

Stenographic Transcript
Before the

Subcommittee on
Readiness and Management Support

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON
BEST PRACTICES AT PUBLIC AND PRIVATE SHIPYARDS

Wednesday, July 29, 2015

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1 HEARING TO RECEIVE TESTIMONY ON BEST PRACTICES AT PUBLIC AND
2 PRIVATE SHIPYARDS

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U.S. Senate

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Subcommittee on Readiness and

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Management Support

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Committee on Armed Services

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The subcommittee met, pursuant to notice, at 2:34 p.m.

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in Room SR-232A, Russell Senate Office Building, Hon. Kelly

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Ayotte, chairman of the subcommittee, presiding.

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Members Present: Senators Ayotte [presiding], Rounds,

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Ernst, Shaheen, Hirono, Kaine, and King.

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1 OPENING STATEMENT OF HON. KELLY AYOTTE, U.S. SENATOR
2 FROM NEW HAMPSHIRE

3 Senator Ayotte: Good afternoon. This hearing of the
4 Subcommittee on Readiness and Management Support will come
5 to order. It's a pleasure to convene this hearing with
6 Senator Kaine, the Ranking Member of this Subcommittee.

7 I want to welcome Mr. Bagley and Mr. O'Connor, who I --
8 whom I will both introduce in a moment. Thank you both for
9 being here.

10 The topic of today's hearing is Best Practices at Our
11 Shipyards. Our Nation's private and public shipyards
12 manufacture and maintain the Navy's ships and submarines.
13 While the workers at these shipyards are largely civilians,
14 they play a critical role in protecting and defending our
15 country. Combatant commanders and the men and women of the
16 United States Navy look to the workers at our shipyards to
17 provide them technologically advanced, reliable, safe, and
18 combat-ready ships and submarines. To fulfill this
19 essential function, shipyards must constantly reassess
20 practices to promote efficiency, performance, and
21 responsible stewardship of our tax dollars. This requires
22 identifying best practices, assessing their impact on
23 performance, and ensuring those best practices are
24 institutionalized and shared.

25 In addition to private shipyards, like Newport News,

1 our Nation has four public shipyards. Each of these public
2 shipyards plays an indispensable role in sustaining our
3 Nation's naval readiness, but I'm particularly proud of the
4 Portsmouth Naval Shipyard. Portsmouth Naval Shipyard is the
5 Navy's center of excellence for fast-attack nuclear-powered
6 submarine maintenance, modernization, and repair. That is
7 more than just words. The skilled and dedicated workers at
8 Portsmouth have proven with their performance and their
9 consistent track record of completing projects ahead of
10 schedule and under budget. Here are just a few examples:

11 In April of last year, the workers at Portsmouth Naval
12 Shipyard safely undocked the U.S.S. Topeka 20 days ahead of
13 schedule, following an engineered overhaul.

14 In June, following a maintenance availability, the
15 workers at Portsmouth Naval Shipyard returned the U.S.S.
16 California to the fleet 14 days ahead of schedule.

17 In September, Portsmouth Naval Shipyard delivered the
18 U.S.S. Springfield back to the fleet ahead of schedule and
19 under budget.

20 The excellent performance by the workers at Portsmouth
21 continues with their current work on the U.S.S. Alexandria,
22 which is on track to meet its scheduled completion date.
23 The workers at Portsmouth have continued to perform at this
24 high level while already hiring approximately 680 new
25 workers this fiscal year. This amazing track record of

1 accomplishment is due, in large part, to the
2 labor/management collaboration at Portsmouth, the Renewal of
3 Shipyards Values and Pride, or RSVP, Program, and the
4 Declaration of Excellence. At their root, as our witnesses
5 know well, programs like these are successful because they
6 promote labor/management collaboration, empower the
7 workforce, and create a culture that values high standards
8 and continuous learning. These efforts have resulted in
9 tangible best practices that have improved performance and
10 saved time and money, getting submarines back to the fleet
11 sooner.

12 The Navy has recognized this topnotch performance at
13 Portsmouth and the long-term need for the shipyard, as
14 evidenced by the Navy's strong investment in recent years in
15 infrastructure at the shipyard, including its continued
16 commitment to project P-266, the Structural Workshops
17 Consolidation.

18 In order to understand and share best practices at our
19 public and private shipyards, we are joined this afternoon
20 by two distinguished and incredibly experienced witnesses.

21 Mr. Ray Bagley is the Vice President of Trades
22 Operations for Newport News Shipbuilding. He is responsible
23 for production labor resources and processes, plant
24 engineering and maintenance, waterfront support services,
25 training in structural design, and the Apprentice School.

1 Mr. Bagley has worked at Newport News Shipbuilding since
2 1974.

3 Mr. Paul O'Connor is President of the Metal Trades
4 Council at Portsmouth Naval Shipyard, representing 2500
5 tradesmen and -women at the shipyard. His career spans 40
6 years at Portsmouth Naval Shipyard, including work as a
7 journeyman electrician, performing maintenance and
8 modernization work on the Navy's nuclear-powered submarines.
9 Mr. O'Connor is an active member of the Naval Sea Systems
10 Command, or NAVSEA, Labor Management Partnership. I deeply
11 appreciate having the opportunity to meet with and work with
12 Mr. O'Connor for many years now, his leadership at the
13 shipyard.

14 I deeply appreciate both witnesses' willingness to come
15 and appear before our committee today. I would also note
16 that Mr. Steven Fahey, a nuclear production manager at
17 Portsmouth Naval Shipyard, was scheduled to testify, and was
18 eager to be here. Unfortunately, at the last minute, he was
19 called away on an assignment. But, in a tangible
20 demonstration of the labor/management collaboration at
21 Portsmouth Naval Shipyard that has resulted in such strong
22 performance, Mr. Fahey has submitted a written statement for
23 the record.

24 If there are no objections, I request that this
25 statement be submitted for the record. Thank you.

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[The prepared statement of Mr. Fahey follows:]

1 Senator Ayotte: I would now like to call on our
2 Ranking Member, Senator Kaine, for his opening remarks. And
3 I would like to thank Senator Kaine for collaborating with
4 me on this important hearing.

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1 STATEMENT OF HON. TIM Kaine, U.S. SENATOR FROM
2 VIRGINIA

3 Senator Kaine: Absolutely. Well, thank you, Madam
4 Chair. And thanks, to Senator Rounds, for being here, and
5 to our witnesses. I'm very excited about this.

6 Sometimes, you'll run into people who will say that
7 they worry that American manufacturing is dead or declining.
8 And whenever I hear that, I say, "Come with me to see
9 American workers who build and manufacture the largest items
10 on the planet, a nuclear aircraft carrier. Come and talk to
11 our shipbuilders and ship-repairers, and you're going to be
12 convinced, not only is American manufacturing not dead, but
13 you're going to be convinced that these shipbuilders and
14 repairers are really doing amazing work."

15 It's amazing work. It's important to recognize it.
16 It's also important not to take it for granted. We live in
17 an environment with budget sequester and all kinds of other
18 uncertainties, where, if we're not careful, we can impact
19 the current, and especially the future, workforce that we
20 need to do this important work.

21 And I'm so glad that Senator Ayotte wanted to have this
22 hearing, you know, Readiness on Public and Private
23 Shipyards. But, it's not about the yard, it's about the
24 builders and the repairers.

25 In Virginia, we have a great public shipyard in

1 Norfolk. We have the spectacular private shipyard in
2 Newport News. We have ship-repairers, large and very small.
3 You know, the Ship Repairers Association of Virginia,
4 hundreds of members. Senator Ayotte is facing the same kind
5 of reality on the ground in her State. This is a huge and
6 important task to do this important work to keep our country
7 safe. And what we want to learn today is best practices,
8 things that we should do more of, and things that we should
9 be -- if there are warning signs or things we should be
10 aware of and -- we need to know that, too.

11 The reason I'm so happy to have Mr. Bagley here is not
12 only because of the great work that is done, in terms of the
13 shipbuilding and submarine-building at the shipyard. This
14 Saturday is a big day, the launch of the U.S.S. John Warner,
15 which was a Virginia-class sub that's ready to be launched
16 out of the Norfolk base this Saturday. And it seems like
17 there's always something being christened, or a keel being
18 laid, or a launch.

19 But, in addition to the end product, I think what the
20 Huntington-Ingalls Shipyard Newport News has done very, very
21 well, that we can take a lesson on within shipbuilding more
22 broadly, is the spectacular apprenticeship program that has
23 been in place for a century. And Mr. Bagley, as part of his
24 responsibilities, has that apprentice program as one of his
25 areas of -- I mean, he came through the apprenticeship

1 program as a painter, beginning in 1974, but now has it as
2 one of his areas of supervision.

3 This is an -- a remarkably important thing for us to
4 understand. And the more we understand about it -- New York
5 Times recently had an article about apprenticeship programs,
6 and focused on the apprenticeship program in Newport News --
7 it offers some lessons, more broadly -- to keep this
8 industry strong, but, more broadly, in terms of how we
9 should do education work in the country, how we should look
10 at the spectrum of educational opportunities.

11 So, I'm interested to learn today what we need to do to
12 keep our shipbuilder and -repair industry strong, but also
13 the techniques that are used in the apprenticeship school,
14 and how we might apply them to others.

