2024 SCA Spring General Membership Meeting

Washington, D.C.

June 12-13, 2024

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2024 Shipbuilders Council of America – Annual Meeting
June 12-13, 2024 | 20 F Street NW | Washington, D.C.

SCHEDULE OF EVENTS

WEDNESDAY, June 12, 2024

11:00 a.m. – 1:00 p.m. **SCA Industry Partners Committee Meeting**
- *OPEN SESSION: 11:00 a.m. – 12:00 p.m.*
- *CLOSED SESSION: 12:00 p.m. – 1:00 p.m.*

20 F Street NW, *Lobby Conference Room A*

1:30 – 4:00 p.m. **Executive Committee Sessions**
(Board members only)
- Major Shipbuilding
- Commercial Shipbuilding
- Maintenance and Modernization

20 F Street NW, *Lobby Conference Room B*

4:00 – 5:00 p.m. **SCA Board Meeting**
(Board members only)
20 F Street NW, *Lobby Conference Room B*

5:30 – 7:30 p.m. **Welcoming Reception – Sponsored by American Equity Underwriters**
20 F Street NW, *Rooftop*

2024 Shipbuilders Council of America – Annual Meeting
June 12-13, 2024 | 20 F Street NW | Washington, D.C.

THURSDAY, June 13, 2024
All events taking place at 20 F St. NW, Washington, D.C. 20001

8:00 a.m. – 9:00 a.m. **Breakfast & Registration** *Back Lobby*

9:00 a.m. – 10:30 a.m. **SCA Staff Presentations** *Lobby Conference Rooms A and B*

- Administrative Report
- SCA President's Report
- Government Report
- Regulatory Report

10:30 a.m. – 5:15 p.m. **Featured Speaker Session** *Lobby Conference Rooms A and B*

10:30 a.m.– 11:30 a.m. Department of Labor Office of Apprenticeships & Veterans' Employment and Training Service Panel

11:30 a.m.– 11:45 a.m. Congressman Jerry Carl (R-AL-01)

11:45 a.m. – 1:00 p.m. Lunch

1:00 p.m. – 1:30 p.m. Honorable Nickolas H. Guertin, Assistant Secretary of the Navy (RDA)

1:30 p.m. – 2:00 p.m. Christopher Miller, Executive Director, NAVSEA

2:00 p.m. – 2:30 p.m. Congressman Trent Kelly (R-MS-01)

2:30 p.m. – 3:00 p.m. John McDonald, President and Chief Operating Officer, ABS

3:00 p.m. – 3:30 p.m. Congressman Chris Deluzio (D-PA-17)

3:30 p.m. – 4:30 p.m. Congressional Research Service & Congressional Budget Office Panel
Eric Labs, Senior Analyst for Naval Weapons and Forces, Congressional Budget Office
Ron O'Rourke, Specialist in Naval Affairs, Congressional Research Service

4:30 p.m. – 5:00 p.m. Vice Admiral (ret.) William Galinis

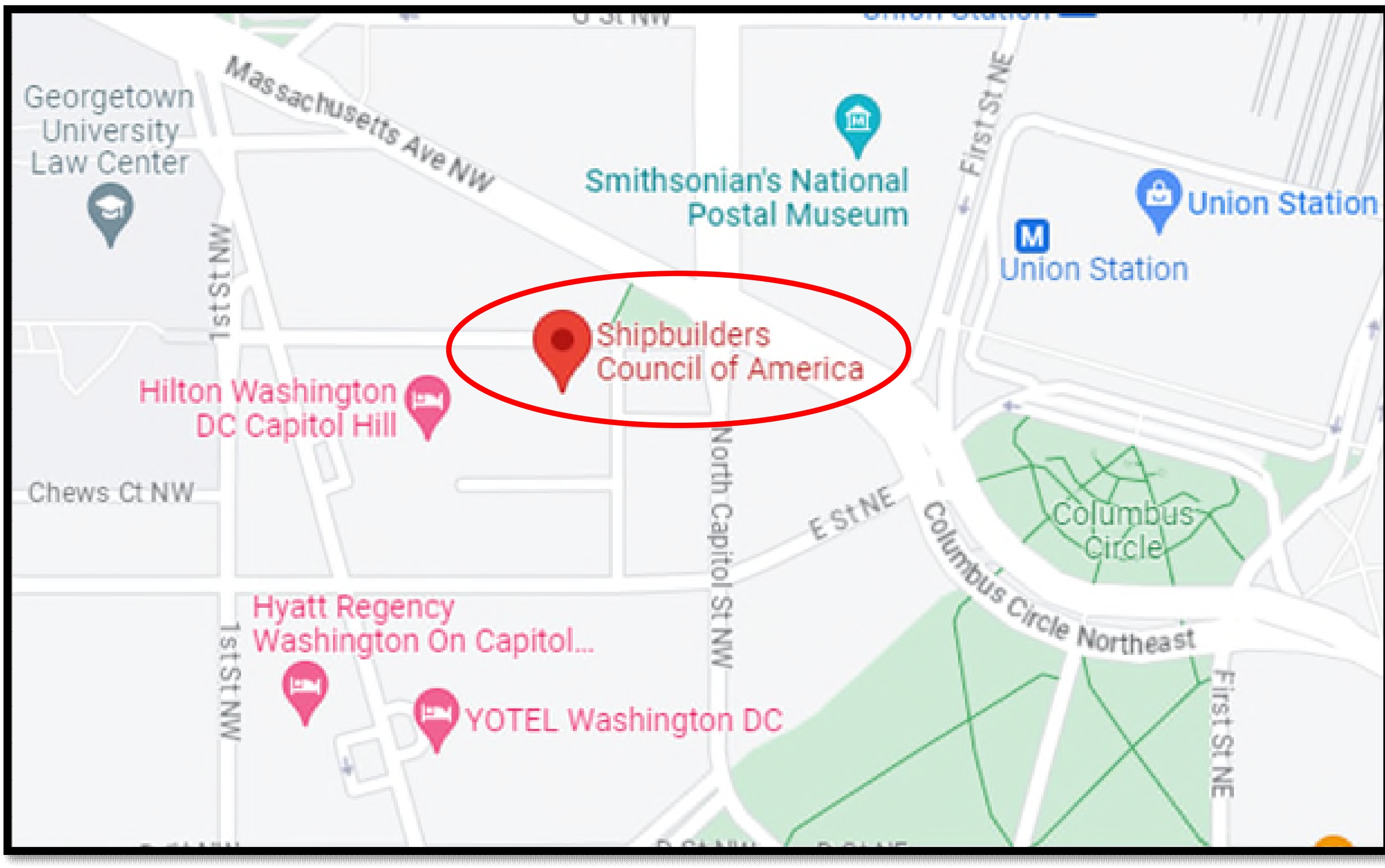
5:00 p.m. – 5:15 p.m. SCA Chairman's Report, Brad Moyer

5:15 – 7:00 p.m. **SCA General Meeting Reception – Sponsored by Signal Mutual**

7:00 – 8:30 p.m. **SCA Membership Dinner** *20 F St. NW Rooftop*

SCA OFFICE LOCATION

20 F St. NW, Washington, D.C. 20001
Suite 500



SCA General Membership Meeting
Contact Information

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SAVE THE DATE

2024 SCA Fall General Membership Meeting: October 9-10, 2024 | Mobile, Alabama

2025 SCA Winter General Membership Meeting: February 12-13, 2025| Coral Gables, Florida

SCA 2024 SPRING MEETING ATTENDEES

First Name	Last Name	Job Title	Company
Daniel	Ahern	VP Navy & Coast Guard Segment	ABB
Jason	Albert	Senior Partner	Albert Maritime Consultants, LLP
Sandra	Armstrong	Commercial Manager	Birdon America, Inc.
Richard	Balzano	VP Government Relations	GLDD
Robert	Beech	Vice President - Marine Sales	NSC
Perry	Bingham	Director of Navy Programs	BAE Systems S
Ben	Bordelon	CEO & President	Bollinger Shipyards, LLC
TJ	Brackin	Manager	Bruce S. Rosenblatt & Associates, LLC
Daniel	Brown	Corporate Strategic Project Management	Hiller Companies
Kathy	Bryan	Senior Vice President - Marine	NSC
Harley	Carlin	CEO	Bay Metals & Fabrication, LLC
David	Carver	President	General Dynamics NASSCO
Benjamin	Christian	VP Business Development & New Construction	TOTE Services
Bill	Crow	President	Virginia Ship Repair Association
Michael	Curtin	General Manager	Performance Contracting, Inc.
Tim	DeLong	CFO	Alabama Shipyard
Rich	Delpizzo	Director	ABS
Rene	Doiron	EVP, Corporate Development	East Coast Repair & Fabrication, LLC
Michael	Dunbar	President	Ryzhka International LLC
Tim	Dunne	Managing Director	The American Equity Underwriters, Inc.
Thomas	Eccles	Chief Executive Officer	Trident Maritime Systems
Anthony	Filiato	SVP & General Counsel	Signal Mutual Indemnity Assn. Ltd
Tim	Finnorn	Managing Director	The American Equity Underwriters
Marc	Gadbois	VP of Maritime Services	Wide Effect
Graysi	Gartman	Chief Operating Officer	MCG Workforce Solutions
Mark	Gartman	President	MCG Workforce Solutions
Chuck	Goddard	VP Shipbuilding Portfolio	SMA
Ashley	Godwin	Director	HII
John	Graykowski	Government & Regulatory Advisor	Philly Shipyard, Inc.
Joshua	Guedesse	Director Defense Products	Curtiss-Wright
Jonathan	Hale	Executive Vice President	Gulf Copper & Manufacturing
Mark	Haller	President/CEO	Tri-Tec Manufacturing, LLC
Matthew	Hans	President	MTG
Richard	Hazard	President	Jamestown
Brett	Hershman	Director, Business Dev & Government Relations	General Dynamics NASSCO
Gavin	Higgins	CEO	NBBB and ESR
Brian	Holland	President & General Manager	MHI Ship Repair & Services, LLC
Richard	Hunt	President	Fincantieri Marinette Marine
Daniel	Hurd	VP Washington Ops	Eastern Shipbuilding Group
Bert	Iams	VP Practice Leader GovCon	Signal Mutual
David	Jochm	President	Tridentis, LLC
David	Johnson	Regional Manager	Milwaukee Valve
George	Kampstra	Vice president	Rolls-Royce North America
Joseph	Kubiak	Sr. Program Manager	General Dynamics Mission Systems
Coleman	Lapointe	Director of Strategic Planning	GDBIW
Michael	Leander	VP of Marine Sales	Milwaukee Valve
Jim	Leitman	Contracts	Bay Metals & Fabrication, LLC
Fred	Loomis	Vice President of Sales	W&O Supply
Terry	Mannion	Retired	SeaHorse
Mark	Masor	VP, US Ship Design	Leidos Gibbs & Cox
Richard	McCreary	President	Gulf Marine Repair
Jeremiah	Miller	VP of Operations	Ryzhka International LLC

SCA 2024 SPRING MEETING ATTENDEES

Scott	Mondi	Sales	Radco Industries, Inc.
Brad	Moyer	VP of Business Development	BAE Systems Ship Repair
Joseph	Mullen	COO	Trident Maritime Systems
Trip	Mullen	VP Business Strategy	Trident Maritime Systems
Eleanor Gray	Mullen	Director of Government Affairs	Trident Maritime Systems
Lisa	Papini	President	Dante Valve
Ajay	Patel	CEO	SMA, Inc
Nancy	Pescinski	Consultant	Mensura Capital, LLC
John	Rhatigan	Chairman	Marine Machinery Association
Garrett	Rice	President	Master Boat Builders, Inc.
Paul	Roden	Government Relations	Fairbanks Morse Defense
Brian	Roge	Business Development Manager	Sika US
Bruce	Rosenblatt	President	Bruce S. Rosenblatt & Associates, LLC
Larry	Ryder	VP Business Development & External Affairs	Austal USA
Joseph	Spata	Principal	FBG, Inc.
Vincent	Stammetti	Senior Vice President	CACI International
Loy	Stewart, Jr.	President	Detyens Shipyards, Inc.
Erica	Striebel	Staff Vice President	General Dynamics
Benton	Strong	Director, Public Affairs	Vigor/Titan
Claude	Stuardi	Managing Director	The American Equity Underwriters
Scott	Theriot	President / CEO	Southwest Shipyards
Matthew	Unger	Director of Programs	Cospolich
Peter	Van Nort	Partner	Mensura Capital, LLC
Mitch	Waldman	Principal	M. Barnet Advisors, LLC
Jordan	Webb	President and General Manager	Colonna's Shipyard, Inc.
Brian	Weil	CEO	Alliance Mechanical Solutions
Greg	Wells	Senior Vice President	McGriff
Iain	Wood	CEO	Pacific Shipyards International

SHIPBUILDERS
COUNCIL OF AMERICA

SCA would like to thank Bruce S. Rosenblatt & Associates, LLC for being a Silver SCA Strategic Partner for 2024

Bruce S. Rosenblatt & Associates, LLC
Naval Architects & Marine Engineers

SCA would like to thank Jamestown for being a Bronze SCA Strategic Partner for 2024

SCA would like to thank Tri-Tec Manufacturing for being a Bronze SCA Strategic Partner for 2024

TRI-TEC
MANUFACTURING

2024 SCA SPRING MEETING RECEPTION SPONSORS

Welcoming Reception

American Equity Underwriters

General Membership Reception

Signal Mutual

Adams and Reese, LLP

CONGRATULATIONS

Senator Tim Kaine

Recipient Of
The SCA Maritime Leadership Award
For 2024

CONGRATULATIONS

Vice Admiral (Ret)
William Galinis

Recipient Of
The SCA Maritime Leadership Award
For 2024

2023 SCA SAFETY AWARDS

2023 SCA Award for Excellence in Safety

- Companies that have a recordable fatality are ineligible to receive the SCA award for excellence in safety for that year.
- Companies must submit a survey for each quarter.
- The individual company total recordable incident rate (TRIR) average for the year must be below the total SCA TRIR average.

RECIPIENTS

Alabama Shipyard
Austal USA
BAE Norfolk Ship Repair
BAE Systems Jacksonville Ship Repair
BAE Systems San Diego Ship Repair
Bollinger Shipyards
Conrad Shipyard
Fincantieri Ace Marine
Fincantieri Marinette Marine
MHI Ship Repair & Services
Metal Shark Boats
Pacific Shipyards International
Southwest Shipyard L.P.
Vigor Alaska
Vigor Swan Island
Vigor Vancouver

2023 SCA Award for Improvement in Safety

- Individual companies that reduce their TRIR by 10% or more year-on-year are eligible to receive the award (Note: eligible companies must turn in all 4 quarters of surveys for each year to be considered.)

RECIPIENTS

Alabama Shipyard
Austal USA
BAE Norfolk Ship Repair
BAE Systems Jacksonville Ship Repair
BAE Systems San Diego Ship Repair
Bollinger Shipyards
Conrad Shipyard
Fincantieri Ace Marine
North Atlantic Ship Repair, LLC
Pacific Shipyards International
Southwest Shipyard L.P.
Vigor Swan Island
Vigor Seattle

2023 SCA SAFETY AWARDS

<u>2023 SCA Award for Significant Safety Achievement</u>

- The company must have ZERO recordable fatalities for the year.
- The company must have a Total Recordable Incident Rate (TRIR) of *1.0* or below.
- The company must submit safety surveys for all four quarters of the year.

<u>RECIPIENTS</u>

Fincantieri Ace Marine
Southwest Shipyard L.P.

SCA Meeting Speakers

CONGRESSMAN JERRY CARL

Representing the 1st Congressional District of Alabama
United States Congress

Congressman Jerry Carl is a native of Mobile, Alabama, and currently represents Alabama's First Congressional District in the U.S. House of Representatives. Jerry was sworn in on January 3rd, 2021.

Jerry has been married to Tina, also a native of Mobile, since. Together, they have two children and two grandchildren. Jerry was raised by a single mother, so he learned the values of hard work and perseverance at an early age. This work ethic is what led him to start his first of many businesses at the age of 25.

Before his time in Congress, Jerry created and grew dozens of small businesses primarily dealing with home health care equipment and specialty pharmacies. He also has experience with timber management and real estate development. Until his son joined the Marines, Jerry never had any ambition of getting involved in politics. When his son returned from Afghanistan, Jerry decided it was time to do more for his community.

Jerry serves on the House Appropriations Committee, where he works to ensure our tax dollars are spent wisely and that the Committee passes conservative bills to address the needs of the American people. He is also a staunch advocate for the defense interests of Alabama and the United States as a whole.

Jerry served two terms on the Mobile County Commission before running for Congress. During his time in public office, Jerry has fought to restore common sense to government, and he has been a consistent fighter for job creation, lower taxes, and family values. Jerry is a staunch defender of our fundamental constitutional rights, and he is committed to limiting the size and scope of the federal government by eliminating wasteful spending and doing away with burdensome rules and regulations.

Jerry also serves on the House Committee on Natural Resources, where he works to promote offshore energy production, protect and expand land for recreational hunting and fishing, advocate for Alabama's timberland, manage and sustain our oceans and fisheries, and oversee tribal lands.

