also do not want to repeat some of the mistakes that we
24 have seen with the Ford and the F-35.

25 Mr. Spencer: Senator, on behalf of the Navy, I would

1 like to thank your efforts, Senator Collins' efforts,
2 everyone's efforts in this building for providing us an
3 increased capacity. If you would allow me the time to spool
4 up and get up to speed on the direct issue at hand, I look
5 forward to coming back to you with a granular answer.

6 Senator King: Thank you.

7 Thank you very much, Mr. Chairman.

8 Chairman McCain: Senator Ernst?

9 Senator Ernst: Thank you, Mr. Chair.

10 Thank you, Mr. Spencer, for joining us today. I truly
11 do appreciate it and your testimony.

12 I would like to start by just asking you some simple
13 yes or no questions, if I may.

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

16 Mr. Spencer: Yes.

17 Senator Ernst: Do you commit to working with me to
18 combat and prevent military sexual assault and retaliation
19 in the Navy and the Marine Corps?

20 Mr. Spencer: Most definitely.

21 Senator Ernst: Will you provide me with advance notice
22 should changes to the gender integration policies be
23 considered?

24 Mr. Spencer: I will.

25 Senator Ernst: Do you commit to upholding an unbiased

1 and transparent approach throughout the acquisition process?

2 Mr. Spencer: I do.

3 Senator Ernst: Absolutely. Thank you so much.

4 I appreciate the fact that you took some time last
5 night -- excuse me -- last month to sit down and visit with
6 me about the needs of the Navy and the Marine Corps. And
7 one thing that I was very encouraged about is the fact that
8 you said in order to move the needle, we are going to have
9 to perspire a little bit. And I do not want to speak for
10 other Members in Congress, but I will say that I think here
11 on this committee we are ready to perspire a little bit and
12 get things moving.

13 So if you could, if you are confirmed, how do you
14 envision the Department's relationship with Congress and
15 what is your plan to enhance that relationship? And how do
16 we work together to move that needle?

17 Mr. Spencer: Senator, from the time I left the Marine
18 Corps and entered the private sector, I have reported to
19 either, quote/unquote, my bosses, and then as I progressed
20 on my career and ran companies, I still reported to a board
21 of trustees or a board of directors or an executive
22 committee. And that is the way I have been trained. It
23 works the best. It has been proven to work the best.

24 I look to you all as the board of directors. You are
25 my, quote/unquote, partners in this -- senior partners I

1 agree -- and I look to you for guidance and direction. We
2 are going to have to work together in lockstep to tackle the
3 problems that we have. We are going to be asking for a
4 tremendous amount of resources. We are going to be moving a
5 lot of cheese. We are going to be trying to streamline an
6 organization all simultaneously. We might all off the
7 bicycle every now and then. I will be completely
8 transparent and tell you when we have fallen off the bicycle
9 and hopefully tell you before we do. But I mean I want to
10 manage expectations in an open, transparent manner.

11 Senator Ernst: I appreciate that very much.

12 As you know, we did talk a little bit about this, but I
13 am sure you know that our aircrews continue to experience
14 physiological episodes in high performance aircraft, the
15 F-22, the T-45, F-18, and now the F-35. And yet, we still
16 have not found a fix for that. And a few weeks ago, the Air
17 Force announced it was testing sensors for the F-35 Alpha
18 that actually monitor pilots' inhale/exhale gases and
19 automatically activate emergency oxygen if there is a
20 problem.

21 This is something that I have recommended to both the
22 Air Force and the Navy leaders in past hearings. And so I
23 am very pleased that they are finally taking action.

24 If you are confirmed, do you commit to finding
25 solutions to this problem, and how would you ensure that

1 these solutions are shared across aircraft and service
2 branches so that we do not repeatedly see the same costly
3 problems undermining our warfighting capabilities?

4 Mr. Spencer: I will commit to you, Senator, it will be
5 a top priority. To address the second part of your
6 question, our studies at the Defense Business Board -- one
7 of the things that became readily apparent, at least in my
8 career on the board, was the building is an amazing problem-
9 solving machine. Some of the problems that result from the
10 problem-solving is no one either sunsets the solution or
11 they do not actually share the solution amongst the
12 building. It is fairly siloed. I believe that working with
13 my fellow service secretaries, if confirmed, that is one of
14 our key issues is to start sharing best practices.

15 Senator Ernst: Very good.

16 And finally in my remaining time, we have talked a
17 little bit about the number of ships. And I guess I am not
18 so concerned about the number of ships, just to ensure that
19 those platforms are doing what they should be doing. But
20 the types of ships are important as well in making sure that
21 we have an optimal Navy and a Navy that will also support
22 our Marine Corps. We know that the Marine Corps has been
23 playing a critical role most often in an infantry type role.
24 We see them in the desert quite frequently. But amphibious
25 ships seem to be an afterthought.

1 Can you just explain to me what your direction might be
2 in making sure that amphibious ships are included in the
3 discussion when it comes to the number and type of ships
4 that we have?

5 Mr. Spencer: Most definitely, Senator. If you look at
6 what the Navy/Marine Corps team is inherently, it is our
7 forward-deployed force. And to effect that forward
8 deployment in the most effective manner, we have to have the
9 amphibious ships for the Marine Corps.

10 Senator Ernst: Thank you for your time. Thank you.
11 Thank you, Mr. Chairman.

12 Chairman McCain: Senator Kaine?

13 Senator Kaine: Thank you, Mr. Chair.

14 Thanks, Mr. Spencer. I applaud you for your nomination
15 and congratulate you for it. You are very qualified for
16 this position. I look forward to supporting you. And my
17 friend, John Warner's support for you did not dissuade me
18 from my initial inclination. So I look forward to working
19 together with you.

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

25 At the most recent hearing of the Seapower

1 Subcommittee, a public hearing that we held just within the
2 last couple of weeks, I asked Admiral Leshar a question.
3 There had been a Bloomberg article about the President's
4 budget coming to us with funding for a second LCS, and the
5 Bloomberg article that came out on the 19th or 20th of June
6 said that part of the funding for the second LCS was going
7 to come through a \$325 million reduction of funding for
8 aircraft carrier overhaul.