15 The last thing I'll do is, I'll tell one story. I went
16 with Senator King, last October, to India. And we asked --
17 I guess not a lot of folks ask to do this -- we wanted to go
18 visit their shipyard. Now, they have a shipyard that builds
19 carriers. They have a shipyard in Mumbai that builds surfer
20 ships that are not carriers and subs. And Senator King,
21 obviously, is very familiar with the Portsmouth Shipyard,
22 very familiar with Bath Iron Works. I'm very familiar with
23 the Virginia operations. We wanted to see how an ally did
24 it. And we went to the Mazagon Docks Shipyard in Mumbai,
25 and the degree of pride of the workers there, and how

1 excited they were to show us what they were doing, it's just
2 hard to put it into words. They were so excited that a
3 delegation from the United States Senate wanted to come and
4 see what they had. And we were really impressed with that
5 pride. But, boy, the more we saw, the more we were even
6 more impressed with what we see and what we do here. And I
7 actually think a delegation from the Indian shipbuilding
8 industry is coming to visit some American shipyards in about
9 2 and a half weeks, which is great, because I think that
10 partnerships is strong. We do it better than anybody in the
11 world. Of course people want to come and learn how we do
12 it. But, we shouldn't take it for granted, and we need to
13 learn what we can do to keep this industry strong.

14 And so, Madam Chair, very, very happy to be here today
15 with these witnesses.

16 Senator Ayotte: Thank you so much, Senator Kaine.

17 I would like to now call on our first witness, Mr. Ray
18 Bagley, who is Vice President of Trade Operations for
19 Newport News Shipbuilding, for your opening remarks.

20 Mr. Bagley.

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1 STATEMENT OF RAY BAGLEY, VICE PRESIDENT OF TRADES
2 OPERATIONS FOR NEWPORT NEWS SHIPBUILDING

3 Mr. Bagley: First, I'd like to start by saying good
4 afternoon and thank you, Madam Chair Ayotte, Senator Kaine,
5 and to the other distinguished members of the Subcommittee
6 on Readiness and Management Support.

7 You know, I've got to say that, for me, it is truly
8 beyond my expression, so I'll just use words that I can best
9 describe it. I'm delighted, excited just to be able to sit
10 before you today and just to talk about some of the things
11 that our industry is doing, specifically -- down to the
12 Apprentice School, specifically.

13 My name is Ray Bagley. And again, I am the Vice
14 President of Trades Operations at Newport News Shipbuilding,
15 which is a division of Huntington-Ingalls based in Newport
16 News, Virginia. Part of my job as -- has already been fore
17 stated, and I consider it to be the most critical part of my
18 job, is to provide and prepare a capable production and
19 maintenance workforce to perform all the critical work that
20 we do to serve our U.S. Navy. So, that is a tremendous
21 pleasure and a privilege. And with that comes another
22 important element to be able to perform that, is training.

23 So, I would like to ask -- I do have a written
24 statement that, if it's appropriate, Madam Chair, to have
25 permission to just read my statement.

1 Senator Ayotte: Yes.

2 Mr. Bagley: Thank you.

3 Forgive this, what I will call, I will say, a umbrella
4 approach, if I may. I want to just talk about our
5 Huntington-Ingalls industry. And, if you bear with me, I'll
6 try to get through this as fast as I can. But, I want to
7 talk about the industry, because it's appropriate, just to
8 put it in perspective, to say that we are grateful for our
9 country because we're able to be able to provide jobs by way
10 of having what I call a revenue -- yearly revenue of 6.8
11 million and, of course, a current backlog of around 24
12 billion. Between all of our, I will say, subsidiaries, we
13 actually employ around 38,000 people. And, of that 38,000,
14 greater than 50 percent are our craftsmen and -women who
15 actually turn the wrench on the job. And that's the way we
16 like to say it. Not to belittle or make small of it, but it
17 lets them know that people like myself, we truly work for
18 our workers who are on the deck plate. We stretch from
19 States like Virginia, of course, Mississippi, California,
20 Louisiana, Texas, and Colorado. And, of course, you know,
21 we are a -- in our employment of our people, we put a lot of
22 emphasis on hiring our veterans. And I think, currently,
23 man total, we are up to around better than 5,000 veterans.

24 So, we also provide a wide variety of products and
25 services to the commercial, I will say, energy industry --

1 this is some of our new endeavors -- and other government
2 customers, including Department of Energy. So, we are
3 looking for other avenues to continue to grow our business.
4 And I'll elaborate, as I get to my closing, why this is so
5 important to us.

6 As you can see, we have a corporate slogan -- I think
7 it's pretty widely known -- "Hard stuff done right." And
8 when you think about everything that, Senator Kaine, you
9 have actually stated about the products that we build and
10 the magnitude of their size, that is truly what we believe,
11 and it is committed to our goal. It's a commitment to our
12 people, our communities, and, more importantly, our country.

13 So, today I want to talk about Newport News
14 Shipbuilding as the sole designer and builder and refueler
15 of U.S. Navy aircraft carriers. And we are one of two
16 providers of the U.S. nuclear-power submarines. The ships
17 we build, they do some of our country most important work,
18 from, you know, taking on a fight, wherever we need to take
19 on one, to the point of providing humanitarian efforts
20 throughout this great world. And nothing -- you know, I
21 will say, when I see a carrier come on television, I grab
22 all of my family in the house -- I'm at the age now where
23 I'm into my grandchildren stage -- I become like a kid. I
24 start shouting, jumping up and down. They look at granddad,
25 like, What is going on? I say, "You've got to get in here,

1 you've got to get in here," because it's only, like, 3
2 minutes when they play that clip on the news. And we see
3 one of our products giving humanitarian efforts, flying in
4 supplies to places that have suffered, you know, a
5 catastrophe or something like that, nothing makes me feel
6 any more prouder to be a shipbuilder.

7 So, with that, I want to speak about the importance --
8 the reason why I'm here -- of fully developed and productive
9 workforce. Two things I want to highlight is, we invest
10 heavily in workforce development. And, just to give you the
11 idea of the magnitude, yearly we spend in excess of \$80
12 million in our training. That training covers a variety of
13 things that we do. Apprentice School is one of them. But,
14 also, in that, we invest in our capital funds. We take our
15 capital funds, invest in things like new technology. We
16 look at, How can we get better products in, markups,
17 anything that would help our craft-men and -women, that,
18 when they go out to execute their work, they ready to
19 execute to give us the best quality, to operate in the most
20 safe way, and to give us a product that we can be the best
21 for the taxpayers' money, under cost, and certainly on
22 schedule.

23 So, the workforce community that we're talking about,
24 we do look at the workforce investment boards. We
25 coordinate with school districts, community colleges,

1 certainly in the area of Virginia, and we are focused on
2 bringing world-class CTE high schools to our region.

3 We annually perform 75,000 training events on the
4 waterfront. And that number excludes the Apprenticeship School.
5 As ship technologies have advanced, as with the Ford-class
6 carriers, our internal training has also had to advance.
7 For the Ford, we had to develop 50 new production training
8 courses to provide the needed skills and knowledge to our
9 workforce. We are up to the task and the challenges that
10 lie ahead.

11 As a company, we believe so strongly in our technical
12 training and capabilities that we are actively exploring and
13 offering these training services to commercial non-
14 shipbuilding clients to assist with their workforce
15 development, as well.

16 Now, let's talk about the Apprenticeship School. I am very
17 proud to say that I am responsible for overseeing the
18 Apprenticeship School at Newport News Shipbuilding. In
19 addition, I'm very proud to say that I am a graduate of the
20 Apprenticeship School, some 36 years ago. The Apprenticeship School
21 provided me an education and opened doors to experiences and
22 opportunities, as I look back, that I don't think I would
23 have otherwise gotten. So, today it serves as an excellent
24 example of how intense career and technical education can
25 prepare students who are highly skilled in-demand careers

1 through a combination of rigorous academic and real-world
2 experiences with the potential to change the course of lives
3 of the people who actually have this experience. And, in
4 fact, it actually changed my life.

5 In less than 4 years, the Apprentice School will have
6 the opportunity to celebrate centennial celebration of 100
7 years. So, when you think about how Newport News feel about
8 the Apprentice School, that's an investment we started back
9 in 1919. And, even though we've seen the company go through
10 various ups and downs, various, you know, valley experiences
11 and back up the mountains, we've never forsaken the value of
12 the Apprentice School to be there to help train our men and
13 women to be excellent in what they do.

14 So, the Apprentice School for Newport News, we have
15 three pillars that we love to bring students in and perfect
16 them in. Those three pillars are craftsmanship,
17 scholarship, and leadership.

18 In respect to craftsmanship, each apprentice follows a
19 specifically designed and preapproved work rotation that
20 ensures that experience and competence in relevant aspects
21 of their chosen trade. The apprentices are evaluated by
22 their craft instructors, and they receive a shop grade based
23 on their quality, their safety, their work habits,
24 initiatives, and their demonstrated leadership abilities.
25 As apprentices mature through their apprenticeship, they

1 advance from being a entry-level helper to a full-fledged
2 mechanic. And that's pretty phenomenal, to be -- to turn
3 out that product in approximately 4 years.

