

**SHIP PRODUCTION COMMITTEE  
FACILITIES AND ENVIRONMENTAL EFFECTS  
SURFACE PREPARATION AND COATINGS  
DESIGN/PRODUCTION INTEGRATION  
HUMAN RESOURCE INNOVATION  
MARINE INDUSTRY STANDARDS  
WELDING  
INDUSTRIAL ENGINEERING  
EDUCATION AND TRAINING**

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**U.S. DEPARTMENT OF THE NAVY  
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REMARKS BY  
HONORABLE JAMES GOODRICH  
UNDER SECRETARY OF THE NAVY  
1985 SHIP PRODUCTION SYMPOSIUM  
LONG BEACH, CALIFORNIA  
WEDNESDAY, 11 SEPTEMBER 1985

LADIES AND GENTLEMEN, GOOD MORNING,

IT'S A PLEASURE TO BE HERE, AMONG SO MANY FRIENDS AND ASSOCIATES I HAVE KNOWN OVER THE YEARS, AND HAVING SPENT MORE THAN FOUR DECADES IN THE SHIPBUILDING INDUSTRY, I HAVE BEEN THROUGH BOTH PERIODS OF "FEAST" AND "FAMINE/' MANY OF YOU HAVE SHARED SOME OF THOSE TIMES WITH ME; IT'S GOOD TO SEE YOU AGAIN,

NOW, HAVING SPENT MORE THAN FOUR YEARS IN PUBLIC SERVICE AS UNDER SECRETARY OF THE NAVY, I'VE SEEN THE PROBLEM AND ISSUES WE'VE FACED FOR YEARS, FROM ANOTHER VIEWPOINT, HAVE RECEIVED, SHALL WE SAY FOR LACK OF A BETTER WORD, A "UNIQUE" EDUCATION IN THE SOMETIMES TRANQUIL BUT MORE OFTEN STORMY RELATIONSHIP, BETWEEN OUR NATION'S SHIPBUILDERS AND THE DEPARTMENT OF THE NAVY,

BUT IN PREPARING FOR TODAY'S TALK, I DECIDED, AT FIRST, TO CONSIDER JUST WHAT TYPE OF QUESTIONS 'WERE PROBABLY ON YOUR MINDS, AND ADDRESS MYSELF TO THEM ON SECOND THOUGHT, HOWEVER, I RECALLED THAT SUCH AN APPROACH CAN OFTENTIMES LEAD A PUBLIC SPEAKER ASTRAY

I WAS REMINDED OF THE STORY OF THE YOUNG BOY WHO CAME IN ONE DAY FROM PLAYING WITH HIS FRIENDS HIS MOTHER WAS PREPARING DINNER WHEN HE ASKED, "'MOMMY,, WHERE DO I COME FROM'?"

NOW, MOM HAD BEEN ANTICIPATING THIS QUESTION, AND WORKING ON HER ANSWER TO IT, EVER SINCE SHE HAD BEEN IN NURSES TRAINING YEARS BEFORE, SO SHE IMMEDIATELY STOPPED WHAT SHE WAS DOING, TOOK HER SON INTO THE LIVING ROOM, SAT HIM DOWN ON THE SOFA, AND GAVE HIM THE ANSWER THAT SHE HAD WORKED SO LONG IN PREPARING,

THE BOY SAT VERY STILL ..... AND LISTENED VERY CAREFULLY, HE WAS SURPRISED BY SOME OF IT.. AND CONFUSED BY SOME OF IT,

WHEN MOM WAS FINISHED, SHE ASKED, "DOES THAT ANSWER YOUR QUESTION?" .

HER BOY REPLIED, "WELL, I GUESS SO ... BUT JOEY DOWN THE STREET SAID HE'S FROM CHICAGO ..... AND I WAS JUST WONDERING.....