CONGRESSMAN CHRIS DELUZIO

Representing the 17th Congressional District of Pennsylvania
United States Congress

Elected in 2022, Congressman Chris Deluzio is serving his first term in Congress representing Pennsylvania's 17th district. The district includes all of Beaver County and parts of Allegheny County. Congressman Deluzio is a native of Thornburg and lives with his family and dog Yankee Doodle in Allegheny County.

Congressman Deluzio is an Iraq War veteran, voting rights attorney, and union organizer. He graduated from Bishop Canevin High School, St. Philip's School in Crafton, and Ingram Elementary. He received a Bachelor of Science degree with merit from the United States Naval Academy in Annapolis. Following graduation from the Naval Academy, Congressman Deluzio was commissioned as an active-duty surface warfare officer in the U.S. Navy. His military service included three deployments, including a tour of duty with U.S. Army Civil Affairs in Iraq.

After returning from Iraq, Congressman Deluzio received his law degree magna cum laude from Georgetown Law and clerked for a federal judge. He went on to work at the Brennan Center for Justice on the Voting Rights and Election Security teams and later worked at Pitt Cyber, where he focused on voting rights, election security, and the intersection of technology and civil rights. He was part of the Pitt Faculty Organizing Committee with the United Steelworkers, fighting successfully for a union.

Congressman Deluzio serves as the Vice Ranking Member on the House Veterans Affairs Committee, and sits on the Subcommittee on Health and the Subcommittee on Disability Assistance and Memorial Affairs. He also serves on the House Armed Services Committee, sitting on the Subcommittee on Sea Power and Projection Forces, as well as the Subcommittee on Cyber, Information Technology, and Innovation.

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HONORABLE NICKOLAS GUERTIN

Assistant Secretary of the Navy (Research, Development and Acquisition)
United States Navy

Nickolas H. Guertin was sworn in as Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN RD&A) on December 20, 2023. A Presidential appointee confirmed by the United States Senate, he leads the Department of the Navy's (DON) Research, Development, Acquisition, and Sustainment programs and the DON's contracting community. Prior to this role, Mr. Guertin served as the senior advisor to the Secretary of Defense on operational and live fire test and evaluation of Department of Defense weapon systems (Director, Operational Test and Evaluation).

Mr. Guertin has an extensive four-decade combined military and civilian career in submarine operations; ship construction and maintenance; development and testing of weapons, sensors, combat management products including the improvement of systems engineering; and defense acquisition. Most recently, he has performed applied research for government and academia in software-reliant and cyber-physical systems at Carnegie Mellon University's Software Engineering Institute.

Over his career, he has led organizational transformation, improved competition, and increased application of modular open-system approaches, prototyping, and experimentation. He has also researched and published extensively on software-reliant system design, testing, and acquisition. He received a Bachelor of Science in Mechanical Engineering from the University of Washington and an MBA from Bryant University. He is a retired Navy Reserve Engineering Duty Officer, was Defense Acquisition Workforce Improvement Act (DAWIA) certified in Program Management and Engineering, and is a licensed Professional Engineer (Mechanical).

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CONGRESSMAN TRENT KELLY

Representing the 1st Congressional District of Mississippi
United States Congress

On Tuesday, June 2, 2015, Trent Kelly won a special election runoff to represent the First District of Mississippi in the 114th Congress.

Trent lives in Saltillo with his wife of 33 years, Sheila, and their three children John Forrest, Morgan, and Jackson. They are members of Saltillo First United Methodist Church.

Trent was born on March 1, 1966, in Union, Mississippi to parents John and Barbara Kelly. He graduated from Union High School and East Central Community College. He earned his bachelor's degree from the University of Mississippi and law degree from the University of Mississippi School of Law. In 2010, he received his master's degree in Strategic Studies from the United States Army War College in Carlisle, Pennsylvania.

Trent has spent 38 years in the Mississippi Army National Guard as a Combat Engineer and is currently serving as a Major General. In 1990, he mobilized for Desert Storm as an Engineer Second Lieutenant. In 2005, he deployed as a Major to Iraq with the 155th Brigade as the Operations Officer of the 150th Engineer Battalion. From 2009 to 2010, he deployed as a Lieutenant Colonel to Iraq as the Battalion Commander of Task Force Knight of the 155th Brigade Combat Team and commanded over 670 troops from Mississippi, Ohio, and Kentucky. He has received two Bronze Stars, the Combat Action Badge, the Bronze, Silver, and Gold de Fleury medals, and numerous other federal and state awards for his service.

Trent has worked at McRae's Department Store as a manager, maintained a private law practice in Saltillo, and served as Tupelo City Prosecutor and Forfeiture Attorney for North Mississippi Narcotics Unit. Prior to being elected to Congress, Trent served as a District Attorney for the 1st Circuit Judicial District (Lee, Pontotoc, Alcorn, Monroe, Itawamba, Prentiss, and Tishomingo) managing all felony cases.

In Congress, Representative Kelly serves on the House Armed Services Committee, serving as Chairman of the Seapower and Projection Forces Subcommittee. Trent also serves on the House Permanent Select Committee on Intelligence, serving as Chairman of the Defense Intelligence & Overhead Architecture Subcommittee. Trent also serves on the House Agriculture Committee.

DR. ERIC J. LABS
Senior Analyst for Naval Weapons and Forces
Congressional Budget Office

Dr. Eric Labs is the Senior Analyst for Naval Forces and Weapons at the Congressional Budget Office in Washington, D.C. He specializes in issues related to the procurement, budgeting, and sizing of the forces for the Department of the Navy. Dr. Labs has testified before Congress numerous times and published many reports under the auspices of the Congressional Budget Office as well as articles and papers in academic journals and conferences, including the U.S. Naval Institute's Proceedings, Sea Power magazine, the Naval War College Review, and Security Studies. He has given presentations to a variety of industry, government, and academic audiences. Chief of Naval Operations Admiral John Richardson awarded him the Navy Superior Public Service Award in February 2019. Dr. Labs has received CBO's highest honor, the Director's Award for Exceptional Achievement, in 2001, 2003, 2007, and 2014.

Dr. Labs received his doctorate in political science from the Massachusetts Institute of Technology and graduated from Tufts University, summa cum laude, in 1988. He was elected to Phi Beta Kappa in his junior year. Dr. Labs worked for the Institute for Foreign Policy Analysis in Cambridge, Massachusetts and, from 1994 to 1995, and as a Visiting Scholar at the Center for International Security Studies at the University of Maryland. He has been with the Congressional Budget Office since 1995.

JOHN McDONALD
President and Chief Operating Officer
ABS

John McDonald is President and Chief Operating Officer for ABS, responsible for the day-to-day operations of the organization globally. Previously, McDonald served as Senior Vice President, Global Business Development and Global Marine market sector for ABS, responsible for client relationship management and business solution development across the ABS operational hemispheres. Prior to that, he served as Senior Vice President, Western Hemisphere Survey Operations for ABS.

Previously, McDonald served as ABS Pacific Division President, responsible for Division operations across 15 countries in Asia. He also served as Regional Vice President of the Central Region for ABS Americas with responsibility for survey operations and client services. Prior to that, McDonald was Vice President of Occupational Health and Safety for ABS Bureau and Group; President and COO of the ABS Europe Division; and Regional Vice President of the ABS Northern Europe and Africa Region.

Mr. McDonald graduated with a bachelor’s degree in marine engineering from Maine Maritime Academy and holds an MBA from Texas A&M University.

CHRISTOPHER MILLER
Executive Director
Naval Sea Systems Command

Mr. Miller assumed his current position as Naval Sea Systems Command's (NAVSEA) Executive Director in March 2024. In this capacity, he provides executive leadership to more than 86,000 military and civilian personnel across the globe who execute the research, development, acquisition, maintenance, modernization, and inactivation of the Navy's battle force and most major combat and Hull, Mechanical, and Electrical (HM&E) systems.

Appointed to the Senior Executive Service in May 2006, Mr. Miller most recently served as the Assistant Deputy Chief of Naval Operations for Warfighting Requirements and Capabilities (N9B). In this capacity, he acted as the principal advisor to Deputy, Chief of Naval Operations (N9) for determination of warfare requirements and the integration of naval warfare systems. He provided professional and technical advice on budget matters pertaining to naval warfare and exercises centralized coordination in the preparation, preview, presentation, and subsequent issuance of decisions on Navy programs and plans.

He earlier served as Executive Director of Naval Information Warfare Center Atlantic from 2016-2019, Program Executive Officer (PEO) for the DoD Healthcare Management System and as the Navy's PEO for Command, Control, Communications, Computers and Intelligence. He started his federal civilian service in 2001 at the Space and Naval Warfare Systems Command, now Naval Information Warfare Systems Command as a systems engineer.

Prior to joining federal service, Mr. Miller worked at Booz Allen Hamilton in San Diego, where he supported Navy command and control programs.

In 1995, Mr. Miller graduated from Vanderbilt University with a bachelor's degree in American history and political science. There he completed the Naval Reserve Officer Training Corps and received a commission as a Marine Corps intelligence officer. Mr. Miller completed a deployment to the Western Pacific and supported Operation Southern Watch. He is certified Level III in program management and holds a Systems Engineering Certification from the University of California, San Diego.

Miller's awards include Distinguished Executive in the Senior Executive Service in 2019, the Department of Defense Medal for Distinguished Civilian Service in 2016; the 2015 Healthcare Information and Management Systems Society (HIMSS) Federal Health IT Leadership Award; the AFCEA and USNI Copernicus Award; the Medal of Order of Resplendent Banner with Cravat from the Republic of China (Taiwan) in 2012; the 2010 Presidential Rank Award; two Navy Superior Civilian Service Awards; and a Navy and Marine Corps Achievement Medal.

RONALD O'ROURKE
Specialist in Naval Affairs
Congressional Research Service

Ronald O'Rourke received a B.A. in international studies from the Johns Hopkins University in 1980 (Phi Beta Kappa) and an M.A. in international studies from the University's School of Advanced International Studies in 1981 as its Christian A. Herter (valedictorian) Fellow.

He has worked as a research assistant on naval integrated logistics support issues for American Management Systems, Inc. of Arlington, VA, and as a consultant on defense issues for then-Governor Pierre S. du Pont IV of Delaware. Since 1984, he has been a naval affairs analyst for the Congressional Research Service (CRS) of the Library of Congress. He has written numerous reports and articles on naval affairs. His essay, "The Maritime Strategy and the Next Decade,'' published in the April 1988 Proceedings, was the 1988 winner of the Annual Arleigh Burke Essay Contest.

SHIPBUILDERS COUNCIL OF AMERICA POLITICAL ACTION COMMITTEE

WHAT IS A PAC?

Many if not most significant decisions that impact the U.S. shipbuilding and repair industry are made by an elected or appointed official. Because of this, it is very important that Shipbuilders Council of America (SCA) members **get involved** and **stay involved** in the political process.

One of the most significant ways of getting involved in the political process is by contributing to a Political Action Committee (PAC). A Political Action Committee is a type of organization that pools monetary contributions from members and donates those funds to campaign for or against candidates, ballot initiatives, or legislation.

PACs may receive up to $5,000 from an individual or another PAC each calendar year. Federal PACs may contribute to candidates as follows:

- $5,000 to a candidate or candidate committee for each election (primary and general elections count as separate elections);
- $15,000 to a political party per year; and
- $5,000 to another PAC per year.

Shipbuilders Council of America Political Action Committee (SCA PAC)

The SCA PAC is our national Political Action Committee for SCA members. It is regulated by Federal campaign finance laws and is **funded solely through voluntary contributions** donated by SCA members, staff and their families. SCA PAC helps support SCA's work to advocate for policy, legislation and funding that supports a robust and successful shipbuilding and repair industry in the U.S.

SCA members who contribute to the SCA PAC help guarantee that our collective voice is heard loudly and clearly on issues that are important to our members and our industry.

WHO RECEIVES SCA PAC CONTRIBUTIONS?

SCA PAC money is spent on recommended candidates who agree with our policy issues, such as the Jones Act, advocate and vote for robust funding, and support our industrial base.

Candidates for SCA PAC contributions receive our support based SOLELY on their positions on issues of importance to our association—not on the basis of their political party or positions on unrelated issues.

When making PAC contributions, SCA leadership considers the following:

- Position on issues of importance to SCA members;
- Voting record (if candidate is an incumbent); and
- Accessibility to SCA members and staff.

WHY DO I NEED TO GIVE TO THE PAC?

Campaign finance laws do not allow for your SCA dues money to be used for PAC purposes. Dues money cannot and is not given to candidates. The law also prohibits the mingling of dues dollars with PAC dollars, which is why PAC money must be collected and contributed separately. Only your voluntary contributions to the SCA PAC can be used to make contributions to candidates.

Even in these tough times, PAC contributions still pay big dividends. When our PAC recipients win, we win. These Members open their doors to our SCA lobbyists and listen to our positions and seek our counsel on issues such as government ship construction funding and the Jones Act. These Members are usually willing to assist us in advancing or sponsoring pro-industry bills, amendments and legislative language and stopping bad, shortsighted legislation that can hurt our industry.

It's important to give to the SCA PAC.

Your PAC dollars are at work every day as SCA lobbyists engage with decision makers in Washington, D.C. to advocate for our shared legislative priorities. Ensuring the voice of SCA members is heard collectively and individually by lawmakers is critical to our legislative success. The SCA PAC provides protection and power.

We can accept credit cards, or make your check out to:
Shipbuilders Council of America PAC

Shipbuilders Council of America (SCA) Antitrust Guidelines

Summary

The antitrust laws seek to preserve a free competitive economy in the United States and in commerce with foreign countries. As a general rule, competitors may not restrain competition among themselves through understandings or agreements as to the price, the production, distribution or nature of their products or services, or other agreements which unreasonably restrict competition. They may not act in concert to restrict the competitive capabilities or opportunities of their competitors, their suppliers, or their customers.

It is important to know that an "agreement" for antitrust purposes does not have to be written or specifically stated. An agreement can be inferred from conduct, surrounding circumstances and, most commonly, from notes, minutes, memoranda and other documents that, when read together, support a claim that an agreement was reached. Certain antitrust violations, including most agreements to restrict or eliminate competition, are prosecuted as criminal felonies and the penalties for conviction are severe. Government investigations and civil suits also can be very costly and disruptive to businesses. These guidelines are designed to enable SCA and its members to avoid even the appearance of questionable activity.

Since SCA's activities involve cooperative undertakings and meetings among competitors, the following matters will not be discussed by the members without prior approval of counsel:

1. Current or future prices or discounts.
2. Conditions of sale, such as credit, insurance, transportation terms or warranties.
3. What constitutes a "fair profit level."
4. Standardization or stabilization of prices.
5. Pricing procedures.
6. The pricing practices of any industry member.
7. Who will serve specific customers, markets or geographical areas.
8. Whether or not to deal with a competitor, customer or supplier.
9. Non-public marketing, product or service plans.
10. Non-public information concerning costs, profits, customers, booked business, etc.

Statement of Policy

It is the policy of the Shipbuilders Council of America and its members to comply strictly with all laws applicable to SCA's activities. The Board of Directors emphasizes the ongoing commitment of SCA and its members to full compliance with federal and state antitrust laws. A statement of this policy is to be made or distributed at all SCA meetings to remind each member of this commitment and as a general guide for activities and meetings.

Responsibility for Antitrust Compliance

SCA's membership structure and programs have been carefully designed and reviewed to ensure their conformity with antitrust standards. Each SCA member is equally responsible for antitrust compliance. Each SCA member depends upon good judgment by all to avoid discussions and activities which could involve improper subject matter or improper procedures—or even an appearance of improper activity. SCA staff members and SCA members who are responsible for the preparation of meeting agenda strive to avoid subject matter for discussion which may have unintended implications, and counsel for SCA provides guidance with regard to these matters. Thus, all concerned have an important and individual responsibility for assuring that SCA activities comply with the antitrust laws.

Meeting Procedures

To avoid even the appearance of questionable activity, as well as to guard against inadvertent conduct, all SCA meetings will be conducted in accord with the following procedures:

1. There will be a written agenda.
2. A standard antitrust warning will be given at the outset.
3. Accurate minutes of every meeting will be prepared, expeditiously sent to the participants, and approved at the next meeting.
4. In case of doubt about the propriety of a topic of discussion, consult staff management or counsel.
5. If a member has a reservation concerning remarks or discussion at an SCA meeting, state the reservation.
6. There should be no rump sessions involving the discussion of business matters. All meetings should be "on the record."

Conclusion

These guidelines require SCA members and staff to be vigilant to avoid behavior which may raise suspicions of illegal collusion. Antitrust laws are complex and far-reaching and this statement is not a complete summary of all applicable laws. More detailed information is available upon request.

These guidelines are not intended to discourage SCA's many legitimate activities. They are intended to highlight and emphasize certain basic precautions to enable members to conduct their business with the knowledge that if they comply with the guidelines they will avoid antitrust problems. If you have a question as to whether certain conduct could present antitrust issues, seek the guidance of staff management, SCA counsel, or your own counsel.

SHIPBUILDERS COUNCIL OF AMERICA

COMMERCIAL REPORT

2024 SCA Spring Membership Meeting

June 12-13, 2024

Supporting Material ***Pages:***

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America Is a Maritime Mess

As a maritime nation we have fallen far. Today no U.S. port ranks in the top 25 nations in cargo handling; China holds eight of those spots. Asia also has the most vibrant maritime sector with the most new commercial shipping entrants – again led by China.

by Brent Sadler

A congressional hearing on port safety normally wouldn't get much attention, but coming so soon after the fatal ship accident that killed six and caused the Francis Scott Key bridge in Baltimore, Maryland, to collapse, there was more interest than usual in the topic.