4 The second pillar: scholarship. One-hundred percent
5 of academic courses of our curriculum, which we call the
6 "world-class shipbuilding," are taught by our own faculty,
7 who holds the same academic credentials as those required by
8 colleges and universities. We currently have articulations
9 agreement with 10 colleges and universities, and regularly
10 work collaboratively with centers of learning. One example,
11 Webb Institute, Old Dominion University, Thomas Nelson
12 Community College, and certainly Tidewater Community
13 College. We now have apprentices that offer an associate's
14 degree. And now, with Old Dominion, we have the opportunity
15 to offer a bachelor's degree in engineering, which has been
16 one of my -- our most recent programs that we have stood up.
17 These relationships that remain -- or, excuse me, that the
18 integrity and quality of education at the Apprentice School
19 remain excellent and provides a seamless transfer of
20 credits, which ensures a continuing education that, if the
21 student wanted to pursue their education beyond Apprentice
22 School, all of those credits will go along with them, and
23 count.

24 All graduates will complete a Certificate of
25 Apprenticeship in their specific trade. And those who

1 advance to one of eight optional advanced programs will
2 graduate with an associate's degree and, in some cases, as I
3 stated, a bachelor's degree in engineering. One-hundred
4 percent of our programs are registered with the Virginia
5 Apprenticeship Council and recognized by the U.S. Department
6 of Labor. We also are accredited, and have been for the
7 past 32 years.

8 The last pillar is leadership. Shipbuilding leadership
9 is learned through increasingly challenging assignments and
10 opportunities. So, we create opportunity through
11 leadership. We develop professional societies. We have
12 student organizations. And we have intercollegiate athletic
13 programs.

14 One of our premier leadership program is what we call
15 iLead. That program was based off of the United States
16 Naval Academy. There are nine leadership principles. We
17 team those principles up with successful leaders in Newport
18 News. And students are challenged academically and
19 vocationally to master those principles.

20 A second one of our leadership programs is what we call
21 Front-line FAST. FAST is the acronym for Foreman
22 Accelerated Skills Training. The reason why this one is so
23 important to us is, we had people coming out of the
24 Apprentice School, and, instead of wanting to stay on the
25 waterfront, they were taking jobs that would take them off

1 the waterfront. So, we target a specific program that will
2 train our apprentices with specific skills that, when they
3 come out, they would be ready to hit the deck plate as a
4 first-line foreman. And that has been very successful for
5 us.

6 Opportunities. Within the past 10 years, we
7 reestablished apprenticeships in patternmaking and molder,
8 and we introduced new programs, such as dimensional control,
9 nuclear tests, marine engineering, and modeling and
10 simulization. The Apprentice School is responsive, not only
11 to meet the demands of Newport News, but what we try to do
12 is anticipate what their future demands will be. We realize
13 that the world is changing. It has changed a lot for
14 Newport News. And certainly we are active business partners
15 with the Senate CTE Caucus in fostering technical education
16 needs for American workers. At Newport News, we have
17 graduated 10,000 apprentices, and that is a testament to our
18 career in technical education. Forty-four percent of our
19 graduated apprentice are in production management. And --
20 well, let me just change that. Our production management
21 consists of 44 percent of apprentices. And so, therefore,
22 when we look at it, we have 4,000 people each year -- 4,000
23 plus, in fact -- that submit applications to enter into our
24 apprenticeship program. And out of that 4,000, or 4500
25 plus, we end up only hiring 230. So, we get the chance to

1 really take some very, very good students that are coming
2 in. The Apprentice School, for one reason, can be an
3 alternative for people who may not -- for students who may
4 not want to go to college, and they want to choose another
5 path. Also, we are able to pick up students that have gone
6 to college and have gotten their bachelor's, and when they
7 -- they are looking for a job, jobs are hard to find. And
8 so, we target those particular students, as well, and they
9 come in with a different skill set. At least they have gone
10 through that experience, so there's a certain level of
11 maturity that they bring into the company with. So, again,
12 we are able to pick what I'll call the cream of the crop.

13 Of the 800 current students that we have in the
14 program, you would notice that we've actually had interviews
15 with FOX News, articles were written on Apprentice School.
16 And, most recently, there was an article written about the
17 Apprentice School in the New York Times. And I've got to
18 tell you, when we see those articles, it is very humbling
19 for the craft instructors, for the apprentices that come in.

20 Instead of the pride that rises up in a negative way, it's
21 a very humble pride that we are very proud of what we are
22 able to do.

23 The Apprentice School is an investment. As I shared
24 with you, we spend a lot of money. But, it's an investment
25 that we have to make. It's an investment in our people.

1 It's an investment in our company. It's an investment in
2 our local regional area. It's an investment in our State.
3 And, of course, as you go up, it's an investment in our
4 Nation. So, there is a tie with the Apprentice School and
5 what we do in Newport News that stretches across this United
6 States of America.

7 Workload challenges. And I'll conclude with this one.
8 The best way to develop shipbuilders is to continually allow
9 them to build ships; meaning, provide them the workload to
10 continue to learn and exercise their craft. This is also
11 the best and most efficient way to build ships.

12 Unfortunately -- and this is no news -- Newport News
13 Shipbuilding will be facing what we call a multiyear
14 workload gap that's coming up in the near future. We get
15 concerned, because we need those non-apprentices to be able
16 to complement our apprentices so both of them get the
17 benefit to grow and learn, and to give our Nation the best
18 product ever.

19 But, I want to say, by -- I'll conclude by saying, even
20 though we are facing this valley, I want to let everyone
21 know that the Apprentice School has a commitment to remain
22 strong. We have a commitment to keep our accreditation
23 high, to be reputable. And we have a commitment that, when
24 we ride through this valley and come out on the other side,
25 we will have produced the leaders that are ready to lead us

1 into the next future.

2 So, thank you very much, and thank you for your time.

3 [The prepared statement of Mr. Bagley follows:]

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1 Senator Ayotte: Thank you, Mr. Bagley.

2 I would now like to introduce our second witness, Mr.
3 Paul O'Connor, President of the Metal Trades Council at the
4 Portsmouth Naval Shipyard.

5 Mr. O'Connor.

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1 STATEMENT OF PAUL R. O'CONNOR, PRESIDENT OF THE METAL
2 TRADES COUNCIL AT PORTSMOUTH NAVAL SHIPYARD

3 Mr. O'Connor: Thank you. Chair Ayotte and Ranking
4 Member Kaine and other distinguished members, thank you for
5 this opportunity to speak, to give testimony at this
6 subcommittee today.

7 I have submitted a longer written statement, so I can
8 speak a shorter statement to open. And I would ask that my
9 written statement be submitted for the official record.

10 Senator Ayotte: Absolutely.

11 Mr. O'Connor: Thank you.

12 Before I begin, I need to say a couple of things.
13 First of all, if Steve Fahey was here beside me, he'd say
14 the same things I'm saying, because, at our shipyard, we
15 value our labor/management relationship, we value
16 collaboration, we value working together, because you can
17 accomplish so much more when we work together.

18 I also want to say that I had to chuckle when Mr.
19 Bagley was talking about aircraft carriers -- seeing an
20 aircraft carrier, and how he feels about that, and bringing
21 his family, "There's an aircraft carrier." Well, I was at
22 the movies last month with my daughter, and, before the
23 movie started, there was a commercial that came on, on the
24 screen, a Navy commercial, and a submarine breached. So, I
25 yell out, "Submarines." And my daughter was embarrassed,

1 but I thought it was awesome.

2 [Laughter.]

3 Mr. O'Connor: So, what you will be hearing from me
4 today -- there'll be a few recurring themes. One is, men
5 and women at the jobsite have the best ideas on creating
6 efficiencies at the jobsite. And one of the things to do at
7 the shipyard is, we want to spread our philosophies of
8 workforce engagement throughout the entire Federal sector.
9 We have a lot of dignitaries come to the shipyard. Senators
10 -- many Senators come to our shipyard. The Secretary of
11 Labor was at our shipyard. Vice President Biden has been
12 there. Many admirals. Many, many dignitaries come to our
13 shipyard to see how we do business. And I tell them all, we
14 -- men and women at the jobsite have the best ideas on
15 creating efficiencies at the jobsite. And they all nod
16 their heads, like we all did when I said it in this room.
17 The fact of the matter is, in too many industries, that
18 isn't the reality. The reality is, a handful of individuals
19 are the idea people, and kind of what they say goes. So,
20 what we're doing at Portsmouth is truly listening to our
21 workforce. We want their ideas -- the men and women at the
22 jobsite.

23 I'll also talk more than once about our performance.
24 Maximum performance requires maximum workforce engagement.
25 We want -- at our shipyard, there are about 6,000 men and

1 women -- we want 6,000 men and women engaged at our shipyard
2 in the daily operations of our business. For each man and
3 woman who feels disenfranchised, we further reduce the
4 likelihood that we will reach our fullest potential. So, we
5 want everyone engaged.

6 And finally, I've already said it, we can accomplish so
7 much more when we all work together. Again, it sounds so
8 simple, but it's so easy to find reasons or excuses to not
9 work together, to not listen to someone. And we're trying
10 to work past that at the Portsmouth Naval Shipyard.

11 I will talk with some granularity about specific
12 initiatives that we have ongoing at Portsmouth that are
13 really having a positive impact on our performance and our
14 engagement of the workforce. But, more than the individual
15 initiatives, the most important thing we've done at our
16 shipyard since we've begun these initiatives in 2010 is
17 listen to our workforce. I mean, that is absolutely the
18 most important thing we've done, because all of the
19 initiatives that we will talk about came from the men and
20 women doing the work. None of what you will hear today
21 would have happened had we not listened to the workforce.
22 It's that important to us. You want to engage your
23 workforce, you listen to them. You listen to their ideas.
24 You act on their ideas. And you create positive feedback,
25 quality feedback. And that's what it's all about for us.