SO, TAKING MOM'S LESSON TO HEART, RATHER THAN TRYING TO ANTICIPATE YOUR QUESTIONS, I 'LL GIVE YOU THE DEPARTMENT OF THE NAVY'S PERSPECTIVE ON WHERE WE STAND TODAY IN SHIPBUILDING, AND WHERE WE ARE GOING TOMORROW, AFTER I'M DONE, I'LL GIVE YOU ALL A CHANGE TO ASK A FEW QUESTIONS IF YOU LIKE,

FIRST OF ALL, LET'S ESTABLISH SOME COMMON GROUND AMONG US, I THINK EVERYONE IN THIS ROOM WOULD AGREE WITH ONE INDISPUTABLE FACT:- THE UNITED STATES REMAINS, BY ITS GEOGRAPHY, HISTORY, AND ECONOMY, A MARITIME NATION WE ARE, AND WILL REMAIN FOR THE FORESEEABLE FUTURE, DEPENDENT ON OVERSEAS NATURAL RESOURCES AND COMMERCE, THIS DEPENDENCY, IN TURN, IS BASED ON UNRESTRICTED ACCESS TO THE WORLD'S GREAT WATERWAYS,

AND, I SHOULD ADD, ALL OF OUR PRINCIPAL ALLIANCES WITH OUR FRIENDS AND ALLIES WORLDWIDE ARE MARITIME ALLIANCES, THIS IS PARTICULARLY TRUE OF NATO, WHICH IS REALLY AN ALLIANCE OF EUROPE'S TRADITIONAL MARITIME NATIONS

THIS MARITIME ORIENTATION OF OUR NATIONAL DEFENSE, WHICH HAS EXISTED SINCE THE AMERICAN REVOLUTION, IS TOO OFTEN FORGOTTEN BY OUR ARMCHAIR CRITICS, WHO FANTASIZE THAT THEY ARE LITTLE NAPOLEONS"

STRUTTING AROUND THE FUTURE BATTLEFIELDS OF CENTRAL EUROPE,  
PLACING A TANK "HERE" AND AND I INFANTRY DIVISION "THERE," THEY  
DECRY MONIES SPENT ON THE SEA SERVICES, IT WOULD BE MUCH BETTER  
SPENT ON TANKS AND TROOPS THEY ARGUE,

THESE CRITICS, DUTIFULLY REPORTED BY THE MEDIA INCLUDING  
SUCH PRESTIGIOUS PUBLICATIONS AS THE WALL STREET JOURNAL WHICH  
SHOULD KNOW BETTER) DENY THAT THE UNITED STATES NEEDS A STRONG  
NAVY, THEY PREFER INSTED A "CONTINENTAL" STRATEGY THAT RELIES  
ON LEGIONS OF AMERICAN TROOPS MANNING THE BARRICADES IN EUROPE,

WELL I HAVE SEEN THE STUDIES AND THE COMPUTER SIMULATION  
AND I CAN TELL YOU THAT OVER 90% OF U.S. FURNISHED EQUIPMENT  
AND STORES NEEDED TO SUSTAIN ANY DEFENSIVE EFFORT IN CENTRAL  
EUROPE WILL HAVE TO BE TRANSPORTED VIA THE GULF OF MEXICO AND  
ATLANTIC OCEAN SEA LANES WE LEARN THE LESSONS OF 1942 WHEN  
WE ALMOST LOST THAT WAR DUE TO THE EFFECTIVENESS OF THE GERMAN  
U-BOATS, AT OUR OWN PERIL,

A STRONG UNITED STATES NAVY TODAY CANNOT GUARANTEE US VICTORY  
IN A EUROPEAN STRUGGLE TOMORROW BUT, WITHOUT IT, WE ARE  
CONDEMNED TO ALMOST CERTAIN DEFEAT.

STILL ANOTHER STRATEGIC REALITY THAT OUR CRITICS FORGET OR IGNORE, IS THE EXISTENCE OF THE SOVIET NAVY, WHATEVER THE ORIGINAL RATIONALE FOR ITS POSTWAR EXPANSION, AND I LEAVE THAT UP TO THE ACADEMICS WHO DELIGHT IN SUCH PURSUITS, THE FACT IS THAT TODAY'S SOVIET NAVY IS AN OFFENSIVELY-ORIENTED, BLUE WATER FORCE, HELPING TO EXTEND SOVIET INFLUENCE WORLDWIDE,

AT THE VERY LEAST, MOSCOW'S FLEET CAN CHALLENGE WESTERN CONTROL OF VITAL SEA LANES IN TIME OF CRISIS OR WAR, THUS) WE HAVE IN EXISTENCE TODAY, FOR THE FIRST TIME IN FOUR DECADES, A POTENTIAL ADVERSARY WHO MAY THREATEN BY FORCE, OUR USE OF THE SEAS FOR BOTH COMMERCE AND DEFENSE-