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

15 His answer, Admiral Leshar, yes, sir. I will not
16 speculate on what will be in the OMB submission to you, but
17 I will tell you that what you just cited is inaccurate. It
18 would not be a source coming out of aircraft overhaul.

19 Are you familiar with the Bloomberg piece that he just
20 referenced? And so as far as you now, is that not an
21 accurate article?

22 Admiral Leshar, correct. That was his testimony to me.

23 I was very surprised just a week after the hearing to
24 get the President's budget submission, June 29th, and \$325
25 million is being moved from aircraft carrier reactor to

1 support a second LCS. I think that is exactly the question
2 I asked him. He told me that the money was not coming from
3 that and that the article was inaccurate. And I have yet to
4 get an explanation for why he testified to that.

5 We are all big boys on this committee. We are big boys
6 and girls. We are used to getting answers, and some answers
7 we like and some answers do not like. But we do depend on
8 getting candid answers. And I hope that that will be a tone
9 that you will set as Secretary of the Navy for all witnesses
10 who would appear before the committee, that they would not
11 try to hide the ball or play semantic games with us, that
12 they would endeavor to answer the questions that we have.

13 Mr. Spencer: Senator, in my eyes, we cannot afford to
14 do that. So I will support transparency and accountability.
15 It is going to be the tone set at the top.

16 Senator Kaine: Thank you for that. And if the tone is
17 set at the top, that message will be very clear I am sure.

18 A 355-ship Navy. I just want to ask you about this
19 because we did an amendment in the NDAA process to state as
20 a concept that this committee supports it. I think it would
21 be a good thing. You talked about grappling with what the
22 ship mix is, and let me just talk about two aspects of what
23 it would mean.

24 355 ships. That is a number, but surface, underwater,
25 manned, unmanned. I mean, there is a lot of work to do to

1 determine, if we are to be at 355, what the right ship mix
2 would be. Correct?

3 Mr. Spencer: Correct.

4 Senator Kaine: And then the second issue is it is not
5 just about shipbuilding. I mean, to the extent that we are
6 talking about ships, we are talking about personnel. To the
7 extent that we are talking about aircraft carriers, we are
8 talking about airwings. Talk a little bit about, so we can
9 think about what this commitment might mean down the road
10 for our committee as authorizers, what are some of the
11 bigger questions in addition to just the numbers of ships
12 that we are going to have to grapple with together with you
13 if we try to reach that goal.

14 Mr. Spencer: Senator, to address the second of my
15 priorities, which is capability, I agree with you. 355 is a
16 good number for people to focus on. Do we know exactly what
17 the mix is? I think since we are talking out a decade, we
18 might not know and we should not know right now because we
19 have evolving technologies.

20 What I will tell you is that whether it is a 355-ship
21 or not, what we also ought to get our head around is can we
22 have a capacity number but have a capability that is even
23 greater than that, so have the capability of a 355 that
24 might be a 300-ship Navy. And I am just speculating now,
25 but that is the concept that I would like to work with you

1 all on is where we go for our capabilities because that is
2 where the punch is. And if in fact technologies allow us to
3 have different platforms, some that we might not even know
4 of right now that will develop in 5 years, we should keep
5 our eyes and ears open to that. And I look forward to
6 working with all of you in the chamber here on those type of
7 issues.

8 Senator Kaine: Great. Thank you very much.

9 Thanks, Mr. Chair.

10 Chairman McCain: Senator Cotton?

11 Senator Cotton: Mr. Spencer, congratulations on your
12 nomination and thank you for accepting the call of duty of
13 your country once again.

14 I want to associate myself with the remarks of Senator
15 King about the amendment to the National Defense
16 Authorization Act on the Budget Control Act. The Budget
17 Control Act must be repealed. It has not worked. It has
18 not restrained spending and it will not in the future. I
19 think we all know exactly what will happen if it goes
20 forward. We will have a continuing resolution in September.
21 We will have some 2-year budget that does not restrain
22 spending in November, and then we will have an omnibus in
23 December. We will have another omnibus in December of 2018.
24 Then the whole thing will be started over again in 2019 and
25 2020, all for a bill that no one from Senator Fischer to my

1 right and Senator Donnelly and to his left voted for. The
2 112th Congress was not the Constitutional Convention, and
3 the Budget Control Act is not the Constitution.

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

6 Mr. Spencer: No.

7 Senator Cotton: Thank you for that.

8 Is the President's budget request sufficient to build
9 that 350-ship Navy if the Budget Control Act is repealed?

10 Mr. Spencer: It would depend upon the timeline you
11 would be giving the future Secretary of the Navy as a goal.

12 Senator Cotton: Thank you.

13 I have to say, Mr. Spencer, that the morale and welfare
14 of sailors and marines is of utmost concern for me. Your
15 predecessor displayed what I think is questionable and,
16 indeed, strange judgment on some matters that left him as
17 one of the most unpopular service secretaries in the modern
18 era. Just to go through a few of those decisions, he
19 politicized the naming of U.S. Navy ships. He made some
20 very strange changes to the Navy uniform that caused a
21 revolt among female sailors. He publicly dismissed official
22 reports about combat effectiveness of mixed gender units
23 without even having read them, by his own admission. He
24 dumped the Navy's ratings titles, some of which like
25 boatswain's mate and gunner's mate had been around for 200

1 years. He has tried to power Navy fleets with unproven,
2 expensive, and inadequate fuel alternatives based on current
3 technology, in some cases at a cost of \$28 to the gallon.
4 And he questioned the character and integrity of marines who
5 dared to disagree with some of these policies.

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

12 Mr. Spencer: Senator, I testified before this
13 committee, I believe in 2015, that it was my belief that the
14 Department of Defense, specifically individual services, was
15 not to be a Petri dish for social experiments. I totally
16 believe that policy should be developed at the DOD level and
17 then discussed and socialized and deployed and then obeyed.
18 We have to work together, including all our service people,
19 to make sure that they are given what they need, whether
20 that be spiritually, whether that be psychologically,
21 whether that be materialistically to fight forward so
22 readiness is the key and lethality is the product.

23 Senator Cotton: Thank you for that answer. I agree.
24 I think pretty much every sailor and marine that you will
25 have serving underneath your leadership would agree that our

1 foremost priority has to be to deter our Nation's
2 adversaries and fight and win our Nation's wars, where
3 necessary.