1 So, like I said, our shipyard has about 6,000 men and
2 women. Imagine 6,000 men and women coming to work in the
3 morning, knowing their voices will be heard, and what that
4 means for each one of them, you know, and what that means
5 for our shipyard. And, for each of them on their way in to
6 work, you know, how does it feel, right through to the end
7 of the day, when they go back to bed? You know, it's a
8 whole new environment when you wake up and you know your
9 voice is going to be heard. And, beyond that, imagine
10 embedding those same philosophies throughout DOD. Imagine
11 800,000 men and women coming to work, knowing their voices
12 will be heard, and the positive impact that can have on
13 performance.

14 So, we begin our workforce engagement initiatives in
15 2010 after a few years of flat performance. None of the
16 performance enhancement initiatives that we implemented in
17 those few years were having any major effect, or really no
18 effect at all. So, in 2010, a handful of shipyard leaders
19 -- there were six labor leaders and six management leaders
20 -- got together and we tried to figure out what we could do
21 to maybe get performance going a little bit faster, a little
22 bit better.

23 We came up with a program called RSVP, Renewal of
24 Shipyard Values and Pride. We thought that if we could
25 align values, that might improve performance. Our business

1 model was heavily focused on schedule, which you'd think
2 that would be the way to run the business, but, quite
3 frankly, when the focus is only the schedule, bad behaviors
4 can infiltrate, and it becomes a negative element. We
5 thought, you know, align our values, and let's see where
6 that takes us.

7 So, we began these RSVP sessions with our workforce.
8 We bring them in, like, maybe 100 at a time into our
9 auditorium, and we talk about shipyard history. And mostly
10 we wanted to listen to the workforce, hear what they had to
11 say. We offered a scenario: "Today is a perfect shipyard
12 day, and you are the perfect shipyard employee. What does
13 that look like to you? What does it mean when you get up in
14 the morning, when you're coming to work, when you get your
15 job and you're briefed from your supervisor? What does it
16 look like when you get your tooling, your materials, and you
17 go to the boat to do your job? What does it look like when
18 you interact with other mechanics, other tradesmen and women
19 or managers?" And the comments were amazing, they were eye-
20 opening. There was very little focus on schedule and
21 process. Our workforce talked about values, beliefs,
22 attitudes, behaviors. They wanted a greater sense of
23 ownership in the day-to-day operations of our shipyard.
24 They talked about integrity, trust, respect, and dignity at
25 the jobsite. You know, and we were hoping to be able to

1 align values. What our workforce showed us was that they
2 had their values aligned, they knew what they wanted, and we
3 hadn't been listening.

4 So, now we're listening. And it's making a huge
5 difference. What began in 2010 as a vision between a
6 handful of shipyard leaders has grown in 5 years to the
7 initiatives that have grasped the hearts and minds of our
8 workforce. We have American leaders in industry turning
9 their heads, paying attention to what we're doing in
10 Portsmouth. You know, we're doing incredible things. And,
11 quite frankly, in the process, our performance has vaulted.

12 So, I will save the rest of my statements, probably as
13 I answer questions.

14 And again, I want to thank you, Madam Chair and Senator
15 Kaine, and thank you for being here and letting me testify
16 today.

17 [The prepared statement of Mr. O'Connor follows:]

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1 Senator Ayotte: Well, thank you, Mr. O'Connor.

2 I want to thank both of you for being here. And now I
3 think we'll all ask you questions.

4 And I wanted to start, Mr. O'Connor, with -- I know
5 that each member at -- at your desk, you have what's called
6 the "Declaration of Excellence." Can you tell us what the
7 Declaration of Excellence is and how you put this together,
8 between labor and management, and how it translates into the
9 everyday work done at the shipyard?

10 Mr. O'Connor: I can. The Declaration of Excellence --
11 all that information we got from the workforce in RSVP
12 sessions, the -- you know, the values and all the mountains
13 of data they supplied us -- the 12 of us who began this
14 process, we went off-yard with all this information, and we
15 spent a week organizing the information from the workforce.
16 And we ended up putting it into a document, our Declaration
17 of Excellence. All the words, all the thoughts and the
18 values in the Declaration of Excellence came from our
19 workforce through RSVP. And you may -- you might think that
20 this document bears some resemblance to another famous
21 Declaration. And that was done with intent. You know, we
22 focus on history -- our shipyard history, our national
23 history. And -- right down to -- we had the same number of
24 delegates sign our Declaration that signed the Declaration
25 of Independence.

1 Senator Ayotte: And you have it posted at the
2 shipyard.

3 Mr. O'Connor: We have it posted all over the shipyard,
4 yeah. It is a vision for our shipyard that -- if you really
5 -- you'll notice there are -- there is no current today's
6 lingo, buzzwords, on -- business models. It's all value-
7 based language. We talk about trust, respect, dignity,
8 integrity. We talk about teaching and learning. And that's
9 really important. The -- you think about it. I can learn
10 as much from a first-year apprentice as that apprentice can
11 learn from me. It's all about diversity, open-mindedness,
12 working together. The document itself, the 56 signatures,
13 some of them are senior managers, some of them are senior
14 labor, and many of them are tradesmen and engineers --
15 tradesmen and -women and engineers. And our shipyard
16 commander signed the Declaration, as well.

17 So, it truly is a document that was inspired, drafted,
18 and validated by our workforce. And it's not just a
19 document. You know, it could just be a piece of paper up on
20 the wall if that's what we wanted, but that's not the case.
21 We have a three-pronged philosophy with our Declaration:

22 Prong number one is to embed the philosophies of our
23 Declaration into our existing work documents, our shipyard
24 strategic plan, and even into our technical work documents.
25 You know, talk about teaching and learning and trust,

1 respect, professionalism, civility, all of it. Embed it
2 into our documents to institutionalize the language.

3 The second prong is to turn ideas and thoughts into
4 action. And that's critical. And I talked about that with
5 our workforce's ideas -- you know, listen to what they say,
6 act on those ideas, and give them positive feedback.
7 Because ideas and thoughts without action are just ideas and
8 thoughts.

9 The third prong is, spread the philosophies of our
10 Declaration beyond the gates of our shipyard. I'm here.
11 And wherever I go, I talk about the Declaration of
12 Excellence, I talk about RSVP, I talk about workforce
13 engagement, collaboration. And wherever I go, I get rave
14 reviews, because it just makes sense. It's hard. You know,
15 it's an easy concept, but it's really hard work. It's
16 relationships. It's the hard stuff.

17 And I've already said, you know, my personal vision is,
18 we can spread our philosophies beyond the gates of our
19 shipyard. We can do that. I want to do that. I want to
20 help do that. Not just in NAVSEA, not just in DOD, but
21 throughout the entire Federal sector. I mean, imagine if we
22 could embed philosophies of trust, respect, dignity,
23 integrity, teaching and learning, civility, professionalism
24 throughout the entire Federal sector. Imagine how many
25 people are in the Federal sector. I don't know. But,

1 imagine that they all get up in the morning and come to work
2 knowing their voices will be heard. And what an impact that
3 will have. We can transform the way our government does
4 business. We're doing it at the shipyard at a small scale,
5 relatively speak. Our performance has vaulted because of
6 our engagement initiatives, because we're listening to our
7 workforce, we're valuing their knowledge and their
8 understanding, and we're utilizing their skills in a way
9 that we haven't in the past. And it's making all the
10 difference. And I sincerely believe that we can transform
11 our government. And we want to help. We want to be a part
12 of that.

13 Senator Ayotte: Thank you for sharing that. And, as I
14 hear you speak here, I think about -- these are -- would be
15 very good values in the Congress, as well. So --

16 Mr. O'Connor: Oh, I was --

17 Senator Ayotte: -- thank you --

18 Mr. O'Connor: -- going to mention that.

19 Senator Ayotte: -- thank you for sharing --

20 [Laughter.]

21 Senator Ayotte: Thank you for sharing that.

22 And I now want to turn it over for an opportunity for
23 Senator Kaine to ask questions. Thank you.

24 Senator Kaine: Thank you, Madam Chair. And I'd like
25 to put in the record, first -- we've talked about this New

1 York Times piece. Mr. Bagley testified to it. July 13,
2 2015, title, "A New Look at Apprenticeships as a Path to the
3 Middle Class," and it really focuses upon this
4 apprenticeship program that was founded in 1919, and others.
5 But, if we could put that in the record, I would appreciate
6 it.

7 Senator Ayotte: Absolutely.

8 [The information referred to follows:]

9 [SUBCOMMITTEE INSERT]

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1 Senator Kaine: I was struck, Mr. Bagley, in your
2 testimony, about the investment that your company makes.
3 The New York Times article said, for somebody to go through
4 the apprenticeship program, start to finish, \$270,000 of
5 training. That's what that program costs. And if I -- if
6 my staff correctly did the quick math, you indicated about
7 80 million a year in training in the company. And you said
8 38,000 employees. I think that's about \$2100 a year of
9 training per employee. So, that's a big investment in
10 training -- 270,000 to train an apprentice, and then,
11 thereafter, for as long as you're there, \$2100 a year to
12 train.

13 Do you think this is pretty common in the industry, on
14 the private-sector side? I'm sure you'll say you guys are
15 the best at it, but is this a pretty common thing, to focus
16 this much resources on training?