THE CHALLENGE TO OUR TWO-CENTURY OLD TRADITION OF FREEDOM OF THE SEAS IS CLEAR; THE TASKS AT HAND ARE READILY APPARENT TO ALL WHO CHOOSE TO SEE,

BUT THESE TASKS REQUIRE SUFFICIENT NAVAL FORCES, FORCES WHICH WE ONCE HAD BUT ALLOWED TO DETERIORATE IN THE 1970'S FOR, WHEN THE REAGAN ADMINISTRATION TOOK OFFICE IN 1981, IT FACED THE PAINFUL REALITY OF A PERCIPITOUS DECLINE IN AMERICA'S NAVAL STRENGTH, A DECLINE ALMOST A DECADE OLD,

THIS WEAKENED MARITIME ARM OF OUR NATIONAL DEFENSE POSTURE WAS DUE TO MORE THAN JUST A LACK OF SHIPS, TRUE, A NAVY THAT NUMBERED MORE THAN 1000 IN 1970 HAD DECLINED TO 479 BATTLE FORCE SHIPS WHEN THE PRESIDENT TOOK OFFICE, BUT WE ALSO HAD A SITUATION WHERE WE COULD NOT COMPLETELY LOAD OUT EVEN THIS SMALLER FORCE ONCE WITH THE PROPER QUANTITIES AND TYPES OF MUNITIONS REQUIRED TO FIGHT, AND WIN, A WAR AT SEA, SO, WE FACED THE CHALLENGE OF REBUILDING THE FLEET, WHILE AT THE SAME TIME INCREASING PERSONNEL BENEFITS TO REVERSE THE EXODUS OF OUR BEST PEOPLE, AND GETTING THE PRODUCTION LINES ROLLING AGAIN TO RESTOCK OUR DEPLETED ARMAMENTS, FOUR YEARS LATER, OUR RESTORATION PROGRAM HAS LARGELY BEEN SUCCESSFUL, RETENTION AND RECRUITMENT FIGURES ARE UP, AND THE AMMO BINS ARE BEING REPLENISHED AT AN INCREASING RATE, WE NOW HAVE 539 BATTLE FORCE SHIPS, AN INCREASE OF 60 SHIPS SINCE FEBRUARY 1981 WE HAVE MADE A MAJOR FINANCIAL COMMITMENT TO OUR NATION'S DOMESTIC SHIPBUILDING INDUSTRY, IN FOUR BUDGETS SINCE THE AMENDED CARTER ADMINISTRATION

BUDGET OF FY82, WE HAVE EXPENDED MORE THAN \$48 BILLION ON SHIPBUILDING, OUR FY86 SHIPBUILDING REQUEST WAS FOR MORE THAN \$11 BILLION IN ADDITIONAL FUNDING,

LET'S TRANSLATE THOSE FIGURES INTO HULLS, IN THE FY82 THROUGH 85 BUDGETS) WE HAVE HAD 89 SCN FUNDED SHIPS AUTHORIZED, THIS REPRESENTS A 35 PERCENT INCREASE OVER THE FOUR YEARS OF THE CARTER ADMINISTRATION,

AS OF AUGUST 1-ST OF THIS YEAR) WE HAD 95 SHIPS UNDER CONSTRUCTION OR CONVERSION IN 20 PRIVATE SHIPYARDS, WHEN YOU ADD THE FACILITIES INVOLVED IN REPAIR) OVERHAUL, CONVERSION AND MODERNIZATION WORK YOU FIND THAT IN 1985 TO DATE, 41 PRIVATE SHIPYAPDS HAVE BEEN INVOLVED IN WORK FOR THE DEPARTMENT OF THE NAVY,

NAVSEA ESTIMATES THAT THESE PRIVATE SHIPYARDS HAVE EMPLOYED 103,000 WORKERS ON NAVY JOBS, PUTTING THESE NUMBERS IN PERSPECTIVE, THESE SHIPYARDS HAVE A TOTAL EMPLOYMENT OF 112,700, SO NAVY CONTRACTS ARE PROVIDING JOBS FOR 92 PERCENT THIS THIS TOTAL PRIVATE SHIPYARD WORK FORCE,