4 I want to turn to a particular matter in the time I
5 have left, Mr. Spencer. Last month, the Navy revoked the
6 license of a contractor that they had long used to do base
7 security for civilian vendors. The change was sudden and
8 concerning to me. After incidents of shootings and
9 terrorist attacks on military installations, I am concerned
10 that the Navy is fixing something that is not broken. Could
11 you please be sure to review the contracting plan for base
12 access and get back to me about why the Navy took this
13 action and what its plans for base security going forward
14 are?

15 Mr. Spencer: If confirmed, Senator, I will.

16 Senator Cotton: I do not want you to do anything that
17 would presume confirmation, even though it seems like a
18 pretty good bet so far this morning.

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

21 Mr. Spencer: Thank you, Senator.

22 Chairman McCain: Senator Strange?

23 Senator Strange: Thank you, Mr. Chairman.

24 And, Mr. Spencer, welcome to the committee today. It
25 is an honor for me as the newest members of the committee to

1 be here and to get to meet Senator Warner who served with
2 such distinction over many years. It was a pleasure. I
3 want to thank you too for your willingness to serve.

4 And I want to add my condolences to the families that
5 suffered the tragic loss of the 15 marines and sailor
6 yesterday.

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

14 Let me ask you one question about testimony that
15 Admiral Leshner gave to the Seapower Committee just 2 weeks
16 ago I believe that we must increase our procurement of
17 helicopters like the Seahawk to meet the needs of a much
18 larger presence. And my question is, do you share this
19 view, and can you just simply commit to the committee that
20 if you are confirmed, that you will take a close look at our
21 helicopter force structure as we grow our Navy? And I know
22 helicopters are of particular interest to you given your
23 previous service to the country.

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

1 Senator Strange: Thank you very much.

2 And I would like to wish you the best really in the
3 time I have as you take on this critical position, assuming
4 your confirmation.

5 And I appreciate your previous comments on
6 sequestration, budget caps. I share the concerns of our
7 chairman and my colleagues on the committee about the
8 disastrous way we go about things. As the newest person in
9 the Senate, it is shocking to me. I certainly was not here
10 like most of my colleagues when the Budget Act was passed.
11 So we will do our job, I hope, to correct that for you going
12 forward.

13 So I want to thank you again for your service, and I
14 look forward to working with you once you are confirmed.

15 Thank you, Mr. Chairman.

16 Mr. Spencer: Thank you, Senator.

17 Chairman McCain: Senator Rounds?

18 Senator Rounds: Thank you, Mr. Chairman.

19 Mr. Spencer, first of all, thank you for your service
20 to our country.

21 I did appreciate the opportunity to sit down and to
22 visit with you in our office. I find the opportunity to
23 visit in advance to be very, very helpful.

24 I am curious and I would like to have you share a
25 little bit of information about the state of our depots. In

1 particular, I have heard anecdotally that the effectiveness
2 of depot-level aviation maintenance is inconsistent across
3 the services. If confirmed, will you commit to exchanging
4 such best practices with other services?

5 Mr. Spencer: Senator, again, right in the wheelhouse,
6 we have to share best practices, and if confirmed, the
7 mantel that you will hear coming from the Navy is working
8 with other service secretaries to find out where they are
9 extracting the best efficiencies and what we can adapt, and
10 if in fact we are doing something with great efficiency, we
11 will share with the other services too.

12 Senator Rounds: I think this is something which is
13 critical because right now you have got responsibilities for
14 the service of aviation assets. Some depots seem to have a
15 better handle on how they are doing it than others. Most
16 certainly there are different approaches to having this
17 being done. And I think it would be beneficial for the
18 different services to have established a best practices
19 approach in those areas in which they have similar
20 responsibilities and opportunities to improve. So I
21 appreciate your willingness to move forward in that type of
22 a process. So thank you for that.

23 In 2010, as part of the Defense Advisory Board, you
24 proposed the closure of DOD commissaries in the United
25 States under the banner of saving taxpayers \$1 billion per

1 year. As you know, this measure was never adopted. What
2 was the biggest lesson that you learned about your
3 experience with the restructure proposal?

4 Mr. Spencer: It was an interesting proposal. I mean,
5 it was an interesting study and it never became a formal
6 proposal, but it ended up in the "Washington Post."

7 What we were working under the banner there was
8 something that the Commandant quotes as quicker, better,
9 faster. If we could provide a service to our uniformed
10 members and retirees that was equal or better at a more
11 efficient manner, more efficient price, why would we not
12 look at it? We had a solution provided by one of the major
13 logistic companies that is in the soft good business.

14 It was a fascinating experience for me to find out how
15 the building works and how the society works that is the
16 DOD. You have to pace yourself in certain areas, but again,
17 when it comes to -- if I am confirmed, I will look
18 everywhere in the Navy under every single rock where we can
19 find efficiencies. And when I shared with you that we are
20 going to have to work lockstep together with the Senate
21 Armed Services Committee, there are going to be some big
22 boulders we might have to move.

23 Senator Rounds: There is a difference between finding
24 efficiencies and simply reducing benefits. And I just want
25 to walk into this a little bit. In light of that 2010

1 recommendation to restructure the Department of Defense
2 commissary benefits in the United States, what will be your
3 philosophy regarding personnel benefits, should you be
4 confirmed by this committee?

5 Mr. Spencer: Senator, a learning lesson that will give
6 you insight into my thoughts, if confirmed as Secretary, was
7 more our study on the modernization of the military
8 retirement system. When we rolled that program out, our
9 study out, there was quite a bit of feedback. In fact, one
10 of the veterans service organizations was nice enough to
11 publish my home email and my home phone, and I took 127
12 phone calls. And it was fascinating once you got through
13 anger and frustration and you started talking to people and
14 you came with the following approach. You have a dollar to
15 spend on your benefits. Your retirement costs 60 cents.
16 Your health care costs 40 cents. Your commissary costs 15
17 cents. Your morale and welfare costs 7 cents. Where do you
18 want to spend your dollars? I believe if we can provide a
19 value association for the benefit received and also
20 understand from our service members what they value, I think
21 we can come to some good conclusions without any erosion in
22 benefit performance.

