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**AMERICAN  
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ASSOCIATION**

**Statement of**

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**Before the**

**House Armed Services Committee**

**Subcommittee on Projection Forces**

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Thank you, Mr. Chairman, Members of the Subcommittee, for this opportunity to testify on the Navy's shipbuilding procurement budget, and the impact these budgets have on the defense shipbuilding industrial base and our national security.

The American Shipbuilding Association is the national trade association of the six largest shipbuilders in the United States that build all of the capital ships for the U.S. Navy, and more than 30 companies engaged in the design, manufacture, and service of ship systems and components. The shipbuilding industry is in every state of the Union but for three. A list of the ASA membership is attached.

This Subcommittee is well aware that Fleet Commanders have, for many years now, been calling for a much larger and more capable fleet than the 294-ship Navy of today. While their stated requirements have ranged from a high of 400 ships, the lowest level on record is the 305 to 310 ships called for in the 2001 DOD QDR. That study also acknowledged risks associated with a fleet of that limited size. Alarming, the fleet has already shrunk below the minimum risk constrained requirement.

One only has to look at the war in Iraq to understand that America needs a larger and more capable fleet. For the initial phase of the war, which was of relatively short duration, 70 percent of the Navy's surface fleet and 50 percent of its submarine fleet were deployed to Iraq. The remaining ships were either undergoing repair or engaged in security patrols in other troubled regions of the world. This deployment rate was the highest since World War II, and it underscored why our naval fleet is stretched too thin.

The fleet has been cut in half since 1987. As the fleet has shrunk, there has been a

corresponding decline in the defense shipbuilding industrial base. The average ship production rate enters the 13<sup>th</sup> year of just six new ships a year. Six ships a year is the lowest naval production rate since 1932. Thirteen years, however, is a historical first for the most prolonged period of such low production rates. If these shipbuilding budgets continue, the Nation will witness the continued diminution of the fleet, and America will lose the industrial capability to ever rebuild her.

Since the fall of the Berlin Wall, the defense shipbuilding industry of this country has been reduced by more than half. More than 30 thousand jobs for our highly trained engineers and production people in the shipyards have been eliminated, and more than 150 thousand skilled engineers and manufacturers have lost their jobs throughout the shipbuilding supplier base.

A decade and a half of underinvestment in naval power has left the country with just two shipyards to design and build nuclear warships; two to design and build multi-mission surface combatants; and two to design and build auxiliary and combat logistics force ships. The loss of any of these six remaining shipyards will result in just one source for these classes of highly specialized naval ships.

In the supplier base, we had two or three manufacturers of each of the many critical ship systems and components. Today, only one remains for each of many of these components, and that remaining manufacturer is often hanging by a thread. For example, 75% of the critical component manufacturers on the *Virginia Class* of attack submarines are the last and only source for their product.

In short, the fragility of the defense shipbuilding industrial base cannot be overstated. This alarming security situation means that any disruption, delay, or reduction in shipbuilding production programs will have significant cost implications for every program in the Navy's budget, and immense implications for our Nation's future as a sea power.

There are several recent examples to demonstrate this fragility. Last year's DOD budget proposed gapping production of the LPD-17 program by one year. Congress reversed this decision. Had you not, the shipyard would have been forced to lay-off more than 2,000 highly trained shipbuilders. This would have raised the shipyard's cost in building future LPD-17's because of the investment it would have had to make to recruit and train 2,000 new employees when scheduled production resumed. Yes, some of the former employees would have returned, but not all. A year gap would have impacted productivity of the returning skilled workers, and it would have taken years to train the new hires to achieve the skill level of the employees they replaced. It costs a minimum of \$50,000 to recruit and train each shipyard production worker to achieve minimum proficiency in their trade. Multiply this figure by thousands, and it is easy to understand the high cost of training. Shipbuilding disruptions cost money – costs which are passed on to the taxpayer in higher priced ships.