BY VIRTUALLY ANY MEASURE, THE DEPARTMENT OF THE NAVY'S CONTRIBUTION TO THE US, SHIPBUILDING INDUSTRY OVER THE PAST 41/2 YEARS HAS BEEN SIGNIFICANT, I WON'T PRETEND THAT WE HAVE SOLVED ALL OF INDUSTRY'S WOES -- THAT IS HARDLY THE CASE, STILL, I HAVE GROWN TIRED OVER THE PAST YEAR IN READING INDUSTRY'S OFT-EXPRESSED COMPLAINT THAT "THE NAVY IS NOT DOING ENOUGH," I THINK THESE FIGURES BELIEVE THOSE CHARGES, OF COURSE; WITH A DEFENSE BUDGET NEAR AUTHORIZATION THAT ONLY COMPENSATES FOR INFLATION, THERE WILL BE FURTHER FISCAL PRESSURES, QUITE FRANKLY, WE ARE STRUGGLING AT THIS TIME TO SUSTAIN THE FORWARD MOMENTUM WE HAVE MAINTAINED SINCE 1981, ON CAPITOL HILL, MUCH OF THE INITIAL BI-PARTISAN ENTHUSIASM FOR THE REBUILDING OF THE NATION'S ARMED FORCES HAS WANED, MUCH OF THE SERIOUS CONSIDERATION OF OUR NATION'S DEFENCE NEEDS HAS GIVEN WAY TO POLITICAL GRANDSTANDING AND POSTURING WITH TOILET SEATS AND CLAW HAMMERS, SO, AS THE BUDGET BATTLES INCREASE IN DIFFICULTY, THE DEPARTMENT WILL REDOUBLE ITS EFFORTS TO GET MAXIMUM UTILITY FROM EACH TAXPAYER DOLLAR EXPENDED

UNFORTUNATELY, FOR THE SHIPBUILDING INDUSTRY, THIS WILL PROBABLY MEAN A DARWINIAN "SURVIVAL OF THE FITTEST" ENVIRONMENT, IN TODAY'S BUDGETARY CLIMATE, THE UNITED STATES NAVY CANNOT AFFORD TO SUBSIDIZE NON-COMPETITIVE INDUSTRIES, BE THEY ORDNANCE MANUFACTURERS OR SHIPYARDS, AS SECRETARY OF DEFENSE WEINBERGER STATED IN HIS MOST RECENT REPORT TO CONGRESS "THE DEFENSE BUDGET IS NEITHER THE PRIMARY TOOL OF ECONOMIC STABILIZATION POLICY, NOR A JOB PROGRAM, IT SHOULD NOT BE USED SOLELY TO STIMULATE INDUSTRIAL DEVELOPMENT

I AM CERTAIN THAT MANY OF YOU IN THIS AUDIENCE SHARE WITH ME A CONCERN OVER PRESERVING NEW CONSTRUCTION FACILITIES HERE ON THE WEST COAST, I WOULD AGREE WITH YOU THAT IT'S IMPORTANT .... BUT ~~ONLY~~ ~~THE~~ ~~RIGHT~~ ~~WAY~~, YOU CUT YOUR LABOR COSTS, MODERNIZE YOUR PLANT, . AND IMPROVE YOUR PRODUCTIVITY, YOU'LL GET THE BUSINESS IF NOT IT WILL GO TO YOUR COMPETITORS WHO CAN OFFER A BETTER PRICE,

AS EVIDENCE OF OUR COMMITMENT TO COMPETITION, WE ARE TAKING A HARD LOOK AT THE ISSUE OF PRIVATE VERSUS PUBLIC SECTOR SHIPYARD OVERHAULS, AS SOME OF YOU KNOW THE FY85

CONTINUING RESOLUTION AUTHORITY ESTABLISHED A TEST PROGRAM TO ACQUIRE THE OVERHAUL OF TWO OR MORE VESSELS BY COMPETITION BETWEEN PRIVATE AND PUBLIC SHIPYARDS THE SUCCESSFUL BIDS HAD TO INCLUDE COMPARABLE ESTIMATES OF ALL DIRECT AND INDIRECT COSTS FOR BOTH SECTOR SHIPYARDS,