23 Senator Rounds: One last question. Do you agree that
24 the F-35C and its fifth generation capabilities are needed
25 for the airwing now and in the future?

1 Mr. Spencer: Yes.

2 Senator Rounds: Thank you.

3 Thank you, Mr. Chairman.

4 Chairman McCain: Senator Tillis?

5 Senator Tillis: Thank you, Mr. Chair.

6 Mr. Spencer, thank you. I am sure if you had a Fitbit
7 on for the past couple of weeks, you have put on dozens of
8 miles because I have seen you all over the building, and I
9 appreciate you being so accessible.

10 I want to follow up on the F-35 question. In your
11 responses to questions for the record, there was a question
12 asked about directing a reassessment of the Department of
13 the Navy's total program procurement for the F-35's. I am
14 not sure what precisely was thought about in terms of a
15 reassessment, but you said review and I think in response to
16 Senator Rounds' question you do believe it is a very
17 important part of our arsenal. Can you talk a little bit
18 about what you think a review or reassessment would actually
19 yield?

20 Mr. Spencer: I believe that when it comes to a
21 critical weapons platform, there ought to be a continual
22 focus on delivery of the actual aircraft or the weapons
23 system, whatever the case may be. When we make a decision
24 to buy a platform, it is not autopilot after that. My
25 response in that case was that this is a continually ongoing

1 attention to the actual acquisition and the acquisition
2 process itself.

3 Senator Tillis: Thank you.

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

9 Mr. Spencer: Senator, from my -- I do not want to call
10 them briefings, but just my knowledge gathering over the
11 past couple of months, I believe the Navy is probably in
12 fairly good shape when it comes to utilization of assets.
13 To the point if in fact we grow to a 355-ship Navy, you
14 cannot give away waterfront property. It is very expensive
15 to get back. In the same token, I believe that we should
16 continually review the value of our assets and our return on
17 investments and infrastructure just as a case of being.

18 Senator Tillis: Thank you.

19 My final question. You mentioned, in response to some
20 of Senator Ernst's questions, that you view us as a kind of
21 board of directors, and I like that analogy. I have used it
22 myself here. But we know that senior managers, particularly
23 in board meetings, the best ones will come in and be very
24 direct and forthright with respect to board policies or
25 actions that are making your job more difficult. I want to

1 tie that into the perspiring line of questioning too.

2 When confirmed or if confirmed -- I intend to support
3 your nomination -- what things do you think you have got to
4 come before this board of directors and say we have to
5 change as a matter of policy, as a matter of consistency?
6 We all know that sequestration has to go away. But what
7 more do you really need to put -- where do you think you are
8 likely to put us out of our comfort zone?

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

17 Mr. Spencer: Senator, when I originally said that we
18 are going to work together, this is a fine example. Let us
19 take acquisition. If in fact we have a large platform
20 weapons program, one of the things that I might propose is
21 that we have the program executive and the program manager
22 stay in place for the first generation of production.

23 Senator Tillis: And have their job depend on it?

24 Mr. Spencer: And have your job depend upon on it. But
25 also that kind of flies in the face of up and out. So we

1 are going to have to adjust some situations here on how we
2 promote people and if we are going to expect this out of
3 them.

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

7 Senator Tillis: Well, I look forward, after your
8 confirmation, to perhaps you coming back here and coming up
9 with a long list of things that we need to do differently so
10 that your job can be easier to achieve.

11 Mr. Spencer: Thank you, Senator. I look forward to
12 it, if confirmed.

13 Senator Tillis: Thank you.

14 Chairman McCain: Senator Warren?

15 Senator Warren: Thank you, Mr. Chairman.

16 And thank you to our witness for being here.

17 Before I begin, I want to join my colleagues in
18 offering my deepest condolences to the families and loved
19 ones of the service members who died in yesterday's crash of
20 a transport and refueling aircraft. Our thoughts are with
21 them and the entire Navy and Marine Corps family.

22 Now, Mr. Spencer, in recent years, there have been a
23 number of reports of workplace safety violations at the
24 private shipyards that the Navy relies on to build its
25 fleet. And in fact, according to federal labor statistics,

1 shipyard workers face an injury and illness rate that is
2 roughly 80 percent higher than the construction industry
3 generally. And the list of reported injuries and violations
4 that these workers are exposed to is bone chilling:
5 amputation, electrocutions, suffocation, falls, explosions,
6 chemical burns, cancer-causing fumes. The Navy is spending
7 hundreds of billions of dollars at shipyards where workers
8 are routinely injured and maimed because of lax safety
9 standards.

10 But a Navy spokesman responded to those concerns by
11 saying -- and I am going to quote the spokesman -- we are
12 not the overlords of private shipyards when it comes to
13 workplace safety.

14 Mr. Spencer, do you agree with this attitude?

15 Mr. Spencer: No, I cannot, Senator. I truly believe
16 as we go forward in today's environment -- and we are
17 talking about, in the case of shipbuilding, amping up the
18 production and the throughput, we have to have a sustainable
19 environment. That does not support a sustainable
20 environment. I would hope it would be a whole-of-government
21 solution. I think that OSHA is probably involved. But we
22 look forward to making sure that we are good stewards of
23 resources.

24 Senator Warren: Good. And so do I hear you saying
25 that, if confirmed, you will commit to looking into how the

1 Navy tracks and monitors workplace safety violations at the
2 shipyards that it is doing business with?

3 Mr. Spencer: Yes, Senator.

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

10 Mr. Spencer: I concur, Senator.

11 Senator Warren: Thank you.

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

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

1 installations and missions?

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

7 Senator Warren: So I take that as a yes?

8 Mr. Spencer: Yes, all about readiness.

9 Senator Warren: Good.

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

16 Mr. Spencer: Yes, Senator.

17 Senator Warren: Good.

18 In his farewell speech in front of sailors and marines,
19 former Navy Secretary Mabus warned that if we fail to act
20 upon climate change, instability around the globe will
21 inevitably intensify and even our bases will risk being
22 lost. I think he is right, and I will be counting on you,
23 Mr. Spencer, to carry on where Secretary Mabus left off and
24 to ensure that we adapt to this threat and we are ready.

