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Navy Transformation: A Stable, Long-Term View

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As one who recently left the private sector, where the pressure on business leaders to focus on quarterly reports seems to be inexorable, I notice that in Washington, D.C., there is also a tendency to focus on the short term. A new crisis emerges almost daily. And, politically, there is always another election just around the corner.

From a military and a Department of the Navy point of view, the short-term imperatives are quite clear. We must fight today's wars—in Iraq, in Afghanistan, and in terrorist hot spots around the world. But we must also look to the long term. We must transform our forces for the future—and we cannot delay. The Navy needs to transform the fleet to be better positioned to meet the challenges of an uncertain future.

My contention today, however, is that transformation is not enough—it has to be more. What we need is a stable transformation, and stable transformation can only be achieved if the Department of the Navy—in conjunction with Congress—agrees to follow a long-term path of program stability.

Today I would like to share with you why we must transform, why we must adopt a long-term view, and why transformation stability is critical to our transformation efforts.

The Life Cycle of Ships

An underlying premise of our desire to transform the fleet is a recognition that the future is marked by tremendous uncertainty. The uncertainty makes planning very difficult. On September 10, 2001, the world

Talking Points

- The Navy needs to transform the fleet to be better positioned to meet the challenges of an uncertain future.
- The pace of change today is very rapid, especially when you contrast the pace of technological change with the time horizon of a Navy's ship's life cycle. Optimizing our Naval force means finding the right balance of assets and capabilities.
- It is not possible to take a holiday from shipbuilding. We cannot simply buy sporadically: We must do so on a continuous basis.
- A nation achieves peace through strength; therefore, we have no other choice but to continue down our current path, fighting the global war on terrorism today while continuing to transform the fleet for the long term.

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looked quite different compared to the way it looked the following day. Other events can also change one's strategic calculations rather quickly, such as China's test of an anti-satellite weapon last month, or North Korea's nuclear test last October. These events remind us that the pace of change today is very rapid—especially when you contrast the pace of technological change with the time horizon of a Navy ship's life cycle.

Think about how much the world has changed since 1977—with 30 years being the approximate life cycle of one of our combatants. Better yet, look at what strides China has made both economically and technologically in just the past ten years. The pace of change—and the uncertainty engendered by dramatic and surprising turns in the world situation—present the Navy with major planning challenges.

During the Cold War, when the world was divided into two camps, separated by the Iron Curtain, our military planning revolved around the capabilities of a single country—the Soviet Union—with a specified location and known assets. Since the end of the Cold War, and particularly since 9/11, old certainties have been replaced by uncertainty on almost every level. There is no one, single adversary. We do not know from day to day where the threat will come from. There is uncertainty regarding the nature of the threat. There is even uncertainty as to who will stand with us in responding to the threat. As we saw in the case of Turkey at the start of the Iraq war, there is even uncertainty regarding our access to existing bases with an Allied partner.

In a world of such uncertainty, and a world where the sea is increasingly vital to the international economy, the need for a Navy with global reach is more important than ever. We must be prepared to conduct operations across a broad spectrum, from maritime security to force projection to sustainment. Our forces must be prepared to combat terrorism and piracy, and we will be called upon to carry out humanitarian and disaster relief operations as well.

We should not be surprised that the Navy is still in the process of reorienting its forces to perform all of these operations across the entire range of possibilities. Keep in mind again the dramatic mismatch between the pace of change and the long life span of Navy ships, from design to commissioning to their twilight cruises 30 to 50 years later. Optimizing our Naval force means finding the right balance of assets and capabilities, and it is a never-ending challenge.

The Challenge of New Operations

Given current trends in the world situation, we are expanding our focus from blue-water to green- and brown-water operations. We have seen and we expect to see an increasing demand for littoral engagement—in the Horn of Africa, the Philippines, and in areas of critical oil production and strategic choke points. The clear need for greater green- and brown-water capability notwithstanding, one should not conclude that we can afford to let our blue-water capability decline. Naval forces must be ready, above all, to conduct major combat operations should the need arise.

We cannot ignore events and trends that reinforce that belief. A recent White Paper prepared by the Chinese military outlined a three-step strategy for modernizing its defense, to include its blue-water ambitions. The third step in their strategy states as a strategic goal "building modernized armed forces and being capable of winning modern, net-centric wars by the mid-21st century." This document implicitly suggests that China hopes to be in a position to successfully challenge the United States, a challenge that would certainly entail blue-water operations.