WE DECIDED TO COMPETE THE REGULAR OVERHAUL-OF THE USS DULUTH, AN AMPHIBIOUS TRANSPORT DOCK SHIP, PROPOSALS FROM TEN OFFERORS, EIGHT FROM THE PRIVATE SECTOR AND TWO NAVAL SHIPYARDS, WERE RECEIVED, NORTHWEST MARINE IRON WORKS OF PORTLAND, OREGON, SUBMITTED THE LOW OVERALL BID AND HAS BEEN AWARDED THE CONTRACT TO OVERHAUL DULUTH,

I WOULD LIKE TO ADD THAT NORTHWEST MARINE'S BID WAS SIGNIFICANTLY LOWER THAN THE LOWEST PUBLIC SECTOR SHIPYARD, NORTHWEST TACKLED THE ISSUE OF HIGHER COSTS FOR WEST COAST YARDS BY OBTAINING LABOR'S CONSENT TO A 25% WAGE REDUCTION, IT'S JUST SUCH EXAMPLES OF TEAMWORK BETWEEN MANAGEMENT AND LABOR THAT ARE GOING TO REAP SUBSTANTIVE REWARDS, IN THE WAY OF NAVY CONTRACTS IN THE FUTURE,

TO COMPLEMENT SUCH EFFORTS ON THE PART OF PRIVATE SHIPYARDS,  
WE ARE DOING OUR PART BY ANALYZING CLOSELY JUST WHO IS GOING TO  
DO THE BEST WORK FOR US AT LEAST COST,

SO, LONG BEACH NAVAL SHIPYARD, WHICH WAS THE LOW PUBLIC  
SECTOR BIDDER, WILL BE GIVEN THE SECOND SHIP ASSIGNED IN THE  
TEST, THE USS CLEVELAND, CLEVELAND IS THE SAME CLASS AS DULUTH,  
SO THE WORK INVOLVED SHOULD BE SIMILAR

THE RECORDED COST DATA FROM THESE TWO OVERHAULS WILL  
PROVIDE THE BASIS FOR FUTURE ANALYSIS AND REPORTS THAT WILL  
LARGELY DETERMINE WHO GETS WHAT IN THE WAY OF THE NAVY'S  
OVERHAUL WORK,

THE BOTTOM LINE IS THAT IN THE FUTURE YOU MAY BE ABLE  
TO BID FOR WORK THAT YOU NEVER WOULD HAVE GOTTEN IN THE  
PAST, BUT THERE WILL BE NO GIVEAWAYS, IF YOU WANT IT,  
YOU'RE GOING TO HAVE TO BEAT YOUR COMPETITORS,

THE PUBLIC VERSUS PRIVATE SHIPYARD COMPETITION IS JUST  
ONE <sup>/MORE.</sup> SMALL FACET OF THE "NEW" WAY WE'RE DOING BUSINESS IN THE  
DEPARTMENT OF THE NAVY' THE FUNDAMENTAL SEA CHANGE IN

PROCUREMENT WE HAVE INSTITUTED OVER THE PAST FOUR YEARS HAS BEEN DUE TO THE VIGOROUS MANAGEMENT REFORMS INITIATED BY THE SECRETARY OF DEFENSE, HE HAS REVERSED THE TREND, WHICH DATED BACK TO THE EARLY 1960'S, OF CENTRALIZING MANAGEMENT FUNCTIONS AND ERECTING LARGE, BUREAUCRATIC STRUCTURES TO EXECUTE ITS DECISIONS, HE HAS RETURNED TO THE SECRETARY OF THE NAVY THE AUTHORITY TO MANAGE HIS OWN DEPARTMENT, AT THE SAME TIME, HE HAS HELD THE SECRETARY ACCOUNTABLE FOR ACHIEVING REAL REFORM IN THE NAVY'S DEVELOPMENT AND PROCUREMENT PROCESS, .