25 Mr. Spencer: Thank you, Senator.

1 Senator Warren: Thank you.

2 Thank you, Mr. Chairman.

3 Chairman McCain: Senator Sullivan?

4 Senator Sullivan: Thank you, Mr. Chairman.

5 And, Mr. Spencer, congratulations to you and your
6 family. I appreciate your desire to serve your country
7 again.

8 I wanted to get back to the issue that I think was lost
9 by the last Secretary of the Navy, and I want to associate
10 my concerns that Senator Cotton raised about your
11 predecessor who took his eye off the ball on many things,
12 readiness, but particularly training. For that list that
13 Senator Cotton mentioned, the previous Secretary of the Navy
14 gave the Commandant of the Marine Corps an order to
15 integrate boot camp in 2 weeks. He said have this done in 2
16 weeks, the most ridiculous order I have seen as a member of
17 this committee by anyone in the military.

18 So I want to get a sense of your view on training, on
19 hard, rigorous training. There has been a lot of focus on
20 Korea in the last several months, and members of this
21 committee, myself included, had a lot of concerns. Have you
22 read the book "This Kind of War" by T.R. Fehrenbach?

23 Mr. Spencer: I have not.

24 Senator Sullivan: I have an extra copy I would love
25 for you to take a look at. It is all about the Korean War

1 and our lack of training and our lack of readiness and what
2 it did to the men and women in the Marines and the Army who
3 had to go fight. And it is a really, really dire situation,
4 as described in the book, as thousands of Americans were
5 killed in the summer of 1950 because they were not trained
6 and they were not hard and they were not ready to fight.

7 Could you just give me a sense of your philosophy on
8 training sailors and marines? You know, unfortunately, just
9 in the last month we have had accidents at sea. A lot of
10 talk and concern about what happened with the refueling
11 tanker just yesterday. What is your view on how we should
12 be training our marines and sailors?

13 Mr. Spencer: Senator, it is my point of view and, if
14 confirmed, the tone will be set from the secretariat's
15 office that we are all here for one purpose, and that is the
16 pointy end of the spear. All urgency, all focus, whether a
17 dental hygienist, whether motor pool, whether pilot, whether
18 flag officer, we are all here to attain the goal, and the
19 goal is to deliver the fight. We have to train. It is
20 mandatory.

21 The CRs, the BCA has really cut into training, and I
22 think we are seeing some of the impact of that,
23 unfortunately. We to need to turn that around and correct
24 it immediately.

25 Senator Sullivan: Well, I think sometimes -- and I am

1 looking forward to your confirmation -- you will see that
2 even this committee puts forward issues and areas of focus
3 that do not relate to training. And if you see that happens
4 too much, you can count me as one of the supporters to get
5 back to what you are talking about, which is serious, hard
6 training so our men and women can come home if and when they
7 have to go to war.

8 You and I had a good discussion about an issue that has
9 taken up a lot of time in the committee with regard to
10 Arctic strategy and whether it is the new Arctic strategy
11 that the Secretary of Defense put forward or Admiral
12 Stavrides recently put out a book on seapower, had a whole
13 section on Arctic strategy. Are you familiar with the new
14 DOD's Arctic strategy?

15 Mr. Spencer: I have read it, sir.

16 Senator Sullivan: And part of that strategy talks
17 about the ability to conduct FONOPS. And yet, last month,
18 Admiral Richardson said that it is absolutely true we do not
19 have the capacity or capability to conduct any FONOPS in the
20 Arctic. So we have a strategy that says we need to do
21 something, and we have the CNO of the Navy saying we do not
22 have the means to actually do it.

23 So there are two areas I would like to get your
24 commitment to work with this committee on, if confirmed.

25 First, as we look at a 355-ship Navy, in order to

1 ensure that we have the capability to conduct FONOPS in the
2 Arctic, can you take a hard look at the issue of ice-
3 hardening our ships, which at a Seapower Subcommittee just 2
4 weeks ago, the Navy indicated they are not looking at that
5 issue at all?

6 Mr. Spencer: Senator, when it comes to -- one of my
7 priorities, if confirmed -- you heard me talk about
8 capabilities, and that would fall squarely underneath that.

9 Senator Sullivan: And then just 2 weeks ago, again
10 this committee in the NDAA put forward language that
11 authorizes the procurement of up to six icebreakers. Right
12 now, the United States has two. One is broken. If you
13 actually go out to Seattle where they are home-based, these
14 are Coast Guard icebreakers -- I would recommend you do it
15 because it is kind of a sad affair. We have men and women
16 in the Coast Guard wearing the uniform of the United States
17 deploying on ships that were commissioned over 40 years ago
18 and are really barely seaworthy.

19 So there has been a bit of a back and forth, and you
20 and I have discussed this between who is responsible for
21 that, the Coast Guard or the Navy. Can I get your
22 commitment to take a hard look at the Navy and Coast Guard's
23 cooperation in order to enable our country to procure
24 icebreakers, which the CNO of the Navy said it is absolutely
25 in the national interest of the United States to have more

1 than one icebreaker? The Russians have 40. They are
2 building 13 more, several of which are nuclear powered. Can
3 I get your commitment to work with the Coast Guard and this
4 committee on that important task?

5 Mr. Spencer: Most definitely, Senator. And if I am
6 not mistaken, you all have provided some money for the Navy
7 to provide support for the Coast Guard in the exploration of
8 the next generation of icebreaker, and that is totally
9 supportive in my mind.

10 Senator Sullivan: Great. Thank you.

11 Senator Reed [presiding]: On behalf of the chairman,
12 Senator Wicker, please.

13 Senator Wicker: Thank you.

14 Mr. Spencer, I have been in and out, and it seems that
15 you are doing well. And I think I intend to join a
16 unanimous committee in supporting your confirmation.

17 Let me say two things. Please know, as our future
18 Secretary of the Navy, that this committee is serious about
19 helping you and helping President Trump get to the 355-ship
20 fleet. We have had over time, since I was in the House of
21 Representatives, goals that we never quite got to. It was
22 308. It was 313. Here we are at 276 ships in our fleet.
23 We have language in the DOD bill and our House counterparts
24 have language in the NDAA over there indicated to show you
25 we are serious. And frankly, we think we have got you the

1 money this first year to get us on the path to 355 ships.
2 So please know that we are serious about this and we want to
3 be your teammates there.