Indeed, the House subcommittees on Coast Guard and Maritime Transportation and Transportation and Maritime Security gathered in Miami to discuss "*Port Safety, Security, and Infrastructure Investment*" just 10 days after the *Dali*'s allision (when a ship hits a stationary object) in Baltimore harbor.

The venue for the hearing, the Port of Miami, stands out. It's a site that hopes to grow its market presence and lead in port technology. It has welcomed the world's largest cruise ship, the *Icon of the Seas*. And it can service large Neo Panamax container ships – a too-rare feature of American ports. Sadly, the nation's maritime sector is not as healthy as it needs be.

Americans are increasingly aware that they can no longer assume their store shelves and gas stations will always be stocked. Since COVID lockdowns ended, shipping backlogs have ensued at times due to decisions made in Beijing – recall that Chinese Communist Party's COVID Zero policy that shuttered the world's largest ports for weeks. Then the March 2021 grounding of a container ship shut down the Suez Canal, shocking an already reeling global supply chains. That was followed by global grain supply disruptions caused by Russia's war in Ukraine.

And, since October, Houthi attacks in the Red Sea have been rattling shipping and markets reliant on trade that crosses the Suez Canal. Add to this the incident in Baltimore, and to most people it's clear our prosperity, which relies on maritime trade, isn't as secure as it once was.

As a maritime nation we have fallen far. Today no U.S. port ranks in the top 25 nations in cargo handling; China holds eight of those spots. Asia also has the most vibrant maritime sector with the most new commercial shipping entrants – again led by China. The point is not that our ports don't meet today's need in general, but a lack of competitiveness has not generated the resiliency we need, nor the vibrancy necessary to modernize – which in turn fails to recruit needed new mariners and the shipyard workers.

A consequence of this malaise is on display in Baltimore Harbor. While investigations and recovery operations are ongoing (and it will be some time until all the facts are known), it's clear that our nation's maritime industrial sector hasn't been treated as the strategic asset it is. One need only look at the limited salvage capacity on hand to reopen the nation's 10th port. It has taken two months to clear the *Dali* from blocking the harbor. By contrast, reopening the Suez Canal, when the ultra large container ship *Ever Given* grounded and wedged itself in the canal, was cleared quicker: six days.

To reverse the tide of our national *sea blindness* requires a national maritime initiative. If done properly, it would rectify our over-reliance on non-friendly nations to sustain our economy, and ensure safe maritime operations, by:

-Providing an adequate American flagged commercial shipping fleet that can sustain the nation in a crisis.
-Expanding shipbuilding, repair and salvage capacities and associated workforces.
-Hardening our maritime infrastructure and shipping to cyber-attack and material damage.

On the first point, existing approaches are inadequate, and there is little time to act as both infrastructure, ships, and mariners age out of service. Change is needed, but because of the century of market distortions created by the Jones Act, a maritime Hippocratic oath of "do no harm" is required to retain the maritime assets protectionist dependent domestic maritime industrial sector. At the same time, the March 12th petition against unfair Chinese trade practices in the maritime, logistics and shipbuilding sectors is an opportunity to strengthen U.S. agencies like the Federal Maritime Commission and press America's case, while rallying international common cause.

Delivering on the second point requires a stronger and globally competitive maritime sector. This would serve as a deterrent to Chinese economic coercion and military adventures, as the nation would be less reliant on Chinese shipping and its ports. This can be done by fostering a revolution in shipping through a new multi-modalism that would recover American competitiveness in this strategic industrial sector. Achieving this, American trade can proceed with greater confidence and resiliency, and better sustain the military.

Lastly, and perhaps most relevant to recent events, legal and regulatory frameworks of the 9/11 era should be revised. With an eye to adjusting to the New Cold War we find ourselves in with China, the Maritime Security Act of 2002, Container Security Initiative and the Proliferation Security Initiative should be updated. We also need to place into law measures of both the 2020 National Maritime Cybersecurity Plan and the recently enacted executive order EO 14116.

The Biden administration failed to act on the 2020 plan until almost four years later with a similar executive order – though not as thorough as the 2020 one. Still we wait. Over three months later, and two months after the *Dali* allision, there's no indication that cyber intrusions are even being considered in the ongoing NTSB investigation, according to a preliminary report recently released. Countermeasures that bolster our maritime sector's cyber defenses must be de-politicized by being memorialized in law by an act of Congress.

An easy first step in getting the nation underway on a *National Maritime Initiative is to update* the 1989 National Security Directive 28 on Sealift, with Congress passing enabling legislation. Regaining American maritime competitiveness will not be easy nor cheap, but failing to address the nation's sea blindness will further place our nation's economic and national security in the hands of non-friendly parties.

About the Author: Brent Sadler
Brent Sadler joined Heritage Foundation after a 26 year Navy career with numerous operational tours on nuclear powered submarines, personal staffs of senior Defense Department leaders, and as a military diplomat in Asia. As a Senior Research Fellow, Brent's focus is on maritime security and the technologies shaping our future maritime forces, especially the Navy.
Image Credit: Shutterstock.

The U.S. Commercial Ship Industry Has Collapsed. Fallout For National Security Could Follow.

Loren Thompson
FORBES
Feb 8, 2024,11:19am EST

A foreign-built, foreign-crewed container ship flying a typical flag of convenience.

The tide has gone out for U.S. commercial shipbuilding and shipping. It may never return.

Last month, 19 legislators from both chambers of Congress sent a letter to President Biden warning of grave consequences if the United States does not reverse the erosion of its commercial maritime industry. Among other things, they want the president to designate the sector as critical infrastructure.

But unlike other critical infrastructure such as the electric grid, this piece of the economy barely exists anymore.

At the beginning of 2023, China had 1,749 large oceangoing commercial vessels under construction in its domestic shipyards. America had five.

At the beginning of 2022, China had 1,708 vessels under construction. America had three.

U.S. production of commercial vessels—at least, the kind used in international trade—has nearly ceased.

While China consolidates its role as the world's leading commercial shipbuilder with 40% of global output, the United States produces about one-fifth of one percent of global output.

The U.S.-flagged merchant fleet is similarly debilitated. At the beginning of 2023, only 177 oceangoing commercial vessels flew the American flag. The number of vessels flying the Chinese flag was over 5,000.

Not surprisingly, the ranks of U.S. merchant mariners capable of crewing such vessels has dwindled. Indeed, were it not for laws that reserve domestic oceangoing commerce for U.S. ships, the profession would probably disappear.

This is not a new problem. America suffered a severe shortage of domestic shipping at the beginning of World War One also, thanks in part to the high cost of tariff-protected U.S. steel.

But the United States has become a much bigger player on the global stage since then, and far more dependent on foreign-produced minerals and manufactured goods.

So, whereas the shipping challenge in 1914 was how to get U.S. exports to Europe, the challenge today in an emergency would be how to obtain imports vital to the functioning of the domestic economy.

There are plenty of large commercial vessels engaged in global trade—by some measures nearly 60,000—but almost none of them fly the U.S. flag or are crewed by U.S. citizens. So how available would they be in wartime?

The answer would depend on the nature of the conflict. The fact that over a thousand such vessels are owned by U.S. interests does not assure their availability, because their foreign crews would have something to say about sailing into harm's way.

The U.S. Navy has detailed plans for how it could tap the commercial fleet to move U.S. warfighters and their gear in a conflict, but in any prolonged campaign it would need to divert vessels and mariners from their peacetime pursuits.

It's anybody's guess what would be left of the nation's commercial supply lines to places like Europe and Asia.

This is a crisis waiting to happen. China's shipbuilding and shipping complex is so huge that Navy Secretary Carlos Del Toro told Congress last year a single Chinese shipyard had more construction capacity than the entire U.S. industry.

A chart released by U.S. Navy Intelligence indicated Chinese shipbuilding capacity is over 200 times that of America. Meanwhile, much of the trade between Asia and America is conducted on Chinese-controlled vessels—some of which are owned outright by the Beijing government (which also owns many of the shipyards).

America's role in commercial shipbuilding and shipping thus has become so modest that it is an open question whether the domestic industry can survive.

Because U.S. ships and mariners are so much more costly than their counterparts in other countries, any effort to stabilize the domestic sector would require decades of subsidies.

Having allowed the industry to sink to such a low ebb, it is hard to imagine Congress now will reverse course and launch a multi-decade rescue package.

If it doesn’t, though, America could find itself unable to sustain a major war effort in the future.

For all its disabilities, the commercial shipbuilding and shipping sector really is critical infrastructure. Unfortunately, what’s left of this national asset is in critical condition.

Protectionism Kills U.S. Merchant Shipping

Competition can revive an industry stuck in the 18th century.

By Colin Grabow and Scott Lincicome
Feb. 26, 2024 6:37 pm ET
Wall Street Journal

Washington is waking up to the perilous state of U.S. commercial shipping. Rep. Mike Gallagher (R., Wis.), chairman of the House Select Committee on the Chinese Communist Party, recently lamented the U.S. merchant fleet's dwindling numbers and lack of mariners, while Sen. Mark Kelly (D., Ariz.) and Adm. Samuel Paparo, commander of the U.S. Pacific fleet, cited the fleet's diminutive size as a national-security vulnerability. Mr. Kelly was one of 19 congressional signatories of a January letter to President Biden calling for improvements to the U.S. shipping and shipbuilding industries.

We're heartened that policymakers are finally paying attention to the U.S. commercial fleet's long-term decline and its dire national-security implications. But for the most part they've ignored the sector's heaviest policy anchor—protectionism. Almost since America's founding, the federal government has relied on subsidies and protectionist laws to develop the maritime industry. Numerous such measures remain in place, including both the 1920 Jones Act's prohibition on using foreign-built vessels to transport goods within the U.S. and a 50% tariff on foreign repair and maintenance.

These and related policies have failed to create a vibrant maritime sector and have instead degraded it by handing U.S. shipping and shipbuilding industries a captive domestic market and discouraging scale, efficiency, innovation and specialization. After more than two centuries of protectionism, the U.S. maritime sector has gone from being one of the world's most competitive to one of the least.

U.S.-built tankers cost about four times as much as those constructed abroad. The commercial fleet has lost hundreds of oceangoing vessels since the 1950s, and the few that remain are on average significantly older than their international counterparts.

While U.S. allies churn out scores of ships each year, you can count U.S. shipyards' annual deliveries on one hand. Last year they collectively delivered one large oceangoing merchant ship, and the next won't arrive until 2026. A recent Journal article described the country's shipbuilding industry as being in "disarray."

The government protections U.S. shipyards and the broader maritime sector enjoy have proved far more effective at funneling money to special interests than fostering a healthy industry. Adversaries would be hard-pressed to come up with a more effective formula for sabotaging the U.S. fleet.

Subsidies alone can't fix these problems, and they've been tried. Massive "construction differential subsidies" in the 1970s and early 1980s yielded underwhelming results. Given the gaping price differences between U.S. and foreign-built ships today, more subsidies would cost taxpayers a fortune at a time of record budget deficits.

Instead of more industry coddling, systemic reform is needed, and this means tackling protectionism, injecting competition into the U.S. market, and engaging allies' impressive shipbuilding capabilities. Congress should move away from a maritime policy rooted in 18th-century norms.

The starting point is reforming the Jones Act. To encourage the fleet's growth and modernization, American firms need to be able to purchase new oceangoing ships from allied shipyards. Japan and South Korea are among the world's foremost shipbuilders. Letting Americans use their advanced shipyards would generate an influx of new ships, boost U.S. mariner employment, motivate U.S. shipbuilders to innovate, and increase U.S. supply-chain efficiency.

Congress should also scrap the 50% tariff, which U.S. shippers pay because repairs at domestic shipyards are so expensive, or at least exempt allied shipyards. Both reforms are hardly radical, particularly given the U.S. Navy's reliance on foreign-built sea-lift ships and recent attempts to expand its use of allied shipyards for maintenance needs.

For too long Washington has ignored the decline of the country's maritime sector. Mounting international challenges have brought much-needed scrutiny and should prompt an overhaul of the country's antiquated shipping policies. Any such effort must include the removal of protectionist measures that have long held the U.S. fleet back.

Mr. Grabow is a research fellow at the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies. Mr. Lincicome is Cato's vice president of general economics and trade.

SECNAV floats idea of co-production with foreign shipyards

Del Toro has repeatedly praised shipbuilders in South Korea and Japan for their abilities to keep construction efforts on time.

By JUSTIN KATZ on April 23, 2024 at 4:42 PM

WASHINGTON — Navy Secretary Carlos Del Toro today said he'd be open to having foreign shipyards assemble certain US Navy warship modules overseas to increase domestic production rates.

"We do this in the aircraft industry … where in India for example, we're building aircraft engines now and … re-instituting them here in the United States," he said during an event at the Stimson Center. "So, there are opportunities that I think we can pursue and we need to keep open minded about those opportunities."

Del Toro's comments are the latest in a series he's made in recent months since visiting foreign shipbuilders in South Korea and Japan, who he's lauded for their precision in delivering ships on time — down to predicting individual days a vessel will be ready. The secretary has also been open in inviting those shipbuilders to invest in American shipyards.

Notably, at least one firm, South Korean shipbuilding giant Hanwha, made a play earlier this month for Australian shipbuilder Austal, which would have included control over the Aussie company's Alabama-based subsidiary Austal USA. The unsolicited takeover bid was ultimately rejected by the Australians over anticipated regulatory concerns in Washington and elsewhere.

The remarks also come in the wake of the Navy releasing Del Toro's 45-day shipbuilding review which confirmed years-worth of delays on the service's major acquisition programs. Navy officials in recent weeks have been questioned by virtually everyone — lawmakers, think tankers, attendees at public events and the media — about how it'll overcome those delays, but have released minimal information in terms of specific remedies.

For his part, Del Toro has repeatedly mentioned efforts to station Navy engineers up in Wisconsin to work side-by-side with Fincantieri Marinette Marine, prime contractor for the Constellation-class frigate, which was found to be at risk of a three-year delay.

Del Toro did not elaborate today on whether co-production was a subject of discussion when he visited Asia, but the idea would almost certainly be met with resistance from American industry.

"There is more than enough capacity to accomplish all the fleet's maintenance needs, and yet the Navy is looking abroad for ship maintenance, as well as the capability to build combatant and logistics ships, plus vessels for the Coast Guard and the Army," Matthew Paxton, president of the Shipbuilders Council of America, wrote in a Defense News op-ed. "These efforts are driving layoffs to the very domestic workforce Navy leadership says it wants to preserve."

"This shortsighted approach creates market uncertainty and instability, complicating additional investments in the industrial base, and undermines the substantial capital investments the U.S. shipbuilding industry has made in its workforce and facilities," he continued.

How To Keep South Korean Shipbuilders From Running Aground In America

Craig Hooper
Senior Contributor
May 22, 2024,11:44pm EDT

The U.S. Secretary of the Navy, Carlos Del Toro, has made no secret of his desire to tap into South Korea's vast shipbuilding know-how. Big South Korean conglomerates have responded, making bids for U.S.-based shipyards, and establishing cooperative agreements with U.S. shipbuilders. But any honeymoon between U.S. and South Korean shipbuilders will be brief. Despite all of today's energy, enthusiasm and good-will, emotions should not drive foreign investment in U.S. shipbuilding.

South Korea's future investments in the U.S. waterfront will only be successful if they are well thought out, collaborative, and accompanied by years of steady, long-term engagement from every shipbuilding stakeholder in America.

An emotional rush to purchase a struggling American shipyard, done without a full understanding of the tough financial, operational, and cultural challenges in America's gritty government-bound shipbuilding sector is a risky path for both countries. Failure could send U.S. shipbuilding into complete disarray, and, in turn, ruin South Korea's reputation as an elite shipbuilder. Bad feelings from a derailed South Korean shipbuilding venture in the U.S. could do real damage to the strong U.S-South Korea alliance, weakening shared security arrangements.

South Korea is certainly no stranger to the United States. Overall, South Korea is doing a wonderful job of engaging America's shipbuilding industrial base through targeted investments and incremental collaborations. South Korea's HD Hyundai Heavy Industries Co., Ltd., took a measured approach recently, forging a Memorandum of Understanding for a partnership with Philly Shipyard. That step appears to promise all the benefits of a long-term collaboration, while avoiding the massive array of concerns and immediate operational challenges that come with foreign control of any U.S.-based shipbuilder.

On the other hand, having been thwarted in an earlier effort to gain a controlling interest in Philly Shipyard, South Korea's Hanwha Ocean (Hanwha)—a branch of the massive, globe-spanning Hanwha conglomerate—is now taking a far more aggressive approach. Emboldened by the U.S. Navy Secretary's encouragement, Hanwha made an unsolicited bid for the cash-strapped naval shipbuilder Austal Ltd, the Australian-based parent of Mobile Alabama's Austal USA—one of the largest naval shipbuilders in America.