THE MAJOR ACCOMPLISHMENTS THE DEPARTMENT HAS ACHIEVED OVER THE LAST FOUR YEARS FALL INTO FIVE BROAD CATEGORIES, SINCE YOUR SYMPOSIUM IS LOOKING TO THE FUTURE, I THINK IT APPROPRIATE TO CLOSE WITH A BRIEF DISCUSSION OF THESE CATEGORIES, THEY DEFINE THE NEW "WAY WE ARE DOING BUSINESS, AND WILL BE, FOR THE FORESEEABLE FUTURE,

FIRST, AS I PREVIOUSLY INDICATED, WE HAVE PUT TRUE COMPETITION BACK INTO OUR PROCUREMENT PROCESS. THE SOVIET "GOSPLAN" TYPE OF PROCUREMENT PHILOSOPHY IS GONE, IN FY81 WE COMPETED ONLY 25% OF OUR PROCUREMENT DOLLARS, THROUGH

MAY THIS YEAR, THAT PERCENTAGE HAD GROWN TO 42,3%, WITH A FY85 GOAL OF 45% OF PARTICULAR INTEREST TO YOU, IN FY30 LESS THAN 16% OF OUR SHIPBUILDING PROGRAM WAS COMPETED, IN 1985, THAT FIGURE HAS' INCREASED ALMOST FIVE TIMES, TO MORE THAN 84%.

I CANNOT EMPHASIZE ENOUGH THE FACT THAT COMPETITION WORKS, BY COMPETING THE PREVIOUSLY SOLE-SOURCED AEGIS CRUISER PROGRAM, WE SAVED MORE THAN \$380 MILLION, IN NOVEMBER OF LAST YEAR; WHEN WE COMPETED SIX CONTRACTS FOR THE CONSTRUCTION OF TEN SHIPS, THE SAVINGS TOTALLED \$243 MILLION, IN FACT, THE TOTAL FY83 AND FY84 SAVINGS ON SHIP PROCUREMENT, MORE THAN \$23 BILLION, HAS ALLOMED US TO FUND THE ENTIRE BATTLESHIP MISSOURI AND, ADDITIONALLY, GIVE THE AIR FORCE \$640 MILLION TO ASSIST IN THE MX MISSILE PROGRAM,

TO COMPLEMENT OUR RENEWED EMPHASIS ON COMPETITIOIN, WE HAVE INSTITUTED MANAGEMENT INITIATIVES TO STOP "GOLD-PLATING" AND GET CONTROL OVER DESIGN CHANGES, WE HAVE DISCIPLINED OUR BAD HABIT OF INCREASING AND CHANGING REQUIREMENTS FOR COMBAT SYSTEMS AND HOST PLATFORMS DURING CONTRACT EXECUTION,

THESE HABITS, IN THE PAST, HAVE LED TO PROCUREMENT DISASTERS,  
LITIGATION IN THE COURTS, AND MOUNTAINS OF CLAIMS AGAINST  
THE GOVERNMENT.

WE HAVE ESTABLISHED BOTH AIR CHARACTERISTICS AND SHIP  
CHARACTERISTICS IMPROVEMENT BOARDS, THESE BOARDS ACT TO  
CONTROL DESIGN AND EQUIPMENT CHANGES IN PRODUCTION OF AIRCRAFT  
AND SHIPS, NECESSARY CHANGES AND DESIGN MODERNIZATION ARE  
MADE ONLY WITH NEW ANNUAL CONTRACTS AND ARE NOT INSTITUTED  
PIECEMEAL IN THE MIDDLE OF PRODUCTION RUNS,. NO CONTROL OR  
ENGINEERING CHANGES CAN BE SUBMITTED FOR NEGOTIATION WITHOUT  
THE SIGNATURE OF THE COMMANDANT OF THE MARINE CORPS OR THE  
CHIEF OF NAVAL OPERATIONS AND THE SECRETARY'S, -

ANOTHER CHANGE IN THE WAY WE'RE DOING BUSINESS IS IN  
R&D FUNDING, WE'VE INCREASED THE PRODUCTIVITY OF OUR R&D  
DOLLARS AND STOPPED "CHASING R&D RAINBOWS/' BECAUSE WE HAD  
TOO FEW DOLLARS SPREAD OVER TOO MANY PROGRAMS, THE 551  
PROGRAMS WE INHERITED 'IN 1981 HAVE BEEN REDUCED TO 400  
TODAY, WE HAVE CANCELLED A NUMBER OF MASSIVE DEVELOPMENT  
PROGRAMS WHERE THE PAYOFF IN CAPABILITY AND EFFICIENCY HAS  
BEEN MARGINAL, REDIRECTING THE FUNDS SAVED TO OUR MOST  
**PROMISING PROGRAMES**