4 Let me ask you my one question about the physiological
5 episodes that are occurring to our pilots, particularly our
6 training pilots in the T-45 at the three undergraduate pilot
7 training bases. I have learned more in the last 4 or 5
8 months about hypoxia than probably is wise for someone of my
9 educational attainment. I have learned that there are many
10 types of hypoxia.

11 But the real problem with the training planes at our
12 three pilot training stations is the histotoxic hypoxia, and
13 try as we might with the best minds in the Navy and the
14 Federal Government, we have not gotten to a correct
15 diagnosis. And the best I have heard is that we could maybe
16 patch together halfway of a solution here with a bit of a
17 solution there and get us back to flying at the correct
18 altitudes that we need to train these men and women that do
19 the hard work that is expected of them.

20 And you have already testified in answer to Senator
21 Ernst's question that these PE, physiological episodes, will
22 remain a top priority. Thank you for that.

23 We put a little something in the bill that I want to
24 draw your attention to, and I hope it stays in the bill and
25 is signed by the President. And it basically says while we

1 are putting the best minds of the government at work, the
2 Navy and DOD can, if they want to -- not forced to but can
3 if they want to -- implement a prize competition. Now, you
4 come from the private sector, sir. And all we are doing is
5 saying after the best minds that we have in the Federal
6 Government have tried and so far have not found the exact
7 diagnosis of what the problem is that causes this histotoxic
8 hypoxia, we could offer a prize to anyone in the country,
9 anyone on the face of the globe for that matter, and you do
10 not pay the money unless you get a solution. So I would
11 just urge you to -- I would urge my colleagues to let us
12 keep that in the bill and treat it seriously.

13 And I would urge you, after you are confirmed and if we
14 do not get to a solution, which I certainly hope we get to a
15 solution quickly, but if we do not, take this provision
16 seriously and let us unleash the brain power of the entire
17 country and the entire globe to try to get to the solution.
18 So whatever thoughts you might have on that statement in 1
19 minute, I would be happy to hear.

20 Mr. Spencer: Senator, very exciting chapter one of
21 thinking outside the box. That is fantastic to hear and it
22 excites me that those tools and authority would be available
23 to us.

24 Senator Wicker: Thank you.

25 Thank you, Mr. Chairman. I yield back.

1 Chairman McCain [presiding]: Senator Graham?

2 Senator Graham: Thank you.

3 Congratulations, Mr. Spencer. This is a real honor and
4 I appreciate you being willing to serve.

5 I keep hearing from junior officers in particular the
6 security clearance backlog. Everybody is asking you to look
7 at everything. Could you please look at that issue? It is
8 taking an inordinate amount of time for people to get their
9 security clearances and a lot of jobs are being unfilled and
10 people are not able to do the job adequately without a
11 security clearance. So if you need more help from the
12 committee, if you need more money and more resources, please
13 let us know.

14 Mr. Spencer: Most definitely, Senator. Having been a
15 product of going through that, I know exactly what they
16 are --

17 Senator Graham: I do not know what is going on out
18 there.

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

22 Mr. Spencer: Yes.

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

1 Mr. Spencer: Yes.

2 Senator Graham: So when you look at force structure
3 and the number of ships, it has got to really be based on
4 threats. When you look at the world from a Navy point of
5 view, how would you say the world is in terms of a threat
6 matrix for the Navy? Is there a need for more ships?

7 Mr. Spencer: Definitely, Senator. The matrix of
8 threats we are facing now from the four plus one, however
9 you want to define it, is one of the more complex that the
10 country has ever faced. We need the capability. We need
11 the capacity.

12 Senator Graham: Would you say this is one of the more
13 challenging times for the United States Navy since World War
14 II?

15 Mr. Spencer: I would say it is.

16 Senator Graham: Would you say it would be a really bad
17 idea for the Congress to cut the Navy's budget?

18 Mr. Spencer: A really bad idea, Senator.

19 Senator Graham: Sequestration is an idea that needs to
20 be set aside?

21 Mr. Spencer: Yes, Senator.

22 Senator Graham: In terms of how the military services
23 work, about 50 percent of all costs are personnel costs. Do
24 you understand that?

25 Mr. Spencer: Yes, Senator.

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

8 Mr. Spencer: Totally, Senator.

9 Senator Graham: TRICARE. TRICARE is a part of the
10 Department of Defense's budget that is growing
11 exponentially. It is health care of the military service
12 members and their family, and everybody gets that. But on
13 the retiree part, we have not really had a premium
14 adjustment of any significance since 1995. Are you willing
15 to work with this committee to make TRICARE generous but
16 more sustainable?

17 Mr. Spencer: Yes, Senator.

18 Senator Graham: How do you view that part of the
19 budget over time?

20 Mr. Spencer: That is one of our biggest challenges
21 right now. The personnel factor is growing at an
22 unsustainable rate. I mean, the discretionary budget is
23 being eaten up by personnel costs. We owe our uniformed
24 members and our retirees the best that we can offer. We are
25 going to have to think of different ways to deliver just as

1 good, if not better, services.

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

7 Mr. Spencer: Exponentially, Senator.

8 Senator Graham: So how do we keep the Navy SEAL on
9 track for a 20- or 30-year career when they can leave the
10 Navy and probably make four times what they make in the Navy
11 as a contractor? How do we attract the best minds in the
12 cyber arena? They could go to Silicon Valley. How do we do
13 that? And you do not have to give me a complete answer, but
14 I would like for you to think about that because the
15 competition for these really high-skilled warfighters is
16 immense. Any thoughts on that.

17 Mr. Spencer: Senator, again, my priorities being
18 people, capacity, and process, people are number one. And
19 we are going to have to take every single best practice we
20 can find from within the government, from the private sector
21 to address the situation you just mentioned, whether it be a
22 SEAL, whether it be our cyber experts. We are going to have
23 to find a flexible way to allow people in the cyber field to
24 leave and come back because I believe they have to be
25 refreshed in their own community. And I look forward to

1 working with you all to think outside the box on how we
2 could do this.