In the supplier base, that one year gap in orders for LPD critical ship components could have forced some companies out of business, and it would have significantly raised the cost of components not only for the LPD-17 program, but for other ship

programs for which they also supply components and systems.

We can't afford to have history repeat itself. In the late 1980's the Navy decided to end production of the *Los Angeles Class* of attack submarines as it transitioned to the final design and production start of the *Sea Wolf Class*. When the Soviet Union fell, the *Sea Wolf* program was canceled after just three boats. The sudden and dramatic break in submarine production, before the follow-on SSN-774 was ready for production, brought the submarine industrial base to its knees. The *Sea Wolf* builder was forced to lay-off thousands of people, and re-engineer the shipyard to survive low rates of production in the transition to the next submarine program. Hundreds of critical system and component manufacturers were forced out of business, and those that survived the hiatus did so as much smaller companies.

Early termination of the *SeaWolf* program, also drove up the unit cost of each *Sea Wolf* because there were only three boats to absorb all research, design, and industry overhead costs in the shipyard and throughout the supplier base. It was a struggle for survival that came at a high cost to the Nation. The country has yet to recover from this cost because of the continued production of just one SSN-774 a year.

The Navy's FYDP proposes the construction of nine new ships in FY05, with the most notable addition being the first ship of the new class of DDX destroyers. The American Shipbuilding Association commends the Administration for the increase in numbers of ships proposed in FY05 over previous years, and strongly supports the budget request. There are, however, very serious industrial and security risks associated

with the budget in 06 as the number of ships again drop to six.

In 06 there are zero multi-mission surface combatants in the budget. The budget terminates production of the DDG-51 at the end of 05 as detail design for the DDX begins with construction commencement of the first ship of the class planned for mid FY07. This year and a half production gap poses a tremendous risk to the naval shipbuilding industrial base. If extended, this gap will result in thousands of job losses in both surface combatant yards and their suppliers as the industry transitions from a mature production program of DDG's to a new class of destroyers. It is imperative that Congress assist the Navy in its efforts to keep the DDX program fully funded and on schedule.

The other shortfall in the FYDP is in the submarine program. Production of the *Virginia Class* needs to be increased to two per year as soon as possible to realize reduced unit prices for each submarine and to stabilize the specialty nuclear manufacturers.

In closing, I would like to point out that since the mid-1990's my industry has consistently stressed to DOD, Congress, and anyone who will listen, the urgent need for higher, stable rates of naval ship production. I make this same plea to you today for one purpose, and one purpose only – NATIONAL SECURITY.

Look at Great Britain, which ceased to invest in sea power and ceased to be a world power. As a result, Great Britain did not have a Navy capable of projecting sufficient power to South America in the 1980's to defend the Falkland Islands against a

small country with limited military capability. Great Britain ultimately succeeded in the Falklands because of the help of the United States.

Every day the Nation delays in making investment in our naval fleet a priority, the country loses people from the skill base and facilities essential to our national security. Stretched and gapped programs dramatically escalate the cost of building a Navy. It takes three to seven years to construct each of our highly sophisticated and survivable naval ships. It takes the same number of years, if not more, to train our highly skilled workforce, and the industry as a whole represents a capital facility investment of billions and billions of dollars.

When America loses its shipbuilding industrial base, the United States will be forced to depend upon other countries to build and maintain a naval fleet to defend our homeland, and our economic security interests. What country can we rely on for our defense? The fastest growing shipbuilding country in the world is China. The fastest growing economy is China, and China is investing heavily in building her naval power. Will China defend America?

I want to commend Representatives Jo Ann Davis and Gene Taylor for sponsoring H.R. 375, which states that it is the national policy to build and maintain a naval fleet of at least 375 ships as soon as possible. I want to thank you, Mr. Chairman, and all members of this subcommittee for cosponsoring this extremely important legislation. You can act today to reverse the course of our Nation by passing H.R. 375.

Thank you.