ME HAVE ALSO TAKEN DECIDED STEPS TO ENSURE CONTRACT DISCIPLINE, ACCOUNTABILITY AND QUALITY ASSURANCE IN OUR DEALMGS WITH INDUSTRY, COST-PLUS CONTRACTS, ONCE CONSIDERED THE NORM ARE- NOW ACCEPTABLE ONLY AS A LAST RESORT ON HIGH RISK PROGRAMS CONTRACTS FROM THE 1970'S ON SUCH SYSTEMS AS TOMAHAWK TRIDENT, AND THE SSN 688'S HAVE BEEN RENEGOTIATED TO ELIMINATE LENTENT TERMS FOR CONTRACTORS, ALL AIRCRAFT PROCUREMENT IS NOW DONE ON FIXED PRICE CONTRACTS, ALL SHIP PROCUREMENT IS NOW DONE Old FIXED PRICE CONTRACTS, WITH A 50/50 SHARE LINE ABOVE AND BELOW THE CONTRACT PRICE,

HOW HAS INDUSTRY RESPONDED TO THIS NEW EMPHASIS ON DISCIPLINE? AGAIN, LET'S TAKE THE SHIPBUILDING INDUSTRY AS AN EXAMPLE, BETWEEN 1982 AND AUGUST 1ST OF THIS YEAR WE-HAVE TAKEN DELIVERY ON 83 SHIPS, OF THESE, 32 HAVE BEEN DELIVERED EARLY AND 37 OK TINE, IN OUR SUBMARINE PROGRMS, AFTER YEARS OF LATE DELIVERIES, COST OVERRUNS, LITIGATION AND CLAIMS, ALL OF OUR SUBMARINES ARE NOW ON, OR AHEAD OF, SCHEDULE, THE NUCLEAR AIRCRAFT CARRIER THEODORE ROOSEVELT, LAUNCHED LAST OCTOBER, WAS 18 MONTHS AHEAD OF SCHEDULE AND

\$100 MILLION UNDER BUDGET ONCE AGAIN, THE CRITICS WHO INSISTED THAT INDUSTRY WAS INCAPABLE OF RESPONDING TO THE NEW EFFICIENCIES AND DISCIPLINE IMPOSED BY THE NAVY HAVE BEEN PROVEN WRONG

FINALLY, AND PERHAPS MOST IMPORTANTLY, WE ARE CHANGING THE WAY WE SELECT, EDUCATE, AND REWARD THE PEOPLE WHO MANAGE OUR ACQUISITION PROGRAMS, FOR TOO LONG IT HAS BEEN A GIVEN IN THE DEFENSE THAT THAT A CONTRACTOR WITH EXPERIENCE MEETS AN OFFICER WITH MONEY, THE CONTRACTOR WITH EXPERIENCE WILL GET THE MONEY .... AND THE OFFICER WITH MONEY WILL GET SOME "EXPERIENCE" WE INTEND TO BREAK THAT CYCLE, AND PUT THE "EXPERIENCE" BACK ON OUR SIDE OF THE TABLE,

IN DECEMBER OF 1984 THE CNO AND THE SECRETARY ANNOUNCED THE CREATION OF THE MATERIAL PROFESSIONAL, OR "MP" CAREER PATTERN, THE "MP" PROGRAM IS DESIGNED TO PREPARE OUTSTANDING NAVAL OFFICERS FOR CAREERS WHICH CONCENTRATE ON SYSTEMS ACQUISITION, MAINTENANCE, AND READINESS FUNCTIONS, 'THE "MP" WILL FOLLOW A CAREER PATH THAT INTEGRATES OPERATIONAL TOURS WITH BUSINESS EDUCATION AND ACQUISITION MANAGEMENT EXPERIENCE