17 Mr. Bagley: Senator Kaine, most humbly, I'm not going
18 to refrain from saying that we're the best.

19 [Laughter.]

20 Mr. Bagley: But, I will say that -- I will say that
21 all industry are under the pressure for costs -- to reduce
22 costs. But, for us, it goes without saying, we've had many
23 conversations about how we spend our money. And the
24 apprenticeship program, and the amount of money we invest in
25 our students, it comes on the table. But, because of the

1 passion that I have in being around or a member of the table
2 or the staff that this conversation takes place, it's one of
3 those conversations where I stand, if it's by myself
4 standing, and say that we have to do this. I believe -- and
5 this is what I tell my peers -- is that it is a return on
6 the investment. What I spend today, I may not see that
7 return until a couple, three, or four years down the road,
8 but I have to be so committed to that investment, and,
9 instead of a product, I'm investing in human capital.

10 So, if I do that investment correctly -- and I like
11 what Mr. O'Connor say -- and bring along this employee as an
12 engaged employee, when this employee comes out of the
13 apprenticeship program at a minimum of 4 years -- and this
14 is where the 270,000 came up -- when you consider their
15 wages and all of their benefits and the two -- you know, the
16 books and things that we purchase, the only thing it costs
17 them is just 2 percent -- just what we call association
18 fees. And that's a small price to pay with the investment
19 that we're making.

20 Some would say, Why will you put that much into a
21 person, when they could leave you? Because we don't put any
22 restraints or -- there is no back end, say, that you have to
23 give us 5 years of employment after we make this investment
24 in you. But, because we believe in the individual and we
25 invest in the intellect and inspiration of the heart of that

1 person, we're willing to take that risk. And, as such, I
2 can look back 10 years of apprentices graduating, and we are
3 up into 80 percent. And if I will go even deeper, say 15
4 years back, we still in the high-70s percent.

5 Senator Kaine: Master -- at the shipyard, master
6 shipbuilders are those with 40-plus, and there's a lot of
7 master shipbuilders --

8 Mr. Bagley: Yes, sir.

9 Senator Kaine: -- who have come out of the school.
10 And if -- well, let's see, you started in 1974, so you're
11 getting pretty close.

12 Mr. Bagley: I am one.

13 Senator Kaine: Yeah.

14 The thing -- I think it's interesting, the last point
15 you make about the apprenticeship program. Apprentices are
16 on the waterfront, 44 percent of your management is
17 apprentices, but, because you don't have a requirement that
18 you stay, a lot of the apprentice graduates are working in
19 the public shipyard over in Norfolk, or working in private
20 ship repairs all over the Hampton Roads area. So, this
21 training program and the investment that the company is
22 making is really populating the entire shipbuilding
23 industry, which is of benefit to the Navy and to the mission
24 that we're performing.

25 Mr. Bagley: And so, when you think about -- I think

1 the earlier comment, Madam Chair, she talked about the
2 cooperation between private and public sector. So, even
3 this investment -- it's not said a whole lot, but it helps
4 us even in that area, because, when we dispatch people to
5 these other -- just, say, a public shipyard, there is some
6 benefit, because it comes back. We have a face that we can
7 relate to. We have somebody who understands our business.
8 They can help us with the dialogue, the language. And it's
9 just a win-win.

10 Senator Kaine: Last thing I'll ask real quickly is the
11 consistency point. You talked about Newport News has been
12 describing -- Senator Wicker and I were visiting, early last
13 week -- about sort of a work valley that's coming up. You
14 know, you're doing new construction, you're doing refuels on
15 the carriers, you kind of schedule them all in and try to
16 have as, you know, minimal amount of downtime. You know,
17 this is a -- I'm preaching to the choir, among everybody
18 here -- but, sequester and budgetary uncertainty makes that
19 much more challenging. The more certainty that we provide
20 to our public and private shipyards, the more you can then
21 structure the work so that you're not peaking and valleying
22 and hiring people and having to lay them off.

23 Mr. Bagley: That is so important.

24 Senator Kaine: And I know that that -- as you're
25 looking at that valley, the good news is, a few years out,

1 you've got another mountain that you're going to climb.
2 That's great. But, that does impose a challenge on this
3 workforce, and you hope that they don't just completely
4 leave and move to another area or something when we're in
5 this valley period. We will do our best to provide as much
6 certainty as we can.

7 Mr. Bagley: Thank you, sir.

8 Senator Ayotte: Senator Ernst.

9 Senator Ernst: Thank you, Madam Chair, Senator Kaine,
10 very much.

11 And thank you, gentlemen, for being here today. I
12 really do appreciate it.

13 And, as you may know, we don't have any shipyards in
14 Iowa, so --

15 [Laughter.]

16 Senator Ernst: -- so, I appreciate all of you that do.
17 It -- as Senator Kaine said, that we need to make sure that
18 we have a viable workforce that is there supporting our men
19 and women in uniform. So, your mission is extremely
20 important, and we do need to find ways that we can keep that
21 workforce engaged. We may not have a shipyard, but, between
22 Iowa and Illinois, we have Rock Island Arsenal, which goes
23 through some of these difficulties, as well, as we look at
24 up-armament for different types of vehicles and so forth.
25 So, some similarities there. And that's about where it

1 ends. But, thank you again for being here.

2 I do want to commend Senator Ayotte for holding this
3 hearing, because it is an important issue, and one that we
4 don't typically talk about as being so vital to our national
5 security. So, thank you for doing that. And she has been
6 very active as an advocate for our military men and women
7 and for the issues that you have been facing.

8 She's talked to me a lot, off the side, about some
9 construction projects that have been ongoing -- the unmanned
10 underwater vehicles, which are very vital to national
11 security -- and also in taking care of servicemembers. And
12 there had been an issue at Portsmouth with the young sailors
13 that were housed there at one point, and they had, I think
14 it was -- with their housing -- it was substandard. And so,
15 they were moved into better facilities after her attention
16 to that issue. So, again, just want to commend her for
17 doing that.

18 But, I was -- thank you for your Declaration of
19 Excellence and your discussion about the qualities that your
20 workers are bringing to these Navy shipyards. I think
21 that's important. And it's fascinating for someone like me
22 that has not spent time near ships. But, if you could
23 expound a little bit on your Declaration of Excellence.
24 And, Mr. Bagley, if you could talk about this, as well.
25 But, what are some of the most important shipyard best

1 practices -- the best practices -- what can you take away
2 from what you've learned which may be helpful to arsenals,
3 such as I said -- you know, our Rock Island Arsenal -- and
4 ammunition plants? So, if you would just share some best
5 practices, please.

6 Mr. O'Connor: Well, there's -- we're doing a lot, so
7 -- the most important thing, like I said, is listening to
8 the workforce and getting their ideas. We have three
9 initiatives ongoing right now that are really making a huge
10 difference in our performance. One is learning centers.
11 Learning centers, they're mockups, but they're sophisticated
12 mockups, sophisticated learning centers. And I'm not really
13 sure how that would apply --

14 Senator Ernst: Is that for building of ships and --

15 Mr. O'Connor: It's for --

16 Senator Ernst: -- learning different techniques, or is
17 it more for --

18 Mr. O'Connor: It's --

19 Senator Ernst: -- civilian workforces --

20 Mr. O'Connor: Well, for us, it's our workforce getting
21 trained -- our new folks being trained on a, like,
22 simulation submarine component or location. We have --
23 like, one of our learning centers is an actual full-scale
24 replica of a lower-level machinery space, the 688-class
25 submarine. And our new employees can go down onto this

1 learning center, and, in actual sub conditions, they can
2 work on components, and they can learn the trade. And
3 that's -- all trades can do that.

4 The value is, you know, if you make a mistake in that
5 learning center, it's a learning moment. But, before we had
6 these learning centers, the only way to actually get the --
7 that experience of submarine work was on submarines. You
8 make that same learning mistake on a submarine, it's rework.
9 Very expensive. So, the value is, you can learn, you can
10 make mistakes in a safe environment, so you don't make those
11 mistakes on the boat. It also works for teamwork,
12 collaborating on larger jobs.

13 Senator Ernst: I think that's fantastic. And
14 actually, I think that can be applied to any workforce,
15 probably --

16 Mr. O'Connor: It can.

17 Senator Ernst: -- in any situation.

18 Mr. O'Connor: It absolutely can, yeah.

19 Senator Ernst: Yeah.

20 Mr. Bagley, did you have any thoughts?

21 Mr. Bagley: Yeah. I would like to start by saying
22 that I was thinking about what Mr. O'Connor said earlier.
23 You know, it sounds simple, but I will say, the greatest
24 thing that both public and private is learning is, when it
25 comes to our people, for years we've had a paradigm where

1 all the thinking comes from the top, and it flows down,
2 versus going to the deck plate, the people who actually
3 produce the product, and allow them to have that environment
4 where they feel comfortable with sharing their opinion; and
5 then, once they share their opinion, leaders act on their
6 opinion, they provide them feedback. We do not, per se,
7 have what's called a "Declaration," but what we do have in
8 common is, we both believe, I will say, equally about
9 engagement and the power of having an engaged team. We
10 have, certainly for the last -- I will say, since 2006 --
11 approached this area, and we've been growing every year with
12 having a way to be able to measure the engagement of our
13 people. But, again, we have -- I'm going to say we've left
14 the gate, but we are no -- we do not see the finish line in
15 sight yet. But, it's a path that we must travel, and I
16 think, equally, that we can bring value, you know, to our
17 taxpayer and also to the product that we're building.