Launching a high-profile, full-court press to make the sale, Hanwha is putting a lot on the line. Hanwha's wide-raging international influencing efforts are working. Despite an initial rebuff of Hanwha's offer, the Australian government has now signaled that is has "no concern" with Hanwha ownership, ramping up the pressure on Austal Ltd. executives and encouraging U.S. regulators to accept the inevitability of Hanwha's stewardship of Austal USA as well.

There are a lot of reasons for Austal to sell itself to a South Korean company. Austal is in a very fragile cash position. It needs cash to build new production facilities and faces a big potential fine from the U.S. Department of Justice for financial irregularities. An ugly public trial of former Austal USA executives is set to begin in early 2025. Given those liabilities, an offer from a deeppocketed conglomerate is a lifeline. To Austal's beleaguered stockholders (of which I am one), an above-market buyout is a hard-t0-resist balm. And, after christening America's last Littoral Combat Ship, the future USS *Pierre* (LCS 38), on May 18, Austal's move into a bewildering array of critical government shipbuilding programs—salvage ships, dry docks, landing craft, unmanned vessels, surveillance ships and Coast Guard cutters—is underway. Unfortunately, these efforts seem destined to suffer some tough early-stage losses.

A sale can happen, but, before any transaction is approved, everyone on both sides of the Pacific must be realistic about the challenges. They may well be insurmountable, making the investment a poor choice given the fascinating alternative of starting anew, in an entirely modern U.S. shipyard.

America Has Already Defeated Great Shipbuilders:

Any optimism over South Korea's prospective waterfront investments must be tempered by cold, hard realism. America has been here before. In 2002, a state-owned Singaporean conglomerate, ST Engineering, bought Halter Marine's shipbuilding facilities for $66 million. Known for their shipbuilding prowess in Singapore, ST Engineering tried hard, but, after twenty years of struggle and hundreds of millions in shipyard investments, Singaporean managers liquidated their U.S. shipyard holdings, selling everything for a mere $10.25 million—pennies on the dollar for an essentially failed shipbuilding enterprise.

In 2008, the Italian-government-owned shipbuilding giant, Fincantieri, bought Manitowoc Marine Group's three Great Lakes shipyards. After making additional investments to expand their new yard's capabilities, Fincantieri's direct investments in shipyard infrastructure span to at least $670 million. It is now busy reconstituting another shipyard in Florida. But, after watching the Fincantieri-built *Freedom* Class Littoral Combat ships struggle and Fincantieri's high-profile *Constellation*-class frigate contract with the U.S. Navy turn into a lemon, disillusionment is settling in.

Put bluntly, foreign investment in existing U.S. shipyards is not for the faint of heart.

Even the most well-intentioned investors can lose everything.

Start New or Get Trapped:

For South Korean companies, taking over an established U.S. defense contractor is a tough, time-consuming process. The U.S. Committee on Foreign Investment in the United States must weigh the transaction over a period of months. Then, if the merger or takeover is approved, each foreign-owned U.S. naval shipbuilder gets weighed down with a labyrinth of Foreign Ownership, Control or Influence (FOCI) regulations. For shipbuilders working on classified contracts, the regulatory firewall between U.S. subsidiaries and parent organizations becomes even more difficult to manage. The complex rules are often breached, which makes integrated operations a challenge. Partial compliance can be catastrophic, leading to criminal liability and hundreds of millions in fines.

These are all manageable things, but, if Hanwha survives all the bureaucracy and gains control of Austal, there's no time for the new owner to learn. There's no ramp-up. Given Austal's financial state and the hard-pressed status of Austal's big U.S. shipbuilding contracts, everything gets quite complex, quite quickly. Almost immediately, Hanwha will find itself locked into an adversarial relationship with the Navy, fighting to recover ground long lost. There's no coming back from that.

There's also a tricky international component to this potential sale. To support the wide-ranging AUKUS agreement, Australia and the United States are set to ease information-sharing protocols, allowing U.S. companies to easily transfer critical defense information to Australia. With Austal USA set to build classified submarine components for the U.S., efforts to speed information-sharing with Australia may facilitate the unplanned transfer of critical submarine-building technology from the U.S. to South Korea, where, in time, it could all pop up in South Korea's aggressive, export-minded shipyards. The necessary security mitigation need to prevent accidents is neither fast nor easy, and it could, potentially, force a wide-ranging reconsideration of America's submarine production plans and the recasting of certain aspects of the AUKUS agreement.

There are other challenges. American shipbuilders are encumbered by restrictive bureaucracies and enjoy only occasional spurts of government interest. Industry partners can only watch in envy as South Korean shipbuilders enjoy massive state guarantees of hundreds of millions of dollars. The South Korean government pays shipbuilders up to $6,000 dollars in direct training support and primes the shipbuilding technology pump with over $20 million in R&D support a year. U.S. shipbuilders have no guarantees or worker handouts, and R&D budgets are, at best, laughable.

The uncompetitive environment fostered by America's own government is what keeps American shipyards from performing. Unless Congress, the Administration, and the U.S. Secretary of the Navy puts some hard work into building a workforce, enabling the development of modern, green-field shipyards, all while fixing Naval Sea Systems Command and the U.S. Maritime Administration (MARAD) excesses, American-based shipyards—regardless of who might own them—will remain challenged.

Right now, America's expectations from South Korea's high-performing shipbuilders are unrealistic. South Korean shipbuilders are no magic cure-all for America's shipbuilding woes. Korean shipyards are competitive and modern because they have benefitted from South Korea's robust industrial policies, workforce development efforts, technical development support—and of course, steady demand.

At the end of the day, South Korea's shipyards are as prone to mistakes as any other shipyard—and South Korea has made some big ones. Right now, two six-year-old South Korean-built liquified natural gas tankers are scrapyard-bound, a $290 million loss due to technological overreach. According to Splash247.com, the tankers never "entered the gas trades."

In the tough world of American shipbuilding, foreign ownership makes it even harder for U.S. shipyards to compete. A better route for South Korean shipyards is to keep their reputations intact, collaboratively entering the U.S. business on their terms, via new, modern shipyards, designed to meet the best shipbuilding manufacturing standards in the world. By working in tandem with the U.S. Navy, these new waterfront participants can, at new and modern shipyards, build a healthy business producing much-needed civilian cargo and auxiliary ships. These ships can introduce South Korean subsystems to America, and, in time, the yards might even offer South Korean-designed combatants and battle management systems.

Emotions and the thrill of a fast-paced merger-acquisition is running high. But the message is clear. Rather than fight to make a troubled U.S. shipyard better, a brand-new yard offers a far more productive route to a happy, long-term U.S./South Korean maritime relationship. By placing a smart bet on a new shipyard, it becomes a high-profile and viable means to begin encouraging the U.S. Government to adopt an array of pro-shipbuilding policies South Korea began demonstrating decades ago.

Organic growth via the accretion of a solid performance record is a time-honored American tradition, and a strategy South Korean automobile-builders have, to date, successfully leveraged with American automakers throughout the United States.

American shipbuilding shouldn’t be any different.

# # #

More shipyard capacity needed to meet green targets: ABS

Sam Chambers June 3, 2024

More shipyard capacity will be required in the coming decade, both for newbuilds and retrofits, according to an influential new magazine published at Posidonia in Athens today.

Class society ABS released its 150-page 2024 Outlook today, the sixth in an annual series that gives readers a comprehensive picture of the world fleet moving forward.

New shipbuilders are forecast to emerge from Vietnam, the Philippines and India as global shipyard capacity grows gradually through to 2035, according to the ABS forecast, which uses data from UK consultancy Maritime Strategies International (MSI).

Global shipyard capacity fell to a nadir of 63.4m gt in 2022. Since then, capacity has started to increase once again, driven in large part by the spate of reactivations in recent years. However, thus far, these increases have been relatively modest, with the latest estimates suggesting that capacity only grew by a net 0.75m gt in 2023 to 64.1m gt

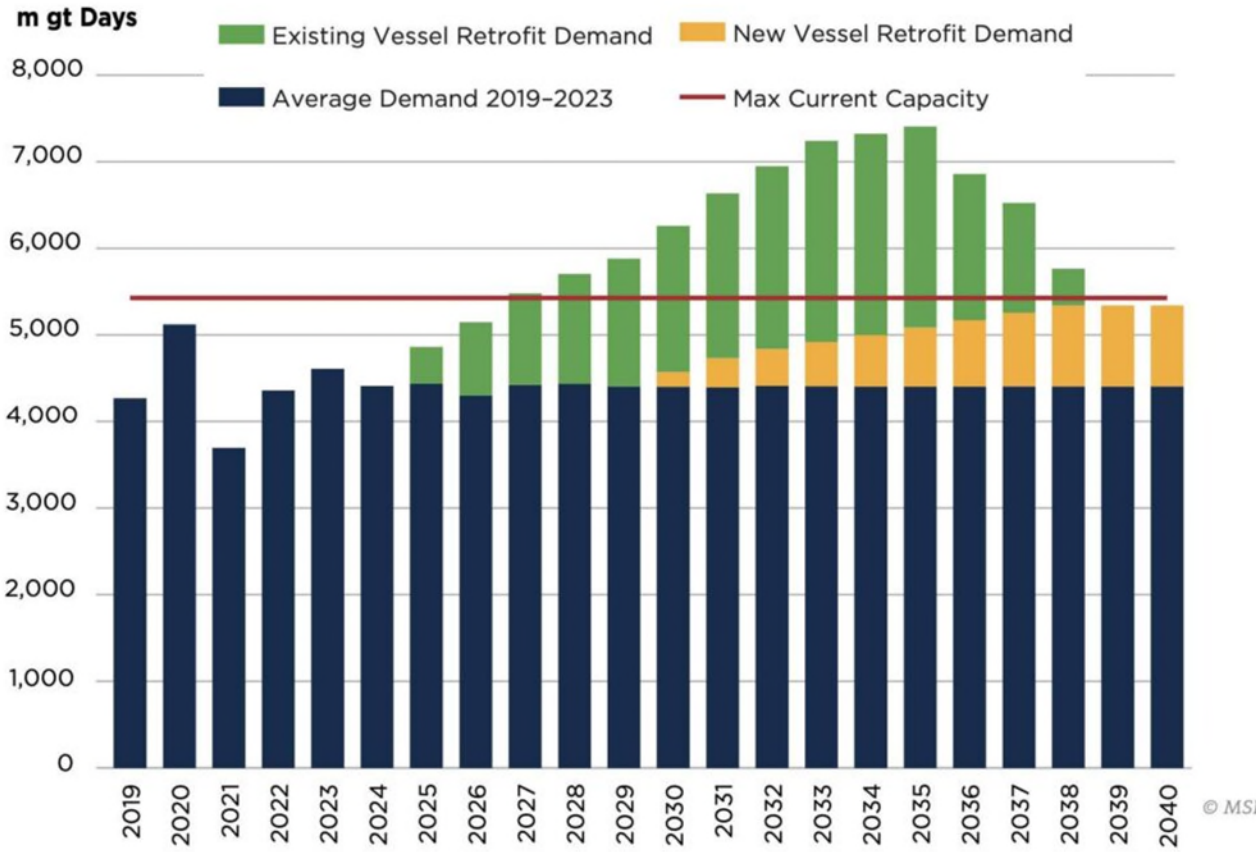
ABS expects global capacity to increase to 66.5mgt by the end of this year. By 2030, ABS is forecasting that global shipyard capacity will exceed 71m gt. While this is 12% higher than capacity in 2022, it remains 33% below the historical peak of 107.4m gt in 2011.

Turning to ship repair, ABS reckons current repair yard capacity is expected to meet demand through 2027, however demand for retrofits will continue to increase through 2035, which will require additional repair yard capacity to support fuel conversions (see chart below).

There are around 1,250 active shipyards and ship repair yards. Despite this apparent surplus of potential capacity, the pool of yards capable of carrying out fuel retrofits is significantly smaller. Turnkey fuel retrofits are complex projects, requiring capabilities that are not available at all yards. Due to these requirements, ABS estimates that only a small number of shipyards can undertake fuel retrofits.

Among other key takeaways in the publication the fuel mix forecast for this year and through 2050 suggests methanol comes out on top. The market share of traditional fossil fuels is anticipated by ABS to decline to 15% by the year 2050. The utilization of methanol gradually rises to 42% by 2050. Utilization of ammonia is anticipated to increase by 33% by 2050.

“The 2024 outlook delivers unprecedented visibility into the ecosystem of shipping underscoring the collaborative efforts required to retrofit existing fleets and to enhance the capacity of shipyards for new, greener vessels to deliver the scale and pace of change that we will need,” said Christopher Wiernicki, ABS chairman and CEO.



Retrofits constrained by limited spare capacity.

Are there any real ideas on how to restore the shipbuilding industry in Europe and the US?

Author:Piotr Stefaniak
2024/05/24 at 5:21 PM

Debates are taking place in Brussels and Washington on how to revitalise the country's shipbuilding industries. This is not a new issue but in the face of the geopolitical events of the last three years, it has taken on a different dimension.

On the one hand, the dependence on the purchase of merchant ships by European and American shipowners abroad has deepened. On the other hand, the dominant position in this offer is held by Chinese shipyards, which, after a period of competition with, at first, Japanese and, until recently, South Korean shipyards, have become global leaders for the last two years.

A multidimensional problem

The loss of orders by European and American shipyards dates back to the beginning of the century. The main reason was the higher costs of ship production in them than in Asian shipyards. South Korean shipyards followed the example of the Japanese ones, subsidising the domestic shipbuilding industry directly or indirectly (Japan withdrew from this) and offering ships at unbeatable prices. The problem took on a different dimension when Chinese shipyards developed the same practices, becoming strongly involved in the competition and becoming leader for several years.

European shipyards have been losing share in the global production of merchant ships but retained until recently a dominant share in the production of cruise ships for off-shore works and an almost 50 per cent share in global supplies of key ship equipment. However, that's a thing of the past, among other things, due to the expansion of the Chinese industry, which has strongly entered or is entering these segments (it recently launched its second mega cruise ship, already on its own).

The Shipyards' & Maritime Equipment Association of Europe (SEA Europe) – an umbrella organisation representing the European maritime technology industry and bringing together shipyards and marine equipment manufacturers – emphasises once again that the decline in the role of European shipyards poses a threat not only to them. It also undermined the entire supply chain ecosystem of equipment, systems and technologies and harmed naval shipyard capabilities.
And this is an important, new accent on restoring this industry in Europe.

Status of orders

According to Clarkson Research, a British shipbuilding and shipping market analyst, in the first quarter of the current year, the production of the global shipbuilding industry reached the value of 8.72 million CGT (compensated gross tonne – a unit of measurement of shipbuilding production taking into account the share of labour and production complexity), by 4.2 per cent more compared to the same period last year.

The share of Chinese shipyards increased and exceeded 50 per cent, while the share of the competing shipbuilding industry from South Korea decreased (by 5.7 per cent) and fell below 30 per cent (up to 28.4 per cent). Among the main reasons for this trend is that there is a labour shortage in the Korean industry, although it employs over 8,300 foreign workers. On the other hand, Chinese shipyards are not affected by this problem.

American actions

Last week, the Maritime Advantage Results in National Economic Resiliency & Security Act (MARINERS Act), which analyses ways to increase domestic production of the shipbuilding industry in the U.S., was presented to Congress in Washington.
"Decades of neglect by the U.S. government and private industry have weakened our shipbuilding capacity and workforce," the report emphasised. It also stated that the capacity of commercial American shipyards is 230 times smaller than that of Chinese ones. During the National Maritime Day ceremony, Secretary of the Navy Carlos Del Toro confirmed on 23 May his commitment to rebuilding the domestic shipbuilding industry.

“History shows that no nation has survived as a great maritime power without also being a commercial maritime power, in both shipbuilding and maritime industries. For the first time in 125 years, we have a full-spectrum global maritime competitor,” Del Toro said.

At the beginning of this year, he travelled to Asia to meet with Japanese and South Korean shipyard executives, urging them to invest in American shipyards.

In turn, during one of the pre-election meetings with trade unionists, Joe Biden announced that his administration would investigate whether the Chinese government was using anti-competitive practices to artificially lower prices in the shipbuilding industry. “If the government does this and uses unfair tactics to undermine free and fair trade competition in the shipping industry, I will take action”. It can be added that this has already been proven, so it is high time to take action.

SEA Europe appeals

SEA Europe representatives also called for action when they met with European parliamentarians in April. They called for the formulation of a comprehensive European maritime industry strategy.

“Due to significant ship price differences ranging from 30 to 40 per cent, combined with favourable financial incentives – especially those offered by Chinese banks – European shipowners are increasingly choosing Asian shipbuilders,” the association recalled in a statement.

“It is necessary to regain Europe’s shipbuilding potential by obtaining orders from shipowners, including European shipowners,” said Christophe Tytgat, Secretary General of SEA Europe. He called the EU decision-makers to adopt a maritime industrial strategy, which should be considered a priority in implementing Europe’s strategic autonomy.

“This strategy should strengthen technology leadership, facilitate investment and nurture a skilled workforce. By strengthening its shipbuilding potential in a difficult global landscape, Europe will increase its economic security and strategic maritime autonomy, which is much needed in the context of geopolitical tensions,” said Tytgat.

Without countermeasures?

Unfortunately, this information from the U.S. and Brussels does not provide a clear message as to how domestic shipyards should obtain larger orders for the construction of commercial ships. Formally, subsidising their production is out of the question, which only applies to warships.