3 Senator Graham: And finally, sexual harassment and
4 abuse of service members. This committee has spent a lot of
5 time and attention trying to change the law and the culture.
6 What is your view of that situation, and where do you want
7 to take the Navy when it comes to sexual harassment and
8 sexual assault?

9 Mr. Spencer: Senator, one is too many, but let us know
10 that the job of the Navy/Marine Corps team is to inflict
11 pain to the enemy, unsustainable pain to the enemy. When I
12 see that we are inflicting pain upon ourselves, it is an
13 anathema to me and it must be stopped.

14 Chairman McCain: Senator Cruz?

15 Senator Cruz: Thank you, Mr. Chairman.

16 Mr. Spencer, thank you for being here. Thank you for
17 your willingness to serve.

18 Let me say at the outset that all of us are grieving
19 and lifting up in our prayers the 15 marines and sailor who
20 were killed last night in the C-130 crash in Mississippi.
21 And we certainly want the men and women of the Navy and the
22 Marines to know that we are standing with them as they are
23 grieving those losses.

24 I want to ask you initially about morale in the Navy,
25 and that has been a concern raised by a number of observers.

1 What is your sense of the current state of morale, and what
2 needs to be done to improve that?

3 Mr. Spencer: Senator, the Navy/Marine Corps team is
4 biased for action. "No" is a tough word to pull out of the
5 vocabulary. In my opening comments, I talked about how they
6 have been continually engaged and stretched thin. They will
7 never let us down.

8 That being said, we need to make sure that we are
9 paying attention to their needs, whether it be changing the
10 PCS move notification time out to where it was at 6 months
11 versus 1 month to more sweeping needs in benefits and
12 compensation to deliver a better product. As I view my job,
13 defined by title X, if confirmed, this is a key focus that
14 has to be addressed. Morale is the barometer.

15 Senator Cruz: As of yesterday, the Navy reported that
16 it had 276 deployable battle force ships with over a third
17 of those, 103, currently underway for deployment or
18 training. Do you believe we currently have sufficient
19 capacity to meet the strategic requirements we have placed
20 on the Navy?

21 Mr. Spencer: There might be two answers to that,
22 Senator. Let me say that with the assets that we have right
23 now, we are managing the best, in my overview, that we can.
24 It comes down to risk management. Are we addressing every
25 single risk? No. We are prioritizing them. With more

1 assets, more capability, and more capacity, we could do a
2 better job.

3 Senator Cruz: So what is the current deployment-to-
4 dwell ratio of the Navy, and how does that need to be
5 improved given shipbuilding and fleet growth is a year's
6 long initiative?

7 Mr. Spencer: Again, I go back to the primary tenet of
8 industrial science. When it comes to productivity, if we
9 could have a clear sight to funding and resources, I believe
10 we will have a much more efficient flow through on
11 maintenance whether it be aviation, whether it be seacraft.
12 This will fit into adjusting the dwell time back to a
13 normalized rate, and I think that is where we really have to
14 focus because, again, that goes back to your original
15 question is where is morale. We have to adjust both.

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

20 Mr. Spencer: Senator, first, I look forward to working
21 with the CNO and the expertise that is involved in the naval
22 organization. That being said, I really think we have to
23 start thinking outside the box whether we look to the ready
24 reserve, what is sitting on the water that has been,
25 quote/unquote, mothballed, whether we look at expediting a

1 frigate transition. All of these have to be taken into
2 account to expedite putting capacity on the water.

3 Senator Cruz: Talk for a minute about the Ohio
4 replacement submarine program and the Columbia class. It
5 would be the country's second most costly acquisition
6 program in history and part of a trillion dollar program to
7 modernize the nuclear triad over the next 30 years. And the
8 submersible leg of the triad is responsible for roughly 70
9 percent of the Nation's forward-deployed nuclear warheads
10 and remains a vital part of our national security. A little
11 over a month ago, it was reported that the program suffered,
12 quote, its first known glitch in the overheating of a
13 prototype motor. Where do you think we are in replacing and
14 upgrading the Ohio class submarine and what needs to be
15 done?

16 Mr. Spencer: Senator, I have not received any
17 classified briefs on the actual performance glitch you are
18 talking about. On a fundamental basis, as I said in the
19 opening statement, I believe the undersea leg of the nuclear
20 triad is the most survivable and probably one of the -- put
21 it this way. We must address the replacement situation. It
22 is a huge cost, a huge expense. I realize that. We are
23 going to have to work in a whole-of-industry, whole-of-
24 government solution to address this.

25 Senator Cruz: Thank you.

1 Chairman McCain: Senator Shaheen?

2 Senator Shaheen: Thank you, Mr. Chairman.

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

5 The Navy instituted something called the Accelerated
6 Promotion Program to allow shipyards to compete with the
7 private sector. As I am sure you are aware, one of the real
8 challenges we have is that many of our skilled workers are
9 aging out and replacing them in a tight work environment is
10 very challenging.

11 So the APP guarantees that engineers hired into the
12 four public shipyards at the GS-5 or GS-7 levels will be
13 eligible for a one-time accelerated promotion to the next
14 higher grade after they complete a training program. Do you
15 think that kind of program is helpful in retaining the
16 workforce that we need, and do you have other ideas of how
17 we can get the workers we need to keep our shipyards up to
18 date?

19 Mr. Spencer: Senator, I am not aware specifically of
20 the program, and if confirmed, I look forward to finding out
21 more about it and sitting down and having a conversation
22 with you about it.

23 I do have firm beliefs on how we are going to have to
24 work as a team, both the industrial complex and the
25 Department of the Navy, to go forward and fulfill our goal

1 to put capacity on the water. Whether that is what we used
2 to call vocational schools, training schools out in the
3 communities, I have been informed that for a welder it takes
4 7 years to become a journeyman. That is an extraordinary
5 amount of time, but that is an extraordinarily important
6 position. We have to start filling the pipeline and finding
7 any vehicle we can that is beneficial to supply the process.

8 Senator Shaheen: Well, thank you. I am sure that
9 Senator King would join me in inviting you to come up to the
10 Portsmouth Naval Shipyard to see the APP program and to hear
11 more about the challenges that they are facing. I hope you
12 will be willing to do that.