18 The other thing that I would say is, I think about
19 sharing. We do have a methodology where we share between
20 shipyards, mostly from, I will say, the nuclear-type work.
21 When things happen in various yards, there is a sharing of
22 information. We take that information and we take a look at
23 how we run our business, and, based on that information, we
24 look at what type of lessons learned we can gain from it,
25 and then we implement in -- that into our training. And

1 quite the same thing happened on our end.

2 So, from that standpoint, it's a lot of good sharing.
3 And Bill De Karlovich, who's sitting in the back of me, he's
4 my training director, and he has the opportunity to go to
5 various public yards, whether it be Portsmouth, Norfolk
6 Naval, or Puget, and get a chance to speak with people of --
7 you know, in his field. And we've already started a lot of
8 changing of information with training gaps. So, we, again
9 -- we are actually dispatching people through what we call
10 fleet support work, people to Norfolk Naval, people out to
11 Puget. And sometimes we speak different languages. So, his
12 job has been to go before us and find out how do we fill
13 that gap, so, when those people go out to the West Coast,
14 they can hit the ground running and be able to produce a
15 product.

16 Senator Ernst: That's fantastic.

17 Thank you, gentlemen, very much.

18 Thank you, Ms. Chair.

19 Senator Ayotte: Thank you.

20 I wanted to call on Senator Hirono. And, as you know,
21 Hawaii has an important shipyard, as well, that often
22 cooperates with our shipyard. So, thank you, Senator
23 Hirono.

24 Senator Hirono: Thank you, Madam Chair and Ranking
25 Member Kaine, for this hearing.

1 As the Ranking Member on the Seapower Subcommittee, I
2 have a deep appreciation of the importance of shipbuilding
3 and our shipyards to what we do in the Armed Services area.
4 So, it was great to have the two of you. And, listening to
5 you, Mr. Bagley, thank you very much, to your company, for
6 the investment that you make in your people. And, Mr.
7 O'Connor, it was great to know that you've implemented,
8 listening to the people at the -- the men and women at the
9 jobsite, to really enable them to be invested in what
10 they're doing.

11 Yes, we do have a very important shipyard in Hawaii.
12 So, Madam Chair, I would like to take a part of my 5 minutes
13 to make a statement about our shipyard and what we're doing
14 there.

15 I mean, clearly, our shipyards are essential to
16 sustaining our fleets and ensuring the readiness of our
17 forces to meet the challenges that our Nation faces around
18 the world. And the men and women and servicemembers who
19 work in all four of our public shipyards -- that would be
20 Pearl Harbor Naval Shipyard, Portsmouth Naval Shipyard, the
21 Puget Sound Naval Shipyard, Norfolk Naval Shipyard -- as
22 well as our private shipyards, are invaluable to the success
23 of our sea services. And I want to extend my heartfelt
24 thanks and aloha to all of them.

25 Like a lot of our military communities, they have to

1 cope with doing more with less. They have to worry about
2 whether the budget resources will be there next year, or
3 not. Yet, through all of these disruptions and issues, the
4 shipyards must continue to be capable of providing the
5 services our fleets require. And I have visited with the
6 men and women at the Pearl Harbor Naval Shipyard numerous
7 times. And it's always a good reminder of why eliminating
8 sequester is so important.

9 I know that we traditionally try to squeeze more
10 efficiency out of organizations as resources decline. The
11 shipyards are no different. Best practices, cost-effective
12 operations are of vital importance. An ever-dangerous world
13 and competition for limited resources demand it.

14 I would like to share with the committee some of the
15 great results that we are experiencing at the Pearl Harbor
16 Shipyard. The team at our shipyard is on track to complete
17 the largest quantity of work since the late 1980s, when the
18 shipyard had about 30 percent more employees. The workload
19 is expected to top over 738,000 resource days. In
20 comparison, their workload from 2012, 2013, and 2014 were
21 706,000, 679,000, and 690,000 resource days, respectively.
22 So, they are doing so much more with fewer people. In fact,
23 the shipyard has reached the highest workload, as well as
24 produced the greatest output in the past 25 years. The
25 shipyard has become a learning organization. They have

1 developed high competency levels, trust, a shared vision,
2 teamwork, and problem-solving skills to an -- create an
3 outstanding and efficient work environment.

4 The results of our shipyard's learning organization
5 journey is a tremendous increase in productive capacity or
6 the ability to create increased output with the existing
7 resources in the mission of repairing the Navy vessels.

8 Their success in working as a team has resulted in the
9 recent online delivery of the U.S.S. Greenville while
10 continuing to work the lowest injury rate amongst the four
11 public shipyards. And I know, Mr. O'Connor, that you are
12 probably seeing these kinds of results at your shipyard
13 because of the things that you are doing, but I commend you
14 for what you're doing. And, in fact, you said that the --
15 you want to share the experiences at your shipyard. One of
16 the ways in doing that is to be here to testify, but are
17 there some other things that you're doing to enable other
18 shipyards to gain from your best-practices model?

19 Mr. O'Connor: Yes. And let me first say that we are
20 not in competition with the other public shipyards.

21 Senator Hirono: That's good, because we're all in it
22 together.

23 Mr. O'Connor: That's correct. That's absolutely
24 right.

25 Senator Hirono: Yes.

1 Mr. O'Connor: And that's how we look at it.

2 Senator Hirono: Exactly.

3 Mr. O'Connor: We -- I think the most effective
4 labor/management partnership forum that I'm involved with is
5 the NAVSEA Labor/Management Forum. That partnership
6 actually turns ideas into action. And we began the
7 initiative back in 2010, and we called it "Take Back an Hour
8 of the Workday." And all four public shipyards went off and
9 did different things. And that's good, that we've all done
10 things.

11 I've also said, you know, part of our Declaration talks
12 about learning and teaching. We can teach other shipyards.
13 They can teach us just as well. We need to share
14 information. And the NAVSEA labor partnership is a means to
15 that end. We use that -- well, we don't use -- we utilize
16 that partnership to spread information among the four
17 shipyards. And that's one of the ways that we get
18 information out. And --

19 Senator Hirono: Do you think the communication and the
20 sharing of best practices is occurring in the way you'd like
21 it --

22 Mr. O'Connor: No.

23 Senator Hirono: -- among the four shipyards?

24 Mr. O'Connor: Not as efficiently, no, it is not. And
25 --

1 Senator Hirono: So, what -- how do you think we can
2 improve that capacity -- capability?

3 Mr. O'Connor: Boy. More emphasis, more focus. If we
4 meet more often, set up some means of communication, you
5 know, for the four public shipyards. One thing that happens
6 at those forums sometimes is, there will be a labor rep, but
7 maybe not a manager rep.

8 What we do at Portsmouth is, whenever we go to the
9 partnership meetings to talk about our initiatives, I insist
10 that we do it, labor and management together. Steve Fahey,
11 who would have been here today, goes to these partnership
12 meetings with me, and, together, we brief our initiatives.
13 I would like to see more collaboration, from all public
14 shipyards, between labor and management. You know, that
15 would go a long way, I think. Even -- but, it's has to --
16 it has to begin there. You know? You have to develop the
17 relationships before you start developing the workforce,
18 really.

19 We have initiatives ongoing that, if we just took those
20 initiatives and plopped them into another shipyard, there
21 would be a benefit, but not as big a benefit as if the
22 workforce came up with them on their own, and had their own
23 ideas, their own thoughts, and their own way of doing their
24 business. That's what it's all about. You know, and --

25 Senator Hirono: Thank --

1 Mr. O'Connor: -- that's really a hard thing to try to
2 spread, but that's what we want to do.

3 Senator Hirono: Thank you, Mr. O'Connor, for being so
4 clear as to where the initiatives really should start, is
5 listening to your people. So --

6 Mr. O'Connor: Yeah.

7 Senator Hirono: Thank you, Madam Chair.

8 Mr. O'Connor: Thank you.

9 Senator Ayotte: Thank you.

10 I also wanted to call on Senator King and Senator
11 Shaheen, both of whom are tremendous fans of the Portsmouth
12 Naval Shipyard.

13 If I could call on Senator King.

14 Senator King: Thank you, Madam Chair. And thank you
15 for inviting me to this hearing, although I'm on Armed
16 Services, not on this subcommittee.

17 Mr. O'Connor, I'll start with a question that I figure
18 I have a 50-50 chance of getting a -- the right answer to.
19 Do you live in New Hampshire or Maine?

20 [Laughter.]

21 Mr. O'Connor: The right answer is New Hampshire, sir.

22 Senator King: My condolences.

23 [Laughter.]

24 Senator King: I figured it was -- I had a shot on it,
25 didn't I? But --

1 I love this Declaration of Excellence. That is an
2 extraordinary document. And I note that your signature is
3 right in the same place that John Hancock's signature is, on
4 the other -- I don't know whether that was on purpose, but
5 --

6 Mr. O'Connor: I signed first.

7 Senator King: I --

8 Mr. O'Connor: I signed first, so --

9 Senator King: I compliment you. You're the John
10 Hancock of this agreement.

11 Let me ask about how this came about. Was there always
12 a culture of cooperation and collaboration at the Portsmouth
13 Naval Shipyard, or is that something that has evolved in
14 recent years?