Meanwhile, SEA Europe has been fighting for years on international forums to enforce the ban on subsidies to the shipbuilding industry in Asia but still without effect.

WSJ: Senator Roger Wicker: Why the U.S. Maritime Industry Lags China's Hint: It isn't the Jones Act.

Another day, another attack on the Jones Act. Colin Grabow and Scott Lincicome's "Protectionism Kills U.S. Merchant Shipping" (op-ed, Feb. 26) calls for the law's repeal.

For hundreds of years, Congress has entrusted domestic maritime commerce to American companies, ships and mariners for a simple reason: It works.

The law helps stabilize the nation's maritime industry. It facilitates some 650,000 jobs across our vast system of shipyards, ports and waterways and adds $150 billion annually to our economy. Ending the policy would hit the wallets of skilled American workers.

Opponents of the law value our economy and security, but their proposals risk both. We should dispense with the idea that repealing the Jones Act would save Americans money. Even if we allowed foreign vessels into our domestic sea trade, they would still sail under our wage, immigration and trade fees. These costs would get passed on to consumers.

Critics rightly recognize our diminished shipbuilding capacity, but that isn't the fault of the Jones Act. Nor would repealing it reignite freedom's forge. It would weaken our maritime workforce when we need it most.

Naval strategists have noted that American sea power creates a self-reinforcing system: Growth in commercial shipbuilding facilitates growth in the battle fleet, and vice versa.

This is not a time to stress-test this historical truth. China put 30 warships to sea last year, and it boasts the world's most merchant vessels. Meanwhile, the U.S. naval fleet shrank, and we now rank 70th in commercial shipping inventory. Repealing the Jones Act would narrow the already shrinking margin of American naval superiority.

Sen. Roger Wicker (R., Miss.) - Mr. Wicker is the ranking member of the Senate Armed Services Committee.

OpEd: US Commercial Shipbuilding and Repair Industry Ensures American Strength at Sea

Matthew Paxton, Contributor

April 3, 2024

As Senator Roger Wicker of Mississippi once said, “Growth in commercial shipbuilding facilitates growth in the battle fleet.” Sen. Wicker shrewdly recognizes that America’s manufacturing capacity and national security are deeply intertwined. A robust commercial shipbuilding and repair industry is a critical cornerstone of this capacity.

For the shipyard industrial base to remain strong and competitive, American innovators need a forward-thinking comprehensive American maritime strategy, for Congress to advance stable and predictable budgeting and recognize the importance of strengthening the Jones Act.

First, the U.S. must create a definable national maritime strategy that bolsters the Pentagon’s National Defense Industrial Strategy, released earlier this year. As a maritime force, the U.S. is falling behind. China, Korea and Japan continue to dominate the world’s total tonnage—95% of the world’s tonnage in fact—due to generous government-backed subsidies and bailouts.

From 2010 to 2018 alone, China provided $132 billion in direct subsidies for commercial shipbuilding and has invested billions more since then. China has historically used this manipulation to saturate the shipbuilding market and drive out global competitors.

This economic warfare affects U.S. shipyards and U.S. readiness. In fact, on March 12, Wisconsin Senator Tammy Baldwin, Pennsylvania Senator Bob Casey and the United Steelworkers, among others, joined together to call for the U.S. Trade Representative to launch an investigation into China’s unfair trade practices that are harming the American industrial base.

Second, the Congress must prioritize stable and predictable budgets rather than short-term funding stop gaps that allow for the shipyard industry to plan for investments in their infrastructure and workforce. Inconsistent funding signals create uncertainty in future operation plans, and to train, advance and retain the most valuable asset in our industrial base—our skilled workforce—we need that certainty, like any business sector.

On the commercial side, consistent policy signals for new maritime markets, such as the Biden Administration’s push for offshore wind, are essential for the industrial base to plan and construct for these exciting new opportunities. As with any industry or supply chain that will support a burgeoning innovation for a new market, funding is critical, but without long-term policy and cross-sector operationalization plans, investment in these markets becomes significantly more difficult.

Third, the fundamental maritime national security law—the Jones Act—must remain the foundation of the U.S. maritime strategy. Per the Maritime Administration (MARAD), the U.S. shipbuilding industrial base creates a workforce of nearly 400,000, generates $28.1 billion of labor income and contributes $42.4 billion in GDP. These are good family-waged jobs in all 50 states and communities across the nation. In fact, in many communities in regions like the Gulf states, the shipyard industrial base is the leading economic engine, employing generations of families.

There are 125 yards engaged in building, repairing, repowering and maintaining ships, not to mention the massive supply chain that supports those yards. This capacity has not been outsourced like many other critical manufacturing sectors, like semiconductor manufacturing, largely thanks to the Jones Act.

Disturbingly, special interest groups and foreign-funded think tanks are actively attacking the U.S. maritime industry and the Jones Act. Their short-sighted, greed-driven policies seek to outsource this critical manufacturing sector for cheap foreign labor and shoddily-built Chinese ships. This would be disastrous for our maritime security and would decimate jobs in local communities at a time in which our maritime strength is needed more than ever during geopolitical unrest.

Without a strong, forward-thinking comprehensive American maritime strategy, advancing predictable budgeting and other market-building policies and strengthening the Jones Act, other nations like China will continue to invest in their commercial and military maritime capacity and will continue to overtake us as the world's maritime leader.

A flourishing shipyard industrial base is not just an investment in our national and economic security future but a safeguard for generations to come.

Staying Afloat: Why America Needs the Jones Act to Compete with China and What to Do Next

BY: Michael Roberts

View full PDF with maps and figures.

Introduction and Summary

The Geopolitical Threat

Geopolitical competition between the United States and China has prompted broad policy reassessments in many industries associated with military and economic security. In no strategically important sector is China's advantage over the US more pronounced than in the commercial maritime industry. Using extensive government support and other advantages, China has created a commercial shipping and shipbuilding powerhouse of extraordinary scope and scale. This gives Beijing unmatched control over the circulatory system that feeds our global economy—the ships, ports, and other aspects of these essential links in international trade. China's commercial fleet (including ships owned in Hong Kong) is the largest in the world, numbering more than 10,000 large vessels and many thousands of small cargo and fishing vessels. Those vessels exert complete control over China's domestic shipping markets;[1] push de facto control over waters that extend beyond the People's Republic of China's legal boundaries; harass US Navy, Coast Guard, and allied ships; and serve as a naval reserve that would provide crucial support in any conflict. With substantial purchases from customers in the US and Western-aligned countries, China's commercial shipbuilding industry is now slated to produce more ships than the rest of the world combined. Billions, if not tens of billions, of dollars flow each year from these purchases to programs and shipyards that indirectly strengthen the People's Liberation Army Navy (PLAN), which is increasingly competitive with the US Navy.

In contrast, almost no American commercial ships operate in Western Pacific markets. Should a conflict with China break out, America's total international commercial fleet is much too small to meet basic US military resupply requirements, even if America deployed all of its commercial ships to the region. The US is simply a customer of global logistics supply chains and has no direct ability to prevent China from abusing them if the PRC chooses to do so. Not nearly enough of America's shipbuilding industrial base receives support from commercial building and repair work financed by private sector customers, rather than from government work paid for by US taxpayers.

Just as China is striving to neutralize America's advantages in certain strategically important sectors, American policymakers are assessing changes to mitigate risks where China has the advantage. In a recent report, I explored China's advantages in the commercial maritime sector and recommended specific policy changes that would, among other things, triple the number of US flag ships with American mariner crews trading internationally.[11] That fleet would carry the most advanced technology for crew safety and propulsion, and it would consist of ship types and deployments configured to maximize the fleet's value to American military and economic security. The plan would also phase in a requirement that American shipyards build those ships. This would provide a consistent demand signal enabling investment in technologies and process efficiencies that would improve performance and position the industry to scale up quickly if necessary in a conflict.

American national security interests thus demand a significant update of US policies governing commercial shipbuilding and the international shipping industry to help deter Chinese aggression and better secure maritime supply lines, both in peacetime and in the event of a conflict. The same is not true, however, with respect to policies governing America's *domestic* maritime industry.[2] The primary focus of that industry is commercial—to provide maritime transportation services to customers in domestic markets. However, the industry also supports American security interests in two ways. American citizen control over the use and operation of ships in domestic commerce reduces the risk that China and other geopolitical competitors could use those assets or services in hostile ways. This helps secure the US homeland against terrorism, for example, by reducing the risk that state or non-state actors could weaponize a loaded petroleum tanker to devastate an American city in much the same way as the September 11 terrorists used passenger aircraft to attack American citizens and institutions.[3] Further, in contrast to China's increasing ability to weaponize international maritime supply chains, existing law prevents China or its proxies from manipulating or weaponizing US domestic maritime supply chains. The same considerations that prevent foreign ownership and control over aircraft, electricity generation, telecommunications, and other industries that provide essential services to American citizens in the homeland also underlie longstanding policies that set boundaries against foreign ownership and control over US domestic maritime services.

America's domestic maritime industry also makes a significant contribution to the US defense industrial base. Operating ships in domestic markets provides regular employment for licensed American mariners, and nearly one-third of the mariner workforce that the US would need in an overseas military activation under current planning scenarios would come from the domestic fleet. The requirement that ships used in domestic trade be built in US shipyards has preserved an American commercial shipbuilding industry that helps support the military's shipbuilding needs and contributes to the country's readiness. Further, in an extreme activation scenario, many of the ships that serve domestic markets could also provide useful military sealift in an overseas conflict and certainly in the improbable event of an attempted invasion of the US homeland.[4]

Mistaken Criticisms

US domestic shipping laws (commonly referred to as the Jones Act) and the American maritime industry itself are nevertheless frequent targets of criticism based primarily on claims that legal restrictions foster competitive apathy among US shipping companies and shipbuilders.[5] Because US law restricts domestic markets to American-registered and -crewed vessels (like all other modes of transportation) and ships built in America, US shipping companies and shipbuilders are said to be protected against competition. This regulatory structure supposedly enables them to take advantage of customers, ignore innovation, and extract exorbitant profits at great cost to customers and consumers. Some even suggest that opening US domestic shipping markets to foreign ships would strengthen US national security. It would allegedly force US maritime companies out of their comfort zone in order to survive competition with lower-cost foreign competitors and eventually grow the US maritime industrial base to help offset China's advantages. The top-line reasoning is that competition is good, that US maritime companies are not competitive with those of China and certain other foreign counterparts, and that exposing US shipping and shipbuilding companies to foreign competition in US domestic markets—in addition to international markets—would produce growth in the American maritime industry, even though it has produced precisely the opposite outcome in international markets.

This caricature of American maritime businesses and workers rests on the fallacy that legitimate competition can exist and be measured only on a global scale and cannot be based on the competitive environment within US domestic markets. However, many American businesses—from construction to tourism to all forms of transportation—operating in the US under American norms and regulatory standards would fail the test of competitiveness if compared to businesses operating in the lowest-cost global markets under different and less costly norms and standards. If and to the extent that American ships and shipping services are more expensive than those of most foreign counterparts, it is not due to a lack of competition. Rather, it is because American maritime companies compete under totally different rules from those that apply to foreign maritime companies. These more stringent laws and regulations are appropriate because the services US companies provide and the work they perform must, by definition, take place within US territory. Analysts should thus evaluate the industry's competitiveness based on traditional business and economic factors such as number of competitors, market entry and exit, profitability, innovation, reinvestment, and so on. Using those factors, domestic shipping markets are generally more competitive than domestic rail and pipeline markets (which have high barriers to entry), are less competitive than domestic trucking markets (which have low barriers to entry), and are mixed in comparison to aviation and international shipping markets.

A similar analysis applies to the US commercial shipbuilding industry. Again, because the key work is performed within US territory, it is misleading to define the competitiveness of the US shipbuilding industry on the basis of its inability to match the lowest prices available on the international market.[6] Traditional economic indicators demonstrate that US commercial shipbuilders function in a competitive market. There are enough US shipbuilders capable of building different ship types to provide ample competition for new orders of all classes of ships. Some of the businesses are owned by major foreign shipbuilders or have licensing or other contractual relationships that facilitate the transfer of technology and expertise. US shipping companies (US shipbuilders' customers) buy ships from both US and foreign shipbuilders (the latter providing ships for international trade). They are effective negotiators and can play the yards off against each other to achieve offers that provide the optimal mix of schedule, quality, and cost.[7] Some US shipbuilders have been profitable, while others have not, and entry into and exit from the market have been frequent occurrences.

Repealing the Jones Act Would Diminish American Security

In the context of America's geopolitical competition with China, the key question concerning US domestic shipping laws is whether changing those laws to allow foreign ships into the country's domestic markets would enhance or diminish US security interests. The answer seems fairly obvious once one clears away the fallacies concerning the competitive nature of America's maritime industries. Allowing foreign built ships into US domestic markets would undercut and eventually destroy the American commercial shipbuilding industry. Juxtaposed against a false narrative that such competition would jolt US shipyards awake from competitive apathy is an array of hard economic facts that explain exactly why shipyards in China, Korea, and Japan dominate international markets and would eventually overwhelm US markets if given access to them. Specifically, at key points over the decades (and today in China), foreign shipyards have benefited from labor costs that were up to 80 percent lower than US labor costs; more advantageous safety, environmental, and other regulatory standards and costs; and much higher levels of government support. US shipyards and shipping companies face intense intramodal, intermodal, and sourcing competition that wrings excess costs out of the domestic maritime system. And while nothing legally prevents US ships and shipyards from competing in international markets, they rarely do so simply because the deck is stacked against them in those markets.

Today, when America's national security faces more threats than at any time in more than three decades, and when the importance of expanding the US shipbuilding industrial base is greater than at any time since World War II, the notion of sacrificing the country's commercial shipbuilding industry ought to be a policy nonstarter. Exposing these industries would cost thousands of American jobs in key disciplines—such as professional design and engineering, skilled and semi-skilled labor—and shut down shipbuilding facilities across the country. This is the very industrial base that US laws aimed to preserve so that the country could scale it up if necessary. Now that America needs to scale it up (or at least better prepare to do so), arguments that the US should sacrifice those jobs and facilities based on misguided theories should be rejected out of hand.[8]

Of equal or greater concern is the suggestion of allowing foreign control over the operation and management of ships in US domestic shipping markets. The US mariner workforce would be wiped out if a change in the law forced it to compete with foreign mariners who receive entry-level base wages of roughly $8,000 per year.[9] This would destroy a key source of jobs for the American mariners who would crew military sealift vessels during a conflict, compounding workforce development challenges at a time when the need is to expand dramatically the number of American mariners. Such a change would also constitute an unprecedented breach in America's economic sovereignty, allowing companies to replace American workers with foreign labor in American territory without complying with US immigration, employment, and many other laws and regulations.

Further, such a change would severely weaken America's defenses against terrorism and supply chain weaponization by exposing key homeland markets to foreign-controlled and foreign-crewed ships that would be able to penetrate and take over those markets. Expanding the number and reach of unregulated foreign mariners throughout America's maritime economy could only increase the risk that they would become agents of harm to American citizens in the homeland, whether as individual actors or as part of a coordinated plan of attack. The serious security concerns that arise due to China's increasing ability to control maritime supply chains serving US import-export markets could be much more acute if Washington allowed Beijing or its proxies to control maritime supply chains in US domestic markets. China could punish shipping customers in America's homeland for taking positions or holding beliefs that conflict with China's totalitarian objectives, for example. It could also take entire economies hostage by shutting down maritime services to US offshore communities and in other key domestic markets.

In summary, proposals to repeal the Jones Act raised provocative issues when they surfaced in the 1990s at the end of the Cold War and at the height of American hegemony. One could then debate the notion of extending globalist ideals into US domestic transportation markets and risk the destruction of American shipping and shipbuilding industries, which some viewed as unimportant.[10] China's challenge to America's global leadership and the strategic value of the commercial maritime industry upend the two key assumptions underlying those debates. These issues demand serious and urgent attention. In addition to collaborating with allies that have retained significant maritime capabilities, America's top two priorities in the commercial maritime sector should be to (1) expand its international fleet to meet sealift planning needs and defend its maritime logistics supply chains and (2) grow its shipbuilding industrial base. On both counts, repealing the Jones Act would work in exactly the opposite direction.

The serious and negative impacts on American security that a Jones Act repeal would produce should, in the current geopolitical context, end discussion of that subject, but it is important to include an addendum. The core fallacy that led some to think that American shipping and shipbuilding industries are uncompetitive (or that repealing the Jones Act would strengthen rather than weaken American security) has also led to many other claims that defy common sense. Contrary to some claims, repealing the Jones Act would have no impact on highway traffic congestion, would not reduce climate change, would not revive the Erie Canal as a transportation corridor, and would not reduce the cost of living in offshore communities. As an example, the incremental savings that would result from repealing the Jones Act and replacing American ships and crews with the lowest-cost foreign ships and crews to move cargo between the US mainland and Alaska, Hawaii, and Puerto Rico would be about $1.40 *per ton*, roughly equal to two first-class postage stamps. The savings, amounting to about *0.1 percent* of these economies, would primarily benefit major corporate customers, many of whom are not based in these markets (or even in the US). And even if those companies passed all of the savings on to their customers in these communities, it would not affect the cost of living there. On the contrary, all Alaskans, Hawaiians, and Puerto Ricans would bear the costs of the greater security risks that would result from transferring those key jobs away from American workers and exposing those communities' maritime connections with the US mainland to foreign control.