Public declarations such as this statement and many others serve as reminders that we must be prepared for a world that does not always follow our preferences. Of course, we hope that China will choose a peaceful path. But hope is not a strategy, so we must be prepared.

Those who might be tempted to dismiss or discount the need to be prepared for major combat operations ought to keep in mind that their goodwill and optimism towards totalitarian regimes may not be reciprocated. It is the American government's solemn responsibility to protect the United States from attack, and we cannot leave the nation unprepared. We would do well to recall General George Washington's maxim: "To be prepared for war is the most effectual means to promote peace."

To be prepared for war means having the ability to defeat threats at sea and to carry out operations ashore from the sea. A Naval presence allows us to respond worldwide and rapidly—without putting forces ashore. With so much uncertainty brought by terrorism, and great uncertainty as to the future course of rising powers, we need a force that is quick, adaptable, and lethal. For that, we must transform.

In some cases, we can make adaptations to existing capital assets, in short order. For example, we have converted three SSBN's (ballistic missile submarines) to SEAL-capable SSGN's (cruise missile submarines)—in only four years. In others, we must build new platforms with new capabilities. Transformation writ large, however, is going to take time.

The Long-Term Perspective

The nature of almost everything we do requires a long-term perspective. As the strategist Alfred Thayer Mahan and former Assistant Secretary of the Navy Theodore Roosevelt noted more than a century ago, Naval platforms take a long time to design and build. We go into battle with assets that were built many years in advance of the conflicts in which they partake. Theodore Roosevelt, in particular, was a relentless advocate—both as Assistant Secretary of the Navy and later as President—of building and maintaining a large Navy during peacetime. It is worth quoting from President Roosevelt's first annual message to Congress, submitted in December 1901, during which he focused on the Navy as much as on any other subject: "So far from being in any way a provocation to war, an adequate and highly trained Navy is the best guaranty [sic] against war, the cheapest and most effective peace insurance. The cost of building and maintaining such a Navy represents the very lightest premium for insuring peace which this Nation can possibly pay."

Roosevelt understood some of what those more focused on the events of the day do not. It would be nice to decide one day that we need more of one platform and fewer of another, radically shifting our budget priorities from year to year. But it doesn't work that way. The response time associated with what we buy is an overriding factor that must always be kept in mind. Any core platform changes we make to our future fleet will take many years to effect. We cannot wait for an outbreak of war and then build the Navy we need to fight that war. By then it will be too late, as Mahan and Roosevelt repeatedly warned.

This is a point I must insist on—the core products the Navy buys face a significant time constraint. We cannot simply buy from inventory or divert ongoing product lines. Yes, there are some things we need that we can purchase rapidly, and we are indeed doing that whenever possible. But for the capital platforms of our Navy, this is not an option. Ships and systems operating in a combat environment are unique, and cannot be purchased like a commodity.

The Navy's mission revolves around 300 very expensive capital assets that take years and years to conceive, design, and build. Very long lead times are not new. The *Maine*—famous for its role in triggering the Spanish–American war of 1898—took nine years from authorization to commissioning. Today, the technology is vastly superior, but the long lead times associated with the production of Naval ships are still with us. Just a few weeks ago CVN-78, USS *Gerald R. Ford*, was named. This is the first of our CVN-21 carriers. Steel was cut for her last year, but the ship will not be commissioned until 2016—a decade-long building cycle.

There are areas where we can and do accelerate purchases—anti-IED (improvised explosive device) technology and personal protection equipment being examples—and we can update our weapons systems. But we cannot significantly accelerate production of our combatant ships, due to the nature of shipbuilding. The need to adopt an extended time horizon with respect to Navy platforms has another dimension that is often overlooked—a need for program stability.

Program stability is desirable for many reasons, and the Navy's impact on the industrial base is one of the most important. The Navy is often in a monopsony position: In other words, the Navy is the only buyer of a product that industry manufactures. We would like to be one of several buyers, but the fact is that many large companies exist solely as

suppliers for the U.S. military, due to the unique requirements of what we buy and how we buy it.