15 Mr. O'Connor: Well, it's actually, in earnest, I would
16 say 18-19 years. Back in the mid-'90s, or early '90s, we
17 went through three rounds of base closures and three
18 subsequent rounds of layoffs. Our workforce went from 9,000
19 down to 3,000. And we really weren't doing a very good job.
20 How could we? We had a workload for 9,000 people, but a
21 workforce of 3,000.

22 So, back then, a handful of, again, labor and
23 management leaders got together and said, "If we can't find
24 a better way to do business" -- because, back then, you
25 know, it was confrontational, it was adversarial -- "If we

1 can't find a better way, then we will not survive as a
2 shipyard."

3 Senator King: So, this was a joint realization.

4 Mr. O'Connor: Yes.

5 Senator King: And did you go off somewhere and meet at
6 a hotel or -- how did this happen? This is unusual.

7 Mr. O'Connor: It is, yeah. We just started talking at
8 the shipyard. And, early on, it was really difficult. You
9 know, we were mocked. Openly mocked. But, as more and more
10 people saw the value in what we were doing, and our
11 persistence in what we were doing, more people kind of --
12 you know.

13 Senator King: But, I take it that your union is still
14 a union and still negotiates and still has differences and
15 grievances. It's not like you've become part of management.

16 Mr. O'Connor: That is correct.

17 [Laughter.]

18 Mr. O'Connor: For the record, that is correct.

19 [Laughter.]

20 Senator King: I thought I'd get you -- give you a
21 chance to get that on the record.

22 Mr. O'Connor: Yeah.

23 But, that -- can I --

24 Senator King: Yeah, please.

25 Mr. O'Connor: -- respond to that? That's a very good

1 point.

2 And I refer to that as a business maturity. We do not
3 let the smaller issues interfere with the bigger picture.
4 We -- you know, we don't lock out on meetings, we don't
5 throw the baby out with the bath water. We can deal with
6 grievances as grievances, and not as a complete failure of
7 our vision as a shipyard.

8 Senator King: Would you say you have buy-in from your
9 members? Is this a leadership-led initiative, or do you
10 have rank-and-file -- do the rank-and-file at the yard buy
11 into this concept?

12 Mr. O'Connor: Yes. But, like I said earlier, our --
13 the RSVP program, from where we got all the information for
14 the Declaration, was a volunteer program. We didn't force
15 anybody to go to those sessions. Yet, we got three-quarters
16 of our workforce through those sessions. So, the document
17 itself, the information came from the workforce. The
18 signatures on the document are labor, management, and the
19 workforce.

20 So, everybody -- I need to make this really clear. We
21 don't have 6,000 men and women on our shipyard right now who
22 have bought into the Declaration, who believe in workforce
23 engagement. But, we have the lion's share of the workforce
24 right now. And, you know, our vision is to have everyone
25 involved.

1 Senator King: I can testify to the effectiveness of
2 the learning centers. I -- on the mockup, I learned how
3 hard it is to weld.

4 Mr. O'Connor: Oh, yeah?

5 Senator King: And, fortunately, I wasn't welding a
6 real submarine.

7 [Laughter.]

8 Senator King: So, I --

9 Mr. O'Connor: I concur.

10 Senator King: -- I admire what you're doing.

11 Well, I want to thank both of you for coming, because
12 what you're doing is what we have to do. You talked to
13 Senator Kaine about budgets and sequester. We hope to
14 relieve the sequester, but, long-term, we're going to be in
15 tight budget situations, and we have to be able to meet the
16 country's needs, given the resources that we have. And
17 productivity is really -- is -- that's going to be the whole
18 answer, it seems to me.

19 So, thank you, gentlemen, both, for joining us.

20 Thank you, Madam Chair.

21 Senator Ayotte: Thank you, Senator King.

22 Senator Shaheen.

23 Senator Shaheen: Well, thank you, Madam Chair and
24 Senator Kaine, for holding this hearing.

25 And, Mr. Bagley, you will excuse Senator King, Senator

1 Ayotte, and I for focusing on the Portsmouth Naval Shipyard,
2 but it's our shipyard, and we are very proud of it.

3 And it's so nice to be able to welcome Paul O'Connor to
4 the committee today.

5 Senator King: It's in Maine, by the way, Mr. Bagley.

6 [Laughter.]

7 Senator Shaheen: It is in Maine, but it has tremendous
8 workers from both New Hampshire and Maine.

9 [Laughter.]

10 Senator Shaheen: And a few from Massachusetts, too, so
11 we're happy to have all of them.

12 I want to follow up on Senator King's point about the
13 Declaration of Excellence, because, as you pointed out, it
14 is really unique, I think, and serves as a model, not just
15 for the shipyard, but, I think, for all of Federal agencies.
16 If we could get everybody to buy into this kind of a
17 Declaration of Excellence for what we want to accomplish in
18 each of our agencies, I think it would -- we would be more
19 successful as a Federal Government.

20 I also think it's important to point out, as you did,
21 that this is one of the reasons that the shipyard was on the
22 last BRAC closing list, and then was taken off. Because,
23 when people actually went in and looked at what you were
24 doing, the productivity at the yard, the importance of your
25 contribution to national security, it was -- there was a

1 recognition that this was a shipyard we needed to keep open.
2 So, I congratulate you and everybody at the yard, not just
3 for the Declaration of Excellence, but, also, one of the
4 other things that I've been very interested in are the
5 energy efficiency efforts within the Navy. And the shipyard
6 has also been recognized as -- for its innovation and energy
7 efficiency measures.

8 But, I want to go to the issue that we're all concerned
9 about, and that is what happens with sequestration. Not
10 only what happens at our public shipyards, but our private
11 shipyards. And one of the challenges we're facing -- I know
12 we're facing in Portsmouth, and I would guess you might be
13 facing it too, Mr. Bagley, is, How do we keep talented
14 people working at our shipyards? We need a higher
15 percentage of engineers of STEM graduates. It's one of the
16 challenges we face in the workforce throughout the country.
17 And, as people are looking at the uncertainty that
18 sequestration presents, can you talk, Mr. O'Connor and then
19 Mr. Bagley, about the impact that that's having on the
20 workforce and what you're seeing, and the need for us to
21 address sequestration?

22 So, Paul, would you begin?

23 Mr. O'Connor: Okay. Boy, oh, boy, it's a big
24 question.

25 We have seven separate chains of command on our

1 shipyard, and not all seven were impacted equally with
2 sequestration. The Navy, DOD, ruled that the shipyard, the
3 NAVSEA portion of Portsmouth Naval Shipyard, the island,
4 would not be impacted by sequestration. So, we all came to
5 work.

6 The other chains of command, they were still impacted
7 by sequestration. We had men and women who worked side by
8 side; some, the other chains of command, were forced to stay
9 home, under sequestration, and lost their pay. Others were
10 coming to work because they're a different chain of command.
11 You know, the morale, the damage to the morale of our
12 workforce when, for no apparent reason other than a super-
13 committee couldn't reach decisions, they're out of work.
14 And that's really difficult. And the impact -- it's not as
15 severe, but it does have an impact on the people who don't
16 get furloughed, you know, because, "Are we next? Will we be
17 furloughed, you know, when sequestration is reenacted in" --
18 on October 1st, I believe, right? Yeah. Take away the
19 whole national security aspect of it, take away all of that,
20 and you're left with -- in the middle of trying to engage
21 our workforce and create this synergy, this collaboration,
22 this unprecedented desire for our workforce to work
23 together, we have to deal with the threat of being kicked
24 off the job, sent home, for no real good reason. And that's
25 hard to deal with.

1 Now, we're hard workers, like anybody else. I -- we
2 get a bad rap. Federal employees get a bad rap. We don't
3 deserve it. We are the most efficient, proficient workforce
4 in our Nation in the business of nuclear submarine
5 maintenance and modernization. We're the best there is.
6 And it's painful to -- quite frankly, to listen to the
7 wrangling and the rhetoric that is behind the decision to
8 furlough our workforce.

9 Senator Shaheen: Thank you.

10 I'm out of time.

11 Senator Ayotte: I wanted to follow up on the issue of
12 hiring that we heard from both of you, but thinking about
13 this workforce issue that Senator Shaheen talked about,
14 making sure that we have, you know, the best workforce. I
15 certainly share the concerns about sequester as a negative
16 morale force in many ways, and not good way to do business.
17 But, I know the shipyard right now is -- has already hired
18 680 new workers, and is hiring some more. And, because of
19 the log that you have and the work that you need to do, in
20 terms of the important work on our attack submarine fleet --
21 and we heard a lot from Mr. Bagley about the -- their
22 apprentice program -- How is the shipyard doing, in terms of
23 recruiting people? And how do you get that many new people
24 trained up and also bought into what you're doing with the
25 Declaration of Excellence?

1 Mr. O'Connor: Well, we hire between 1- and 200
2 apprentices every year. This year, we're hiring a lot of
3 other tradesmen and -women and engineers. We will have
4 hired almost 800 new employees this fiscal year alone by the
5 end of September. That's a huge number. That's almost one-
6 fifth of our wage-creating workforce, of our trades
7 workforce.