13 Mr. Spencer: I look forward to it, Senator, if
14 confirmed.

15 Chairman McCain: It is a great experience.

16 Senator Shaheen: This committee has spent a lot of
17 time on the challenges that Russia presents to Eastern
18 Europe and to our allies in Europe. Obviously, one of the
19 places where we have seen them be the most aggressive is in
20 the Black Sea where they have, with increasing frequency,
21 buzzed our ships and our planes in both the Baltic and the
22 Black Sea. Can you talk about what you would do as
23 Secretary of the Navy to respond to that?

24 Mr. Spencer: Senator, Russia is a threat in many ways
25 to the country. And I think every single naval officer and

1 also weapons person, whatever is trained that they must
2 protect themselves from lethal force but they also must
3 weigh in restraint. We have to stand strong. We have to
4 have avenues of communication open with our adversaries when
5 it comes to professional actions on the seas. One would
6 hope that in the military sector, there is professionalism
7 that spreads to even our adversaries that we can have
8 communications in that regard.

9 Senator Shaheen: Do you think that those
10 communications have so far been successful? Do we need to
11 establish more channels?

12 Mr. Spencer: I have not been briefed in depth to it,
13 Senator. But on a topical basis, I would think we would
14 need more channels.

15 Senator Shaheen: Thank you.

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

23 Mr. Spencer: Most definitely, Senator. The goal at
24 one of the presentations that I sat through was 2045 is a
25 goal of China to have many things in place, their ship count

1 in 2020 to be larger than they are now. It all concerns me
2 tremendously, and I think we have to respond in kind to have
3 the capability and capacity to ensure that we are positioned
4 to enforce the free shipping lanes for not only ourselves
5 and our interests but for those of our allies.

6 Senator Shaheen: Thank you.

7 Thank you, Mr. Chairman.

8 Chairman McCain: Senator Blumenthal?

9 Senator Blumenthal: Thanks, Mr. Chairman.

10 And thank you, Mr. Spencer, for your dedication and
11 your service to our Nation and your family as well.

12 I was gratified that you mentioned the tragedy last
13 night and our thoughts and prayers being with those
14 families.

15 On June 17th, the Navy experienced another tragedy, as
16 you well know, when the USS Fitzgerald was hit by a ship
17 under circumstances that we do not know completely. And I
18 understand there is an investigation into the way one of the
19 sailors, a sonar technician third class, Tom Wynn from
20 Connecticut, was among the deceased, and I attended a
21 memorial service for him just last week. And his family is
22 still grieving, as are the other families who lost loved
23 ones during that incident. The commander of the United
24 States 7th Fleet appointed Rear Admiral Brian Fort to lead a
25 judge advocate general manual investigation of the mishap.

1 I would like to know, if you are confirmed, will you
2 commit to ensuring a prompt and thorough investigation of
3 the USS Fitzgerald collision with the cargo ship ACX
4 Crystal, and will you commit to reporting its findings fully
5 to this committee.

6 Mr. Spencer: Senator, prompt, thorough, and
7 transparent with expedition.

8 Senator Blumenthal: Thank you.

9 There has been talk about the construction of
10 submarines, the Columbia class and Virginia attack class,
11 which is required to go from 48 to 66, as you know. And the
12 challenge, as Senator Shaheen mentioned, is not just with
13 the flow of materials but also the industrial base and not
14 only at Electric Boat and Newport News but also the supply
15 chain, the defense industrial base. And I wonder if you
16 have thought about what can be done to provide the kinds of
17 training, skill development resources for the suppliers and
18 contractors and all of the medium and small businesses that
19 are involved in that defense industrial base.

20 Mr. Spencer: Senator, I am glad the supply chain has
21 been brought up because we definitely have a limited supply
22 of hands and backs to build things, but people many times do
23 not focus on the actual supply chain itself. There are many
24 cases out there in the private sector that we can take best
25 practices from. Off the top of my head, we did a study at

1 the Defense Business Board, and IBM, when Sam Palmisano was
2 there, took over when IBM was in its grips of looking at
3 running out of cash, a major American icon almost going into
4 bankruptcy. And one of the things he did was restructure
5 his supply chain, which he now bills as a \$16 billion
6 competitive advantage. How did he do that? He brought
7 everyone in the tent. I would see us, whether through DLA,
8 beyond the Navy, the whole DOD acquisition force having to
9 really do a whole-of-team effort in this regard.

10 Senator Blumenthal: Finally, let me ask you about the
11 CH-53K. As you know, it is the replacement for the Marine
12 Corps' only heavy lift helicopter. It will play an integral
13 role in the United States Marine Corps for probably decades
14 to come, improving the CH-53E Super Stallion. Will you
15 commit to supporting this critical program, assuming you are
16 confirmed?

17 Mr. Spencer: Most definitely, Senator.

18 Senator Blumenthal: And let me also ask you about the
19 F-35. The Navy has a variant of it. What is your view of
20 the F-35?

21 Mr. Spencer: Again, I have not received any classified
22 briefs, but just in my knowledge gathering over the past
23 month, the Marine Corps is quite excited about what the F-35
24 can deliver as a platform. The Navy has its plans to adopt
25 the fifth generation, fourth generation structure within

1 their aviation wing also. And I look forward to finding out
2 more, if confirmed.

3 Senator Blumenthal: Will you commit to supporting the
4 plans underway now for acquisition?

5 Mr. Spencer: I do because it does not seem like there
6 is going to be a major change, but yes.

7 Senator Blumenthal: Thank you.

8 Thank you, Mr. Chairman.

9 Chairman McCain: We thank you for your appearance
10 here.

11 I take it you have completed all of the paperwork. Is
12 that correct?

13 Mr. Spencer: That is correct, Senator.

14 Chairman McCain: Well, it will be my intention then to
15 move your nomination at the next gathering of the Senate
16 Armed Services Committee, and we look forward to confirming
17 you clearly before we reach our well-deserved rest of a
18 pause for the month of August. So we will be moving your
19 nomination quickly to the floor of the Senate, and hopefully
20 we can get it done to get you to work.

21 Senator Reed?

22 Senator Reed: Nothing further.

23 Chairman McCain: Thank you, Mr. Spencer. We look
24 forward to interrogating you again soon.

25 [Laughter.]

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[Whereupon, at 11:26 a.m., the hearing was adjourned.]