TOURS, ALMOST FORTY PERCENT OF THE NAVY'S FLAG OFFICER BILLETTS HAVE BEEN SET ASIDE FOR MATERIAL PROFESSIONALS TO PROVIDE THE CAREER INCENTIVES NECESSARY TO ATTRACT HIGH QUALITY PEOPLE TO THE PROGRAM, THE CREATION OF THE MATERIAL PROFESSIONAL CAREER PATTERN REPRESENTS PERHAPS THE MOST DRAMATIC AND FAR REACHING INSTITUTIONAL CHANGE IN THE NAVY IN DECADES, IT IS A MAJOR STEP TO GET US BACK ON PAR WITH OUR COUNTERPARTS INDUSTRY

AS FAR AS FUTURE INITIATIVES, WE ARE EMBARKING ON A MAJOR PROGRAM TO REDUCE THE BUREAUCRATIC LAYERING, . BOTH MILITARY AND CIVILIAN, THAT HAS ACCUMULATED AROUND OUR ASHORE AND FLEET COMMANDS TOO OFTENTIMES THESE LAYERS HAVE STRANGLERED THE INITIATIVE AND INNOVATION THAT ARE THE HALLMARKS OF OUR BEST PROFESSIONALS, THE ELIMINATION OF THE NAVAL MATERIAL COMMAND IS THE FIRST STEP TOWARDS OUR GOAL OF REDUCING ORGANIZATION BLOAT AND FREEING OUR PEOPLE OF THE BUREAUCRATIC CHAINS THAT HAVE ENCUMBERED THEM SINCE THE 1960'S WE INTEND TO CUT THE FAT OUT OF OUR MANAGERIAL PROCESSES AND ELIMINATE NEEDLESS LAYERS OF CONTROL, SUPERVISION

AND "OVERSIGHT," ALL TOO OFTEN THEY ARE SIMPLY ENGAGED IN MAKE-WORK PROJECTS, MEMORANDUM DRAFTING, AND SAYING "NO" AND LITTLE ELSE, BOTH THE UNIFORMED AND CIVILIAN BUREAUCRACIES HAVE GOT TO START PROVIDING MORE OF THE SOLUTIONS, RATHER THAN REMAINING A SUBSTANTIAL PART OF THE PROBLEM,

IN SUMMARY I HAVE OUTLINED FOR YOU THE DEGREE OF COMMITMENT THE DEPARTMENT OF THE NAVY HAS MADE TO OUR DOMESTIC SHIPBUILDING INDUSTRY OVER THE PAST FOUR YEARS I HAVE ALSO SKETCHED FOR YOU THE FUNDAMENTAL PHILOSOPHIES THAT WE WILL BE FOLLOWING IN THE FUTURE AS WE WORK TO SUSTAIN OUR MOMENTUM IN TIMES OF BUDGETARY CONSTRAINT

THE STRUGGLE TO REBUILD THE FLEET TO 600 SHIPS BY THE END OF THE DECADE HAS LARGELY BEEN WON, WE HAVE REVERSED THE DANGEROUS DECLINE IN THIS NATION'S MARITIME STRENGTH, WE <sup>ARE</sup> <sup>ING</sup> HAVE RESTORED AMERICA'S GLOBAL NAVAL POWER TO ENSURE THE FREEDOM OF THE SEAS SO VITAL TO OUR ECONOMY,

THE NEXT FOUR YEARS WILL SEE INCREASING EMPHASIS ON MANAGERIAL AND PROCUREMENT EFFICIENCIES, IF YOU SO CHOOSE, YOU CAN REMAIN, OR BECOME, PART OF THE TEAM,

WILL THE GOING BE TOUGH AT TIMES? OF COURSE

WILL MANY OF THE CHANGES AND NEW POLICIES MEET WITH STRENUOUS OBJECTIONS FROM VESTED INTERESTS AND ENTRENCHED BUREAUCRACIES? PROBABLY!

BUT, WE INTEND TO STAY THE COURSE, AND, AS SOMEONE ONCE OBSERVED ABOUT THE LEGEND THAT SAINT DENIS WALKED 10 KILOMETERS CARRYING HIS HEAD IN HIS HAND, "THE DISTANCE DOESN'T REALLY MATTER, IT'S ONLY THE FIRST STEP THAT IS DIFFICULT

THANK YOU, AND NOW I'LL TAKE SOME QUESTIONS,

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