Secretary of the Navy & Maritime Administrator Sponsored Maritime Statecraft Workshop

Forging Deeper Understanding of a Whole-of-Government Application of Maritime Statecraft Tools

General Overview (Draft/Subject to Change)

National Maritime Statecraft Workshop Execution: Gather a working group during a window from 15-17 May 2024 at the Center for Naval Analysis to advance and develop ideas for how to use the concept of maritime statecraft as an organizing principal for Congress, Industry, and the Inter-agency to operationalize national maritime strategy.

State-of-Play References:
America Needs a National Maritime Strategy
Secretary of the Navy calling for Maritime Statecraft at Harvard Kennedy School
Congressional Letter to the President on rebuilding America's maritime power
Congressional Guidance for a National Maritime Strategy
USTR Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors

Workshop Concept and format: The workshop will be made up of maritime stakeholders from industry, think tanks, and the interagency working together to inform and build understanding of complex maritime domain issues; laser focused on offering recommendations on how to employ tools of maritime statecraft in a prioritized fashion to create a more favorable domestic and international maritime environment for advancing America's maritime power. The group will use a series of open session discussions, speaker engagements, expert panels, and brainstorming methods, based on a clear problem statement, to achieve desired learning outcomes and deliver end state objectives.

Problem Statement: Maritime Statecraft is a concept the Secretary of the Navy has promoted for calling on the nation to take actions that will create a more favorable environment for the nation's maritime sector. However, as a new concept, a framework has not been developed yet for how diverse stakeholders will participate in the effort.

End State Objectives:
1. Develop an infographic outlining maritime statecraft **tools available** to various maritime stakeholders based on their existing mission, resources, and authority. Prioritize sequencing low-cost tools first and highlight potential mitigations for resource intensive tools required for an enduring impact.
2. Generate a 1–2-page workshop **out-brief to SECNAV**, summarizing workshop shared perspective on:
   a. Best industry practices, executive actions, or legislation that would create a fairer, more competitive and favorable international marketplace for the U.S. maritime workforce, shipping, and shipbuilding.
   b. Critical ways for our nation to de-risk America's maritime domain from our strategic competitors.
   c. Maritime innovations that could capture market share and capitalize on nation's competitive spirit.
3. Foster agreement on the general outline of a **shared maritime narrative.**
4. Develop a list of ways Allies and partners can advance America's contribution to the global maritime domain.
4. Establish a broad maritime statecraft network capable of providing creative solutions, synergies, coordinated recommendations, and enduring support.

Learning Outcomes (LO):
1. Evaluate foreign practices undermining maritime workforce, shipping, and shipbuilding competitiveness.
2. Identify ways to mitigate risk posed by coercion from our strategic maritime competitors.
3. Discuss employing innovation, competitiveness, resources, policy, and unit of effort tools of maritime statecraft.
4. Map potential maritime statecraft tools available to members of interagency and industry.
5. Understand the powerful role of a shared narrative, and the potential role of Allies and partners, for progressing national and international will for western values in the maritime domain as a maritime statecraft tool.

Conceptual Framework for Dialogue:
Day 1: Morning – Develop perspective on maritime statecraft as an activity across government and industry (O1/LO2)
Day 1: Afternoon – Evaluate coercive, unfair, and uncompetitive foreign practices in the maritime domain. (LO1/LO2)
Day 2: Morning – Consider the role of maritime law and security, treaties, regulations, incentives, infrastructure. (LO3)
Day 2: Afternoon – Identify ways to mitigate risk posed by coercion in the maritime eco-system. (LO4)
Day 3: Morning – Consider the role of maritime innovation, conservation, shared narratives, and diplomacy. (LO4/LO5)
Day 3: Afternoon – Close-out Networking Session on the Center for Naval Analysis Rooftop.

EVENT LOCATION: CENTER FOR NAVAL ANALYSIS 3003 WASHINGTON BLVD, ARLINGTON, VA
WORKSHOP COORDINATION AND FACILITATION: CDR BRUCE KIMBRELL / POC: 703-474-8945

Bipartisan lawmakers push plans to beef up naval investments

By Barnini Chakraborty

May 23, 2024 4:01 pm

Two bipartisan lawmakers are renewing calls for a national investment in the naval sector, warning that America has fallen behind and that China's use of the world's oceans "to pursue global supremacy" is growing exponentially.

Sen. Mark Kelly (D-AZ) and Rep. Michael Waltz (R-FL) noted in a joint opinion piece in the *Wall Street Journal* that Beijing, in its ambitious power grab, has seized more than a dozen islands in waters claimed by its neighbors and is hungry for more.

"China is using the islands as military outposts, which serve to choke off the region's economic and natural-resources lifelines," they wrote. "Beijing's games of chicken with foreign ships contravene international law, risk dangerous escalation, and deny freedom of navigation to American allies and partners."

China not only has the world's largest navy, but it is also the world's top shipbuilder and controls one of the largest shipping companies, built with the help of state subsidies.

A Center for Strategic and International Studies analysis estimates China offered $132 billion in subsidies to shipbuilding and shipping industries between 2010 and 2018. China has also invested nearly $60 billion into global port projects in places like Peru and Sri Lanka.

China has been accused of using predatory lending practices to gain control of the strategic port location. When nations like Sri Lanka can't pay back the loans, China closes in and takes over.

"By flouting international standards of fair market behavior, China has secured nearly half of the world's shipbuilding market as well as control over port and shipyard infrastructure around the world," the lawmakers said.

And while China has been strategically building up its naval power, America's commercial maritime industry has fallen woefully behind.

The United States had made up more than 40% of the world's shipping capability at the end of World War II, with more than 5,000 ships at its disposal. Today, that number has shrunk to 90 U.S.-flagged ships that are involved in international trade.

The country's maritime industrial base has also taken a hit. The U.S. lost 300 shipyards between 1983 and 2013, in part because the U.S. does not subsidize commercial shipbuilders like China. America has also increasingly turned to other nations to conduct trade, putting the U.S. at the mercy of foreign-flagged ships. Today, there are about 153,000 workers in the U.S. shipbuilding industry. China has more than 600,000.

Kelly and Waltz are behind a National Maritime Strategy that recommends expansion of mariner training programs, investments in U.S. shipyards, and the continued modernization of the inland waterways system.

The report also “encourages private-sector investments and streamlines burdensome regulations.”

“The next step is for Congress to codify our bipartisan guidance into the National Maritime Strategy, and for the president to adopt it,” they said, adding, “that will set a course for securing America’s edge at sea, recognizing the innovative and competitive spirit of the American people.”

Op-Ed: Senator Kelly Throws U.S. Maritime Industry a Lifeline — Let's Seize It

John Konrad

By Captain John Konrad (gCaptain Op-Ed) Yesterday, following encouraging remarks from the Secretaries of Transportation and the Navy, Senator Mark Kelly delivered a compelling speech at the National Maritime Day ceremony. He emphasized the necessity to revitalize both the United States Merchant Marine, shipbuilding and the broader US maritime industry. As a former US Navy officer and licensed Merchant Mariner himself, Kelly's words resonated not only with the maritime professionals present, but also with anyone who appreciates America's seafaring heritage and the security of global trade during these uncertain times.

Senator Kelly's passion for the maritime sector is deeply personal, stemming from his grandfather's service on a Liberty Ship during World War II and his own education at the United States Merchant Marine Academy. His experiences from serving on Merchant Ships during the Cold War to participating in launches off aircraft carriers and into space give him a unique perspective. This viewpoint backstops the need to prioritize maritime concerns in our strategic competition with China.

Kelly is firmly convinced that our maritime industry needs to experience a renaissance.

The senator emphasized a stark reality: the steep decline of our U.S.-flagged international fleet. It has dropped from nearly 400 oceangoing vessels in 1986 to just 80 in international service today, while China possesses nearly 5,500. This significant disparity is not just a statistic; it's a call to action. In his speech, Kelly discussed his bipartisan (coauthored with Marco Rubio), bicameral (coauthored with Congressmen Waltz and Garamendi) Congressional guidance for a national maritime strategy. This strategy, recently endorsed by the Secretary of the Navy, represents the initial step in upcoming legislation to address this imbalance. The senator advocated for financial incentives, regulatory reforms, and robust maritime security programs.

Kelly's proposals are pragmatic and comprehensive. He advocates for tax credits and financial tools to incentivize the use of U.S.-flagged vessels, stringent enforcement of Cargo Preference requirements, and reforms to our Maritime Security programs. These measures are designed to make American-flagged, American-crewed vessels competitive again on the global stage.

"I believe all these reforms are not just necessary for the maritime industry," said Kelly. "I believe they can earn the backing of Republicans and Democrats in both the Senate and the House of Representatives."

However, Kelly's vision extends beyond our merchant fleet. He rightly emphasizes the need to revitalize our shipbuilding sector. With only 20 large shipbuilders remaining from a high of over 80 post-WWII, the industry is a shadow of its former self. Drawing parallels to the successful CHIPS Act, Kelly proposes new investment tax credits and incentives to rejuvenate shipbuilding and its supply chain, thereby ensuring that we can build and repair oceangoing vessels right here in the United States.

Revitalizing our maritime workforce is central to Kelly's vision. He advocates for substantial investments in the U.S. Merchant Marine Academy and State Maritime Academies, alongside support for union schools and MARAD Centers of Excellence. These institutions play a crucial role in training skilled mariners and shipbuilders, who are essential for maintaining our maritime industry.

Moreover, Kelly proposes raising awareness of maritime careers and offering incentives such as public service loan forgiveness and tax breaks for US Merchant Mariners.

Kelly's speech served as both a call to action and a roadmap for bipartisan cooperation. His strategy document, penned alongside Marco Rubio, Mike Waltz, and John Garamendi, sets the foundation for transformative reforms. This joint effort emphasizes that revitalizing our maritime industry is not merely a partisan goal, but a national necessity.

Reinvigorating our domestic maritime sector will do more than bolster our national security; it will supercharge our economy and create high-paying jobs. It is a strategic move that will enable us to compete more effectively with China and other global powers.

The speech wasn't entirely optimistic for the US maritime industry. Throughout our history – especially in the last few decades – industry segments have often clashed and Merchant Mariners themselves have frequently criticized each other and politicians who wish to help. Evidence of this can be found in numerous threads on gCaptain's own forum, suggesting that we are often our own worst enemy. However, as Kelly wisely points out in this speech, achieving this ambitious agenda will require compromise, cooperation, and a collective resolve to overcome challenges.

Can the industry and the U.S. Merchant Marine unite in support of this cause? Is there room for compromise with lawmakers? How many people in our industry will share this speech with their company executives and union representatives? Who will take immediate action and contact their congressional representatives, urging them to read and endorse Kelly's guidance?

As Kelly pointedly reminded us, the stakes are too high for failure. America, a nation bordered by oceans, has consistently been, and must continue to be, a maritime power. The call to action is unambiguous: we must collectively rise to the challenge, convert these audacious concepts into tangible legislation, and safeguard our maritime future.

"We can not let the perfect become the enemy of the good," said Kelly. "I am an optimist. We can get this done."

Let's respond to Senator Kelly's call and rebuild our maritime might for our economy, our security, and future generations of mariners. The time to act is now. However, action requires education. Therefore, watch Kelly's speech and read his guidance. Contact your representatives; if they are Republicans, ask them to reach out to the staff of Rubio or Waltz for a briefing on the guidance. If they are Democrats, ask them to get in touch with Kelly or Garamendi. Encourage any journalists you know to reach out to them or the Secretary of the Navy for an interview. If you are a seafarer or overseas maritime executive concerned about Russia, China, or the Houthis, ask your Navy to visit DC for a briefing on the US Navy's Maritime Statecraft initiative.

The US Merchant Marine has suffered from neglect, insufficient funding, and lack of appreciation for decades. There is much to be cynical about, however, it's our responsibility to put aside our skepticism and support those offering robust legislative aid.

CONGRESSIONAL GUIDANCE FOR A NATIONAL MARITIME STRATEGY

Reversing the Decline of America's Maritime Power

Congressman Mike Waltz
Senator Mark Kelly
Senator Marco Rubio
Congressman John Garamendi

April 30, 2024

The United States is a maritime nation. Our way of life depends on safe, open, and reliable access to the oceans. Our waterways, coasts, and seas provide vast natural resources for American recreation, commerce, transportation, and defense. The seas link us to markets abroad where we buy and sell critical supplies to grow our economy and support good paying American jobs at home. Finally, they played an indispensable role in allowing America to become the world's most prosperous and powerful nation.

AMERICA'S MARITIME SECTOR IS OF VITAL ECONOMIC AND NATIONAL SECURITY INTEREST

Decades of neglect by the U.S. government and private industry has weakened our shipbuilding capacity and maritime workforce, contributing to a declining U.S.-flag shipping fleet to bring American goods to market and support the U.S. military during wartime. Moreover, the People's Liberation Army Navy and the merchant marine and maritime militia of the People's Republic of China outnumber the U.S. Navy. For decades, our country has failed to invest in critical maritime infrastructure and capabilities. For this reason, the United States is less capable of competing in a worldwide ocean economy worth between $3 trillion and $6 trillion dollars, according to the United Nations Conference on Trade and Development. Meanwhile, our strategic competitor, the People's Republic of China, became the world's top shipbuilding and shipping nation, boasting 230 times more shipbuilding capacity than the United States, according to the Office of Naval Intelligence. We cannot continue to allow the People's Republic of China to increasingly grasp control of freedom of navigation on the high seas, international ocean shipping, and the critical maritime infrastructure necessary to maintain global security and the American way of life.

For this reason, we need a national maritime strategy, outlining and putting into action our plan to reverse the decline of American maritime power and our susceptibility to coercion from strategic competitors on the world's oceans.

ASSURED ACCESS TO THE SEAS IS A NATIONAL SECURITY REQUIREMENT

Ensuring continued U.S. access to free, open, safe, and sustainable oceans without coercion from global competitors should be the aim of our national maritime strategy. American naval power helps to safeguard access to the world's oceans, but freedom of the high seas cannot be assured indefinitely without a renewed national effort. The foundation of our access to the oceans lies in robust U.S.-flag shipping, shipbuilding, and maritime workforce capabilities. Therefore, we must develop a maritime strategy with a national focus on rebuilding maritime independence, free from coercion from the People's Republic of China and emerging threats. This national maritime strategy must reflect that our security and economic way of life relies on open and free waterways. We must act now, before it is too late, and make a once-in-a-generation investment in U.S.-flag shipping, shipbuilding, and the maritime workforce needed to reassert America's maritime power.

“

We must act now, before it is too late, and make a once in a generation investment in the future of America’s maritime power.”

-Congressman Mike Waltz (R-FL)

“

Revitalizing the American maritime industry will supercharge our economy and strengthen our national security. It won’t be easy, but America has always been a maritime nation—and the stakes are too high for us to fail.”

-Senator Mark Kelly (D-AZ)

“

The competition between the United States and Communist China will define the 21st century, and nowhere is this conflict more prevalent than in the maritime domain. The U.S. must move quickly to revitalize our maritime industrial base, reinvest in a robust workforce, and advance innovative technologies to project strength and security in the world’s waterways, oceans, and seas.”

-Senator Marco Rubio (R-FL)

“

Since 2013, I have worked to revitalize the U.S. maritime industry so we can continue to project American sea power abroad during peacetime or war. Congress and the U.S. military must rebuild our domestic commercial shipbuilding and maritime industrial base. American shipyards and mariners are ready, willing, and able to do the job but can no longer be expected to compete against heavily subsidized foreign competitors in mainland China and elsewhere. Our National Maritime Strategy should start with three key words: the Jones Act.”