8 So, we didn't begin these learning centers, which are
9 actually increasing our proficiency and efficiency, and
10 shrinking the time it takes to bring a new employee up to
11 speed in the trades -- we didn't do that because we knew we
12 were going to be hiring 800 people in FY15. We did it
13 because it was the right thing to do. The timing couldn't
14 be better. You know, we're getting these new employees up
15 to speed, and that's a result of men and women with vision
16 doing what is the right thing to do, not because of an
17 immediate need but because of a long-term goal. And that's
18 a big -- the learning centers -- again, they came from the
19 workforce. It was their ideas. They're the ones who are
20 helping to shape the new workforce. And we are getting
21 those new folks up to speed, qualified more quickly with
22 just -- you know, just at high a skill level now as back,
23 you know, years ago. So, that's the -- that's pretty
24 exciting.

25 Senator Ayotte: Thank you.

1 I'm going to allow others, if they have followup
2 questions.

3 Senator Kaine.

4 Senator Kaine: Just one. And this will be kind of a
5 comment, really, by -- maybe more of a closing comment. I
6 just want to go back to Mr. Bagley.

7 Your stats, about 4500 applications for 240
8 apprenticeships, almost 20-to-1. I went to the University
9 of Missouri. I tell you, it wasn't 20-to-1. I mean, I
10 think the -- it was a lot less competitive to get into
11 University of Missouri when I was going than your shipyard
12 today. And that's what points out, I think, a real
13 disharmony in the way we do education.

14 We had a Budget Committee hearing a couple of years
15 back, and Secretary Duncan, Arne Duncan, Education
16 Secretary, was there, and he was -- he mentioned in his
17 testimony that our higher education attainment as a Nation
18 is slipping, that the number of Americans with postsecondary
19 degrees was number one in the world 20 years ago, now we're
20 number 15 in the world. So, I asked him this question. And
21 I used you as an example. I said, "Here's a question. And
22 I don't know if it's terminology or policy. It might be
23 both. If someone graduates from high school, and they're
24 one of the 4500 who apply and one of the 240 who get in, and
25 they do an apprenticeship program at the shipyard, and, when

1 they finish, they go to work, and they have a fantastic
2 career." This path to middle-class success that the New
3 York Times is talking about. "Do we count that person as
4 somebody who has a postsecondary degree, or not?" And
5 Secretary Duncan said, "I don't think we do. And I said,
6 "Then you've got a terminology problem and a policy
7 problem."

8 We still don't treat career and technical education as
9 if it's valued. If you're in the military now, you get a
10 tuition-assistance benefit, with the approval of your CO.
11 It can be up to \$4500 a year. You can use it for a
12 community college course, you can use it at a 4-year
13 college. You can't use it to take the American Welding
14 Society Certification Exam. Three-hundred dollars. We'll
15 give you \$4500 to get a sociology degree. We will not give
16 you \$300 to pass the American Welding Society Certification
17 Exam.

18 Pell Grants. We were just talking about a bill we've
19 got going in today. Pell Grants, hire-ed institutions, but
20 not short-term career and technical programs that are highly
21 qualified, verified, fully accredited, that are going to
22 help somebody have a great middle-class lifestyle. We still
23 treat, in the educational world, career and technical
24 education and apprenticeships as if it's not equally
25 valuable to a college degree, when your program equips your

1 people to have an earnings potential over the life that is,
2 in many instances, much higher than what somebody with a
3 college degree has.

4 So, I really value what you do for our Nation's
5 security, but I really think the model -- and it's not like
6 you guys are some newfangled thing; you're celebrating your
7 100th anniversary in 2019 -- the model that you have, which
8 has been right there before us, right in front our face for
9 100 years, we still don't fully account for it in the
10 spectrum of what American educational success is. And I do
11 -- I love things like this New York Times article, and I
12 love the fact that you're able to come testify, because I
13 hope we broaden our view a little bit about what educational
14 success is. And you're helping us do that by being here
15 today. And I appreciate it.

16 Senator Ayotte: Senator Shaheen.

17 Senator Shaheen: Well, thank you. I'm -- I wanted to
18 follow up a little more on the challenge of getting STEM
19 graduates, which also speaks to the issue that you're
20 raising, Senator Kaine, and also what the potential for
21 additional cuts does to our ability to attract those people
22 with that -- those skills that we need.

23 And again, Mr. Bagley, Paul, could you all speak to
24 that? What are you seeing with respect to hiring ability
25 when there's uncertainty around what's going to happen with

1 contracts for the shipyard and with future funding? And
2 it's true, I think, also, at Huntington-Ingalls.

3 So, you want to go first, Mr. Bagley?

4 Mr. Bagley: Yeah, I'll try.

5 I will say, based on where we are in our current
6 conditions, we are more concerned with, How do we prepare
7 for coming back up the valley? You know, I guess we're
8 projecting maybe 17-18 months, just roughly, from here. And
9 so, how do we take what I call, you know, the cornerstone, a
10 significant piece of our business that we're not going to
11 affect, and allow the apprenticeship program and the leaders
12 who we're producing out of that, along with our training
13 organization to set us up, that we're ready to come back up
14 and take whoever is out there that we choose to hire, and
15 hopefully, as we have in the past, certainly the most recent
16 5 to 6 years, we'll have the quality of people to hire that
17 can, not only come in and have the physical attribute, but
18 that intellectual attribute that can help us with the
19 training, that we're going to have leaders to give them to
20 come up that power curve a whole lot quicker?

21 So, that's really our strategy. And I suspect we're
22 going to still be pretty selective in who we're going to be
23 able to hire. So, when we consider the technology, when we
24 consider how -- How do we be proactive and anticipate the
25 future rather than letting the future come and take us, like

1 sequestration, you know, what that may do to us? -- what
2 we're trying to focus on is, What are the things we can
3 control? And that's where we're putting our energy. And
4 then, the things that we can't control, we are acknowledging
5 those, but we are telling the people that we've got a team
6 of folks, you know, up here in D.C., working with Senators
7 and et cetera, to help change that. But, we do have a
8 significant piece in our hands that we can control our own
9 destiny.

10 So, that's where I'm asking the leadership, the workers
11 -- let's put our energy there. And, at the end of the day,
12 we can feel good about -- that we fought a good fight,
13 because we're going to stand tall. Now, will we have all
14 the team members possibly on the team? Maybe not. But, the
15 ones who are there, we're going to reset the business. And
16 this is what we're looking at now. How do we reset the
17 business for the future? And in resetting this business, we
18 have to get leaner, we have to get more productivity, we
19 have to prepare for the unknowns, but, yet the things that
20 we do know, that's where we're going to put a lot of our
21 energy.

22 Senator Shaheen: Thank you.

23 And, Paul, as you're looking at an aging workforce at
24 the shipyard, what kind of challenges does the uncertainty
25 of sequestration present as you're looking at all the people

1 that need to be hired over the next couple of years?

2 Mr. O'Connor: Well, historically, you know, when the
3 budgets are cut, the first things that get cut are outreach,
4 training -- you know, we try to focus on the core mission.
5 Not that training isn't core, but, you know, if we have to
6 cut somewhere, that's, historically, where they cut.

7 The -- it's a tough question, because our people --
8 like, during sequestration, our outreach people was cut. It
9 was ended, officially. Zero budget. That didn't stop the
10 men and women at our shipyard who volunteer on a regular
11 basis from continuing to volunteer, to spend their own
12 money, you know, to help these kids that were in the
13 programs that they were involved in. And we -- our outreach
14 program goes out to colleges, high schools, and middle
15 schools. We're not going to let those kids down. But, we
16 shouldn't have to bear the cost out of our own pockets
17 because of sequestration.

18 Senator Shaheen: Well, and I certainly agree that the
19 volunteer efforts on behalf of the shipyard for programs
20 like Sea Perch that really gets kids excited about --

21 Mr. O'Connor: Oh, they do. It's a great program.

22 Senator Shaheen: -- work in fields that are going to
23 ultimately going to be important to the shipyard, are
24 critical. I was thinking more of whether, as you're looking
25 at hiring people, the challenges of bringing somebody on

1 when there's uncertainty about whether the funding's going
2 to be there for the jobs at the shipyard. And that's --

3 Mr. O'Connor: We had to freeze our hiring.

4 Senator Shaheen: Yeah.

5 Mr. O'Connor: It was that simple. We had to freeze.
6 So -- which has an impact on our performance, because our
7 workload didn't freeze.

8 Senator Shaheen: Right.

9 Mr. O'Connor: Just the workforce. So, yeah, that's a
10 huge issue.

11 Senator Shaheen: Thank you.

12 Thank you both.

13 Senator Ayotte: I want to thank both of you for being
14 here today and for the important and excellent work being
15 done at Newport News and the Portsmouth Naval Shipyard,
16 defending our Nation, because we couldn't defend the country
17 and our Nation without the incredible work done at both our
18 public and private shipyards. So, I hope you'll pass on our
19 gratitude to your workforce. And I think we learned some
20 valuable, important information.

21 Certainly, Mr. Bagley, what you're doing in the private
22 sector and the importance of -- of course, I fully agree
23 with Senator Kaine, the importance of career and technical
24 education in valuing what's being done, in terms of our
25 manufacturing workforce and the incredible skill set they

1 have.

2 And, Mr. O'Connor, the lesson that the Declaration of
3 Excellence and the work -- the important and very good
4 relationship between labor and management at Portsmouth
5 Naval Shipyard, and how we can use those examples across the
6 Federal workforce.

7 So, I thank you both for being here, and for all -- and
8 all the members that were here today. Appreciate it.

9 [Whereupon, at 4:05 p.m., the hearing was adjourned.]

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