Many of these companies are focused on those unique requirements, and make large investments accordingly. Suddenly shifting focus to short-term requirements and putting a moratorium on long-term requirements is not a viable option under the market conditions we face. For example, if we decided that we would like to simply skip building ships for a year or two, putting the money elsewhere, many companies that are extremely important to national security would quickly go out of business.

Highly specialized craftsmen, builders, engineers, and scientists would leave the industry and do something else. We could not then go back to the company a few years later and say, "OK, let's resume building ships." The company—in this case, the shipbuilding industry—would no longer exist.

Disruptions to the industrial base are very damaging. Just consider the effect of Hurricane Katrina on industries in the region. This one storm delayed delivery of a number of ships under construction in Gulf Coast shipyards. It is important to note that the impact Katrina had on the workforce was as significant as the impact it had on the facilities. Many shipyard workers in the Gulf Coast region lost their homes, were forced to relocate, and have since pursued other job opportunities.

While we do not have control over Mother Nature, we can take steps to minimize disruptions to the industrial base as a result of our planning. The impact of our actions on the industrial base is very real, and we need to be more mindful of how lurches in one direction or another can damage the industry's ability to meet our needs. We do not have the luxury of making major year-in and year-out adjustments without causing great harm to the industrial base and incurring enormous additional expense to our programs.

Predictability is very important to both the public and private sectors of the industrial base. Predictability drives efficiency and effectiveness in the industrial base. If we are to maintain a degree of predictability, it is not possible to take a holiday from shipbuilding. This also implies that we cannot simply buy sporadically: We must do so on a continuous basis. Stable profits are desirable. Stability in the workforce is critical. And predictability in investments translates into a healthier business environment better able to meet the Navy's needs.

The Navy and the Industrial Base

The time constraint, the need for stability, and the need for predictability add up to a number of challenges. The challenge for the Navy is to better control requirements and stabilize build rates, thereby achieving stability in the shipbuilding plan. The challenge for industry is to make the necessary investments and to align the workforce with Navy requirements. The Navy must work with industry to help it achieve long-term alignment. In doing so, the question then becomes: How do you motivate an industrial base that you do not have direct control over to invest in ways that the Navy needs?

The Navy's relationship with the industrial base, and its attempts to move it in a mutually satisfactory direction, is taking place in the context of a period of unprecedented transformation of Navy programs, while industry is in a period of consolidation.

Occasionally there are cases in which the changing needs of the Navy represent a perceived threat to some elements in industry. One can even say that the whole drive towards transformation challenges both the interests and instincts of industry. There is a natural business interest in maintaining existing product lines and sales accounts. Radical changes in a major industry are not a simple matter. There are major investments at stake, a huge number of employees, and thousands of suppliers.

Transformation is often disruptive. New technologies and new products come into play. Change creates opportunities to disrupt current market conditions—with both positive and negative implications. On the positive side, transformational change can reduce barriers to entry, enhancing competition both in terms of business competition and the competition of ideas. Take, for example, the Littoral Combat Ship, which opened the shipbuilding market to non-traditional contractors. Much of the infrastructure involved in building this ship is different from the traditional Naval shipbuilding

infrastructure. Different means new and it also means that new players need to learn new roles. Industry adjustments to such developments take time, and can be painful, as all changes result in winners and losers in the competition for contracts.

In the short-term, the Navy must expect hiccups and setbacks as an inevitable part of complex changes. But the long-term results are new capabilities and better ways of doing business. The challenge for the Navy is managing all the changes in the best interests of the Navy—understanding, however, that making accurate projections is very difficult.

Conclusion

My focus during the remaining time I have to serve as Secretary will be on making the best possible decisions for the Navy over both the short and long terms. If one accepts the time-tested adage that a nation achieves peace through strength, we have no other choice but to continue down our current path, fighting the global war on terrorism today while continuing to transform the fleet for the long term.

Transformation stability is critical to this effort. We must look at the trends taking place around the world and prepare the Navy for the full range of possible scenarios. We must abide by the Mahan and Roosevelt principles and have assets in place when needed.

Just as the Navy we have today was built by prior Administrations, we must build the Navy for future generations. The American people will look back at this critical time in our history with either gratitude for our having made decisions that were in the nation's long-term interest—or regret for our failure to provide for America's future security.

—The Honorable Donald C. Winter is U.S. Secretary of the Navy.