-Congressman John Garamendi (D-CA)

FACTS AT A GLANCE

U.S.	VS	CHINA
<200 U.S. Flag Oceangoing Vessels	Fleet	**>7,000** Chinese Flag Oceangoing Vessels
<5 Orders (2023)	Shipbuilding	**>1,700** Orders (2023)
<153,000 U.S. Workers	Shipbuilding Workforce	**>600,000** Chinese Workers
<12,000 Merchant Mariners	Mariners/ Seafarers	**>1.7 Million** Seafarers

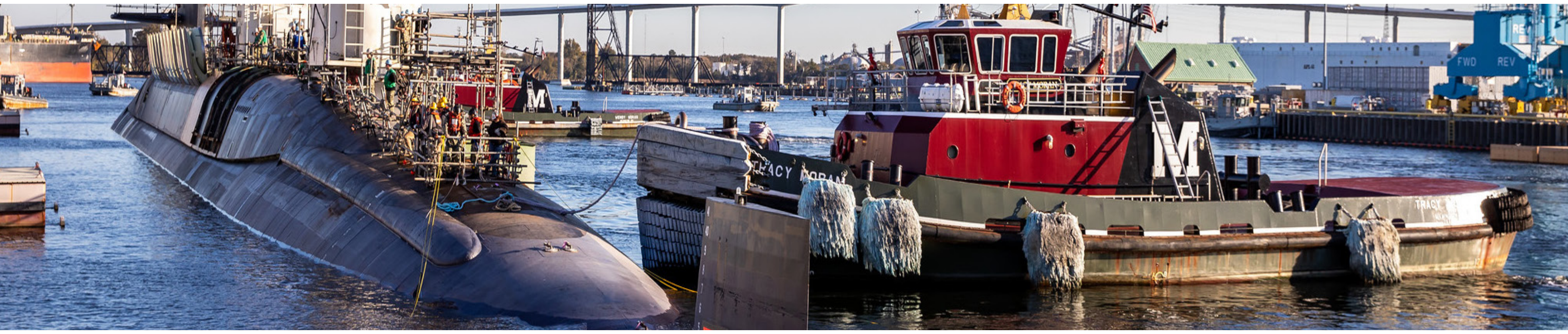
STRATEGIC OBJECTIVES

ACHIEVE MARITIME PROSPERITY

- Strengthen America's maritime workforce and the Jones Act Fleet—the backbone of our sea services, industry, and maritime transportation system.
- Invest and innovate in domestic shipbuilding and U.S.-flag shipping capabilities and capacity to advance the power and influence of America's maritime industry.
- Revitalize the U.S.-flagged international fleet through targeted incentive programs and regulatory reforms to make the fleet competitive with international carriers.
- Drive modern business and manufacturing approaches: innovative maritime logistics, fuels, and advanced nuclear energy, human-machine teaming, additive manufacturing, and other advanced technologies.
- Survey and evaluate conditions of critical maritime infrastructure to invest in America's marine highways, guiding public and private investments to the most high-impact projects.
- Leverage existing, unused authorities to speed the flow of taxpayer resources towards U.S.-flag shipping and domestic commercial shipbuilding.

ENSURE MARITIME SECURITY

- Ensure U.S. and allied naval forces can effectively defend global freedom of navigation on the high seas, including against the People's Republic of China's coercive maritime insurgency in the South China Sea and beyond, as well as emerging asymmetric adversaries such as the Islamic Republic of Iran in the Strait of Hormuz, Iranian-backed Houthis in the Red Sea and Gulf of Aden, and ongoing piracy in critical chokepoints around the world.
- Confront rapidly emerging challenges by immediately accelerating polar, seabed warfare, and undersea warfare capabilities.
- Encourage public outreach to demonstrate how American shipbuilding and U.S.-flag shipping are critical to national security, and that maritime workers are essential.
- Harden critical maritime infrastructure and networks, enforce the new federal ban on the use of the People's Republic of China's Ministry of Transportation's National Transportation and Logistics Public Information Platform, commonly referred to as "LOGINK," and incrementally replace Chinese-built cranes in American ports with domestically manufactured ones.
- Attract private investment into U.S.-flag shipping and domestic shipbuilding while restricting cash flow into the People's Republic of China's maritime shipping and shipbuilding industries.



SEEK ALLIED AND PARTNER COOPERATION

- Prepare for resource competition in the Indo-Pacific and Polar regions with like-minded allies and partner countries. Review vulnerabilities to international maritime regulation, enforcement systems, and critical maritime infrastructure for global commerce.
- Support a strong U.S. commercial maritime industry—both domestic and internationally—to leverage global supply chains the United States can access in peacetime, crisis, and war.
- Establish allied and partner arrangements for combined presence operations to share the burden of providing freedom of navigation on the high seas, conducting maritime security operations, protecting ocean resources in critical regions, and potentially establishing green corridors and maritime opportunity zones.
- Seek mutually beneficial relationships with treaty allies, exploring comparative advantages to lower cost, time, and the complexity of rebuilding America's domestic shipping and shipbuilding industry.
- Share the burden for critical maritime parts and projects, applying best practices from other industry supply chain models to the maritime sector.

PRIORITIZE AMERICAN VALUES, MARITIME INDEPENDENCE, FREEDOM OF THE SEAS, AND THE RESILIENCE OF OUR OCEANS, SEAS, AND INLAND WATERWAYS

- Promote American values for quality of life, worker safety, freedom of navigation, and environmental stewardship.
- Create energy innovation incubators that bring military, commercial, and civil stakeholders together to research, test, and deploy advanced nuclear and other alternative propulsion power to improve the range of maritime vessels.
- Support the study of how rising sea levels and receding polar ice may affect the marine domain to inform how the U.S. should secure our political, economic, and military interests as the People's Republic of China increases its presence in the Polar regions.
- Advocate to protect fisheries in nations threatened by the illegal and unregulated fishing operations of the People's Republic of China.
- Create coherent, consistent, and predictable policy in support of reliable, affordable, and stable access to valuable oceanic resources like energy, ensuring a thriving maritime sector domestically, and globally competitive in the international maritime trades.

10 THINGS CONGRESS CAN DO NOW

1 Speed development of a long-term National Maritime Strategy for incremental implementation, including state and local policy options. Establish a Presidentially appointed position to synchronize all national maritime affairs and policy. Establish a National Maritime Council, led by the President's maritime appointee, to monitor and report on the implementation of the national maritime strategy.

3 Grow domestic shipbuilding capacity and demand modern performance expectations. Provide the authorities and funding to support domestic shipbuilding. Explore treaty ally collaboration to expand domestic shipbuilding opportunities and insource capabilities to the U.S. market.

2 Take all measures possible to expand, develop, and protect the domestic maritime workforce, fully funding and reinvigorating the Maritime Administration, U.S. Coast Guard, Federal Maritime Commission, and other federal agencies that protect, regulate, and support the U.S. maritime industry. Commission a national marketing campaign, implement workforce accelerators, including through international personnel exchanges, and champion the domestic maritime workforce, the U.S. Merchant Marine Academy, and our state maritime academies.

4 Grow U.S.-flagged shipping capacity and guarantee U.S. Government cargo during peacetime. Establish new programs leveraging a range of tools such as tax incentives, enhanced cargo preference, operational subsidization, and federal financing to incentivize companies to ship their products via U.S.-flagged vessels, with the aim of growing the U.S.-flagged international fleet's size and carrying capacity.

5 **Urge investment in America's Maritime Transportation System and inland waterways.** Address the national maintenance backlog, which according to the American Society of Civil Engineers, amounts to $125 billion for bridges, $163 billion for ports, and $6.8 billion for inland waterways.

6 **Create innovation incubator programs partnered with industry to lead the world in innovative and advanced nuclear energy solutions for the maritime sector.** Fund modern design and production approaches, automation advances with human teaming, and applied research for materials, fuels, and energy.

7 **Conduct assessments of economic, political, and military factors that threaten U.S. interests in the rapidly changing Polar Regions.** Prepare and plan for potential competition for resources that may result from increased activity by U.S. adversaries in the Polar Regions, while respecting the rule of law and national sovereignty.

8 **Provide the resources necessary to ensure our Naval forces can defend the freedom of the seas. Prioritize forward presence, readiness, and combat logistics.** Provide multi-year authorizations for critical maritime programs and identify dedicated revenue sources to support critical maritime security and naval shipbuilding support programs.

9 **Implement rules, policies, and resource decisions to de-risk the U.S. maritime sector from our strategic competitors.** Evaluate and mitigate ways in which the U.S. has dependencies on strategic competitors and prioritize domestic capabilities.

10 **Consistent with the U.S. National Security Strategy, advance the rule of law, allies and partners, trade, quality of life, and universal access to the global commons all unalienable American values.** Express dedication to these fundamental principles by securing extended authorizations and appropriations for vital maritime programs that are crucial to both our economic and national security via maritime strength.

Maritime Legislation – Discussion Draft
Sen. Mark Kelly / Rep. Mike Waltz

Summary:
The U.S. Maritime industry needs support. Less than 80 oceangoing ships fly the American flag in international commerce. The U.S. shipbuilding industrial base lacks the capacity to produce oceangoing vessels at scale. And the number of qualified mariners is falling. The U.S. Merchant Marine will be relied upon to transport critical goods and military cargo during a time of war, and a strong U.S. Merchant Marine will help to strengthen American supply chains during peacetime.

This legislative proposal represents a comprehensive approach to revitalizing the U.S. Merchant Marine along four primary lines of effort: 1) establishing a Maritim Security Trust Fund; 2) supporting and incentivizing an increase of U.S. flagged vessels; 3) supporting the U.S. shipbuilding industry; and 4) expanding and strengthening maritime workforce development to boost mariner and shipyard worker recruitment, training, and retention.

Section-by-Section:

Front matter:
- **Section 1:** Short Title
- **Section 2:** Findings
- **Section 3:** Purposes
- **Section 4:** Table of Contents

Title 1: Oversight and Accountability

Section 101: Establishing National Oversignt

This section requires the President to appoint a Special Advisor to coordinate national maritime affairs and policy, including maintaining and updating the National Maritime Strategy.

Title 2: Maritime Security Trust Fund

Section 201: Establishment of the Maritime Security Trust Fund

Other modes of transportation are supported by dedicated trust funds, supported by user fees. These trust funds, like the Highway Trust Fund and Aviation Trust Fund, allow for sustained federal support for national transportation priorities, independent of the annual appropriations process. This section creates a **Maritime Security Trust Fund** to create a dedicated source of funding for critical maritime security programs.

The Maritime Security Trust Fund would be funded by funds collected from Customs and Border Protection on duties, fees, and penalties imposed on vessels in international commerce, the proceeds from regular tonnage taxes (as amended by section 102), special tonnage taxes, light money, and tariffs and duties imposed on foreign nations, to include the Section 301 tariffs.

Obligations will be made from the Maritime Security Trust Fund to support the following programs, which protects these programs from needing to rely on annual appropriations:

a. Maritime Security Program
b. Tanker Security Fleet
c. Cable Security Fleet
d. Title XI Loan Guarantees
e. Small Shipyard Grant Program
f. National Shipbuilding Research Program
g. The U.S. Merchant Marine Academy
h. Student Incentive Payments for State Maritime Academies and the National Security Multi-Mission Vessel program
i. Construction Differential Program (as amended)
j. Transportation Cost Reimbursement program

Section 202: Regular Tonnage Taxes; Presidential Suspension of Tonnage Taxes and Light Money

This section prevents the Presidential suspension of tonnage taxes and light money for vessels which are owned or operated by a foreign entity of concern or registered to a foreign country of concern (defined as Russia, China, Iran, and North Korea).

Section 203: Assistance for Small Shipyards

This section provides $100 million in funding for the Assistance for Small Shipyards program from the Maritime Security Trust Fund for fiscal years 2025 through 2034.

Section 204: Maritime Security Program

This section increases the number of vessels in the Maritime Security Program from 60 to 80. This section increases the Maritime Security Program annual stipend to $8.5m. Funding for the Maritime Security Program is provided by the Maritime Security Trust Fund from fiscal years 2025 through 2034. This section requires TRANSCOM to perform a test of the Maritime Security Fleet every two years.

Section 205: Tanker Security Fleet

This section increases the number of vessels in the Tanker Security Fleet from 20 to 70 vessels, and provides funding from the Maritime Security Trust Fund from fiscal years 2025 through 2034.

Section 206: Loans and Guarantees

This section provides $100m for each of fiscal years 2025 through 2034 from the Maritime Security Trust Fund for the Title XI Federal Ship Financing Program.

Section 207: National Shipbuilding Research Program

This section authorizes the activities of the National Shipbuilding Research Program and provides $10m for each of fiscal years 2025 through 2034 from the Maritime Security Trust Fund.

Title 3: Sealift Capability

Section 301: Sealift Capability

This section establishes that it is the policy of the United States to have United States-flag strategic sealift capable of meeting American national and economic security objectives. The Secretary of Transportation and Secretary of Defense are required to acquire and maintain sufficient civil, commercial, and military sealift capability. In carrying out these provisions, the United States may enter into agreements with treaty allies to meet sealift requirements. The Secretary of Defense and Secretary of Transportation are required to provide reports, briefings, and assessments to Congress related to these objectives.

Title 4: United States Flag Vessels

Subtitle A – Tax Provisions:

Section 401: Investment Tax Credit for Vessels of the United States

This section would establish a 30% investment tax credit for any investment made by a taxpayer to construct, repower, or reconstruct an oceangoing vessel in the United States or purchase an oceangoing vessel for use in the United States international fleet. To claim the credit, the vessel owner would have to enter into an agreement with the Maritime Administrator to document the ship under the laws of the United States for not less than 20 years. A bonus credit of 10% would be added on if the vessel is constructed in the United States. A bonus credit of 2.5% would be added on if the vessel owner enters into an agreement with the Maritime Administrator to receive protection and indemnity (P&I) insurance from a company headquartered in the United States.

Section 402: Enhanced Deduction for Expenses Related to International Shipping Serviced by United States Flag Vessel

Currently, businesses are able to claim a tax deduction for the value of goods imported into the United States in a given tax year. This section would double that deduction for the value of goods which are imported on a U.S.-flagged vessel.

Section 403: Certain Payments for Maritime Security Excluded from Gross Income

This section clarifies that funding received under MSP, TSF, and CSF is not considered taxable income.

Section 404: Modification to Duties Relating to Equipment and Repair of Vessels
Currently, any U.S.-flagged vessel must pay a duty of 50% for any repairs made on the vessel in a foreign shipyard of an allied country. This section allows the Maritime Administrator to waive

the duty for vessels enrolled in MSP, CSF, TSF, or with a Voluntary Intermodal Sealift Agreement. It also raises the duty to 200% the cost of any repair made by a repair yard in, or owned by, the People's Republic of China.

Section 405: Elimination of 30-day Limitation on Domestic Operations

This section eliminates the statutory 30-day limitation under the domestic tonnage tax., and instead requires a new rulemaking allow for more interoperability for U.S.-flagged vessels in the domestic and international trades.

Section 406: Qualifying Shipping Activities

This section requires the IRS to update regulations to specify that "core" activities are any transportation services that a carrier is obligated to provide under a bill of lading covering the transportation of goods by ocean to or from U.S. ports in foreign trade is set forth in the Carriage of Goods by Sea Act (COGSA), which is the industry standard for "core" activities.

Section 407: Privileging the United States Flagged Fleet

This section requires the head of any federal agency with jurisdiction over maritime shipping or shipbuilding to develop a report identifying administrative actions the agency can take to privilege the U.S.-flag fleet, and make recommendations for additional Congressional Action.

Subtitle B: Cargo Preference

Section 411: United States Government Cargo

This section raises the percentage of U.S. government cargo which must sail on U.S. flag vessels from 50 percent to 75 percent.

Section 412: Transportation Requirements for Certain Exports Sponsored by the Secretary of Agriculture

In 2012, Congress repealed a requirement that 25 percent of all agricultural exports for humanitarian food aid be transported on U.S.-flagged vessels. This section restores the prior requirement for agricultural cargo preference.

Section 413: Cargo Preference Implementation Regulations

This section requires the that Maritime Administrator issue regulations and agency guidance related to the reimposed cargo preference requirements.

Section 414: Cargo Preference Oversight and Audit

This section updates oversight and audit requirements for cargo preference laws, and requires Congressional notification if an agency is found to be out of compliance with cargo preference requirements.

Section 415: Financing the Transportation of Agricultural Commodities

Historically, MARAD was provided with funding and authority to reimburse the Secretary of Agriculture and Commodity Credit Corporation if transportation costs on U.S.-flagged vessels exceeded market rates. This provision is restored, with the revenue for the reimbursement program using funds from the Maritime Security Trust Fund.

Subtitle C: Regulatory Reform

Section 421: Alternative Compliance Program

The Maritime Security Program has a provision which allows a U.S. registered vessel to obtain a Coast Guard Certificate of inspection (COI) by complying with the standards of an authorized classification society. This section requires that this Alternative Compliance Program be made available to all U.S.-flagged vessels (not just MSP vessels).

Section 422: Agreements Regarding Injury or Death of Crew

This section allows a vessel operator and the union representing the crew to enter into an alternative agreement to address liability and damages for workplace injuries or death.

Title 5: Shipbuilding

Subtitle A: Tax Reforms

Section 501: Treatment of Maritime Security Investment as Opportunity Zones

This section establishes a new Maritime Security Investment Zones program. The Maritime Administrator would designate regions of the country which are hubs for maritime industrial activity, and in these qualified areas, investments directly supporting maritime industrial activity and maritime business activities within these zones would be exempt from all capital gains taxes.

Section 502: Credit for Construction of Shipbuilding Facilities

This section established a 25% investment tax credit for any investment made by a taxpayer into a qualified shipbuilding facility, which includes shipyards for civil and military oceangoing vessels, and manufacturers which make critical components for such vessels.

Section 503: Construction Reserve Fund

A Construction Reserve Fund (CRF) allows U.S.-flag operators to defer the gain attributable to the sale or loss of a vessel if the funds will be used to expand or modernize the U.S. merchant fleet. This section allows deposited funds to be held longer, placed into investment vehicles other than a bank account, and used for additional purposes.

Section 504: Capital Construction Fund

This section allows deposited funds to be held longer, expands the profits eligible to be deposited, expands how funds can be used, and allows any company, even one which does not currently own U.S.-flagged vessels, to create a CCF.

Subtitle B: Department of Defense Programs

Section 511: Anticipated Vessel Construction Survey

This section requires the Maritime Administrator to conduct an annual survey of owners, agents, and operators of commercial maritime vessels and distribute results to the maritime industrial base. Like the Navy's Shipbuilding Construction Survey, this sends a clearer demand signal to the industrial base for future demand.

Section 512: Assessment of the Use of Commercial Best Practices for Navy Shipbuilding

To help private shipbuilders serve both a military and commercial customers, this section would require the Navy to assess and, where possible, integrate commercial best practices into the design of Navy vessels.

Section 513: Plan of Action for Use of Defense Production Act Authorities

This section requires a plan of action to be developed to use Defense Production Act authorities to enhance shipyard infrastructure and maritime port infrastructure in the United States.

Section 514: Strategy on Development of Naval ReArm at Sea Capability

This section requires the Secretary of the Navy to develop a a strategy for delivering a rearm at sea capability to the surface fleet of the United States Navy.

Subtitle C: Maritime Security Construction Differential Program

Section 521: Maritime Security Construction Differential Program

Prior to 1982, the United States funded a Construction Differential program which covered up to 50 percent of the difference in cost between U.S. and non-U.S. construction of oceangoing vessels. While the program authority remains on the books, it has not been funded in more than 40 years. This section restarts and reforms the program by providing dedicated construction differential funding from the Maritime Security Trust Fund, requiring vessels receiving differential funding to be militarily useful, with such costs able to be borne completely by the program, and creating a companion loan-guarantee program, similar to loan-guarantee authorities used by other agencies, to help finance the cost of U.S.-constructed vessels.

Section 522: Reports

This section requires the Maritime Administrator, TRANSCOM, and the Secretary of the Navy to submit reports to Congress indicating how the Maritime Security Construction Differential program will be used to rebuild the ready reserve fleet and derisk the maritime sector. It also requires a report on a plan to restrict capital flow to the Chinese maritime industry.

Section 523: Export Control Report

This section requires the Secretary of State to conduct a study on methods to reduce export controls and IRAR restrictions on foreign-owned maritime companies who wish to participate in the U.S. shipbuilding industry.

Subtitle D: Shipbuilding Innovation and Infrastructure

Section 531: National Maritime Incubator Program

This section establishes a national maritime innovation incubator program within MARAD to advance and accelerate R&D for technologies and manufacturing processes which will support the maritime industrial base. The program will include partnerships between universities, non-profits, industry, and other federal agencies.

Section 532: Assessment on Marine Infrastructure Readiness

This section requires the Maritime Administrator to conduct an assessment on the infrastructure needs of United States shipbuilding, shipping, port, and shipyard infrastructure.

Section 533: Maritime Administration Ship Designs

This section requires the Maritime Administrator to establish a standard ship design for commercial vessels built in the United States, using mature and proven designs, which are interoperable with the Navy.

Title 6: Workforce Development

Subtitle A: Workforce Incentives

Section 601: Application to Certain Merchant Marine Crews

Americans who make income working abroad are not charged U.S. income taxes (up to a certain threshold). Most other maritime nations apply the same rules for foreign income to mariners working in the international commerce. However, American mariners working on U.S.-flag international vessels are taxed as if they are in the United Sates. This section treats American mariners as if their income is made abroad.

Section 602: Public Service Loan Forgiveness for Mariners

This section would allow merchant mariners with a USCG Merchant Mariner Credential to qualify for public service loan forgiveness, recognizing the critical role of mariners to U.S. economic and national security. To qualify, mariners must be employed on a U.S. vessel for at least 180 days in a calendar year.

Subtitle B: Workforce Pipeline

Sec. 611: Maritime and Shipbuilding Recruiting Campaign

This section would require MARAD to conduct targeted public recruiting campaigns, by entering into a contract with a national marketing firm, to promote the opportunities for and benefits of a career in the maritime industry.

Section 612: Merchant Marine Centers

This section allows the Maritime Administrator and Secretary of Labor to establish a Job Corps center to help job-seekers become a licensed officer or able-bodied seaman in the U.S. Merchant Marine. Mariners who participated in the program would have a service obligation to work on U.S.-flagged vessels (or in the maritime industry if MARAD determines the aforementioned is not available) for at least 1 year after completing the program.

Section 613: United States Merchant Marine Reserve

Recognizing that in times of war, a reserve of mariners will be needed for strategic sealift opportunities, this section establishes a Merchant Marine Reserve Program with two tracks. The program would be authorized to be appropriated $2 billion per year to carry out the program.

- Track 1: Reserve members may work a shore-side job, with USERRA protections, and receive short-term deployments on merchant vessels to maintain mariner credentials.
- Track 2: After completing their service obligations, allow graduates of Merchant Marine Academies to serve on foreign flagged vessels while keeping their USCG certifications and retaining a reserve status to surge US sealift capacity.

Section 614: Maritime Career and Technical Education Task Force

This section would create a task force at MARAD to bring maritime industrial base employers and education providers together to identify joint opportunities to train needed workers for maritime careers. MARAD would be authorized to provide funding to support qualified education programs.

Section 615: Military to Mariner Recruitment Exchange

This section requires the Department of Defense to encourage military recruiters to recommend MARAD to recruits who do not qualify for U.S. military service but wish to serve at-sea, to pursue a career in the U.S. Merchant Marine. DoD would establish a mechanism for military recruiters to introduce these recruits to MARAD.

Section 616: Maritime Worker Data Collection

This section requires the Maritime Administrator to publish an annual report on the state of the U.S. Merchant Marine, to include the number of mariners actively sailing, and forecasts for needed mariners in the future, and in a potential conflict.

Subtitle C: U.S. Merchant Marine Academy and State Maritime Academies

Section 621: Authorization of Appropriations for United States Merchant Marine Academy Infrastructure and Facilities Modernization

This section requires MARAD to develop a 10-year campus modernization plan to make the campus capable of meeting the modern needs of the midshipmen and the maritime industry.

Section 622: Role of the U.S. Merchant Marine Academy

This section establishes a sense of Congress that the U.S. Merchant Marine Academy shall be considered a co-equal school to the other four military service academies.

Section 623: State Maritime Academies

This section requires the Maritime Administrator to evaluate whether additional resources are needed to allow State Maritime Academies to increase their enrollment. It also requires the Administrator to study if additional State maritime academies should be established.

Section 624: State Maritime Academy Training Vessels

This section prohibits State Maritime Academies who use MARAD training vessels from charging more than nominal fees for students who use training vessels at sea.

Section 625: Enforcement of Service Obligation Requirements

This section requires MARAD to develop a system to ensure all mariners meet their service obligation and inform those who have not met their obligation of their duty to do so, or else repay the cost of their education.

Section 626: Fuel for Training Ships operated by State Maritime Academies

This section increases the annual funding for fuel for training ships to $20 million. It also prohibits State Maritime Academies who receive this funding from charging more than nominal fees for students who use training vessels at sea.

Subtitle D: Maritime Licensing Modernization

Section 631: Merchant Mariner Licensing, Certification, and Documentation Modernization

This section requires the U.S. Coast Guard to upgrade to the Merchant Mariner Licensing and Documentation (MMLD) System to allow for electronic submission of mariner applications and allow data to be shared between government agencies.

Section 632: Qualifications and Training Requirements

This section seeks to allow more able-bodied seamen to receive their needed certifications by reducing needed sea-time for A/Bs enrolled in workforce training programs which provide on-ship training experience.

Section 633: Interim Credentials for Entry-level Unlicensed Mariners

This section allows the Coast Guard to issue interim credentials for unlicensed mariners for individuals seeking entry-level ratings on commercial vessels, if the individual is enrolled in an apprenticeship or workforce training program by their employer and a recognized maritime union.

US Labor Unions Call for Investigation Into China’s Unfair Shipbuilding Practices

Mike Schuler

March 12, 2024

The United Steelworkers Union (USW) has spearheaded a group of labor organizations to file a Section 301 petition urging the U.S. Trade Representative (USTR) to launch an inquiry into China’s anti-competitive commercial shipbuilding practices.

Over the past twenty years, the People’s Republic of China (PRC) has strategically aimed to control global transportation and logistics networks by implementing various non-market policies designed to dominate global shipbuilding and choke out the competition. All the while, the capacity for shipbuilding in the United States has continued to decline.

“Once home to nearly 30 major shipyards, the United States now has only a fraction of that,” stated USW International President David McCall. He highlighted the correlation between the reduction in shipyards and the loss of over 70,000 shipbuilding jobs, not to mention the secondary jobs that the industry supports.

According to McCall, a commercial ship can require about 13,000 tons of structural steel, 60,000 gallons of paint, 130 miles of electrical cable, and many other products that tens of thousands of USW members take pride in producing.

“The PRC is using commercial shipbuilding to dominate the full spectrum of global trade, choking out all competitors,” McCall said. “If we do not act quickly, we will soon be dependent on China not only for the products their vessels bring into our ports but also for the ships themselves.”

Through numerous state-directed industrial campaigns, China has directed hundreds of billions of dollars in subsidies to state-owned enterprises in a strategic policy effort to dominate global commercial shipbuilding, according to a Center for Strategic and International Studies analysis.

Beyond the economic implications, McCall also pointed out that the growing imbalance in shipbuilding poses a national security threat. “China now operates the world’s largest navy, overtaking the United States,” he said, emphasizing the need to rebuild the Merchant Marine for enhancing national sealift capability and bolstering the supply chains of military and commercial shipbuilding industries.

Section 301 of the Trade Act of 1974 empowers the President to retaliate against any foreign government’s actions that violate international trade agreements or unfairly burden or restrict U.S. commerce. Upon receiving a Section 301 petition, the USTR will investigate the alleged unfair trade practices and can take action if the practices are found to be unjustifiable, unreasonable, or discriminatory.

Along with USW, several other unions, including the International Association of Machinists and Aerospace Workers, the International Brotherhood of Boilermakers, the International Brotherhood of Electrical Workers, and the Maritime Trades Department, AFL-CIO, have joined in the trade petition.

Both U.S. Senators Tammy Baldwin and Bob Casey have also written to the Biden administration in support of the trade petition, representing a growing group of policymakers working to revive the shipbuilding industry.

McCall praised the collaboration between labor unions and the Biden administration in establishing a worker-centered trade policy and enhancing domestic manufacturing capacity. “Reviving the commercial shipbuilding industry will enable America to expand those investments, ensure a steady supply of goods at home, and grow the middle class,” he stated.

The petition comes after President Biden recently announced [a $20 billion investment] to bolster domestic crane manufacturing in the U.S. to counter China’s market-leading production of critical port infrastructure used in ports around the world, including in the U.S. The ship-to-shore (STS) cranes have been scrutinized for posing a potential cyber security risk.

The petition is also supported by the The Shipbuilders Council of America (SCA), the national trade association representing the U.S. shipbuilding, maintenance, and repair industry.

“The SCA applauds this effort to place a spotlight on what has been a thoroughly state orchestrated industrial campaign by China to drive out global competition in shipbuilding and ship repair with the goal of controlling international shipping and the crippling of manufacturing businesses around the world, particularly in the U.S.,” said SCA President, Matthew Paxton.

USTR Katherine Tai now has 45 days to decide whether to pursue an investigation into Chinese shipbuilding.

Statement by Ambassador Katherine Tai on Petition Filed Under Section 301 Related to the People's Republic of China's Acts, Policies, and Practices in the Maritime, Logistics, and Shipbuilding Sector

March 12, 2024

"Today, the Office of the United States Trade Representative received a petition from USW, IAM, IBB, IBEW, and MTD regarding the People's Republic of China's (PRC) acts, policies, and practices in the critical maritime, logistics, and shipbuilding sector.

"We have seen the PRC create dependencies and vulnerabilities in multiple sectors, like steel, aluminum, solar, batteries, and critical minerals, harming American workers and businesses and creating real risks for our supply chains.

"USTR and the Biden-Harris Administration are fighting every day to put working families first, rebuild American manufacturing, and strengthen our supply chains.

I look forward to reviewing this petition in detail."

Background

On March 12, 2024, five national labor unions filed a petition requesting an investigation into the acts, policies, and practices of the PRC in the maritime, logistics, and shipbuilding sector. The five petitioner unions are:

- the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW");
- the International Association of Machinists and Aerospace Workers ("IAM");
- the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers ("IBB");
- the International Brotherhood of Electrical Workers ("IBEW"); and
- the Maritime Trades Department, AFL-CIO ("MTD").

The petition was filed pursuant to Section 302(a)(1) of the Trade Act of 1974, as amended (19 USC 2412(a)(1)), requesting action pursuant to Section 301(b) (19 USC 2411(b)). Section 301 of the Trade Act allows the United States to respond to unreasonable or discriminatory foreign government practices that burden or restrict U.S. commerce.

Pursuant to Section 302(a)(2) of the Trade Act (19 USC 2412(a)(2)), the "Trade Representative shall review the allegations in any petition filed under paragraph (1) and, not later than 45 days after the date on which the Trade Representative received the petition, shall determine whether to initiate an investigation."

Biden Eyes Chinese Shipbuilding Subsidies as Tensions Simmer

- Washington to look at USW petition calling out ship subsidies
- China's role as shipbuilding leader is latest trade war front

By Bloomberg News

March 12, 2024 at 9:44 PM EDT

Updated on March 13, 2024 at 9:14 AM EDT

US President Joe Biden pledged to look into a petition from a group of unions asking his administration to review China's subsidies for shipbuilders, as tensions between the world's two largest economies simmer on trade during a critical American election year.

US Trade Representative Katherine Tai "will take a hard look at this petition in accordance with the law," Biden said Tuesday DC time in a post on social media platform X, formerly known as Twitter. "We'll always stand against China's unfair practices — and as long as I am president, I'll fight for US workers and jobs."

Shipbuilding is emerging as the latest battleground in the US-China trade war, which has ensnared products ranging from solar panels and semiconductors to electric cars. While strains eased late last year after a meeting between Biden and Chinese President Xi Jinping that resulted in some agreements to better manage potential flare-ups, the two sides remain at odds over areas of strategic economic and military importance.

China Dominates Global Ship Building

Almost half of merchant ships built in 2022 were from Chinese yards

Source: United Nations Conference on Trade and Development statistics

Includes seagoing propelled merchant ships of 100 gross tons (GT) and above

Tai referenced Washington's concerns about risks to global supply chains in a separate statement citing China's "acts, policies, and practices" in shipbuilding, maritime business and logistics. The Asian nation has created "dependencies and vulnerabilities" in steel, aluminum, solar, battery and critical mineral sectors, she said.

China's Ministry of Commerce did not immediately respond to a faxed request for comment Wednesday.

Shares of Chinese shipbuilders dropped after Biden's announcement, with China CSSC Holdings Ltd. — a subsidiary of the China State Shipbuilding Corporation — falling as much as 3.3% in Shanghai. Markets across Asia were broadly lower during the trading day.

A coalition of five US unions — the United Steelworkers, the AFL-CIO Maritime Trades Department, International Association of Machinists and Aerospace Workers, the International Brotherhood of Boilermakers, and the International Brotherhood of Electrical Workers — filed the petition in a bid to urge action on what it called Beijing's "non-market policies" to dominate the commercial shipbuilding industry.

"If we do not act quickly, we will soon be dependent on China not only for the products their vessels bring into our ports but also for the ships themselves," USW International President David McCall said in a statement.

The petition — and Biden's response — also came as former President Donald Trump clinched the Republican presidential nomination, setting up a rematch with his Democratic rival in November's general election. Trump has vowed to increase tariffs on Chinese imports if elected for a second term, and has privately floated levies as high as 60% on Chinese goods.

"We will see trade with China as a point of contention right up to the elections," said Dylan Loh, assistant professor of politics at Nanyang Technological University in Singapore who specializes in China's international relations. The flurry of actions from the Biden administration shows that "neither he nor Trump can afford to look weak on China."

China already dominates the global shipbuilding industry, having in 2019 merged its two biggest shipmakers to create a state-owned industrial and military behemoth that dwarfs international rivals.

That support helped it to surpass previous global leaders South Korea and Japan. In 2022, Chinese yards constructed almost half the gross tonnage of merchant ships built that year, according to United Nations data. Such size has allowed the nation to quickly expand its merchant and military fleets, with about 400 vessels giving it the world's largest navy.

"The Chinese shipbuilding industry received extensive policy-support in the past, facilitating the development of several domestic champions," said Jens Eskelund, president of the European Union Chamber of Commerce in China. "The dominant market position held by these players today, as well as their immense size — largely a direct result of this support — means, we assess, they generally no longer need subsidies to be globally competitive."

In a statement published in the state-owned Economic Daily newspaper last week, the director of a CSSC-linked research institute said the country should consolidate its leading role in the global shipbuilding sector.

"We must focus on filling in the gaps in materials for building high-tech ships," Wang Qihong said, according to the newspaper.

The US, meanwhile, is struggling to repair the naval fleet it has, and is in talks with Japan to use that nation's shipyards to do repair and maintenance on military vessels. That deal may be signed at a summit in the US next month.

The USW pointed to US job losses resulting from the closure of shipyards as a key concern, and stressed in its statement potential national security implications from becoming too reliant on China for shipping.

Rebuilding the US Merchant Marine — the organization making up hundreds of civilian and federally owned mariners and merchant vessels — "will help shore up the critical supply chains our military and commercial shipbuilding industries share, making us safer and more resilient," McCall said.

Amid growing concerns that hackers could roil crucial supply chains, Biden last month said he would sign an executive order designed to implement new cybersecurity requirements for the nation's port owners and operators.

Washington is pushing allies including the Netherlands, Germany, South Korea and Japan to further tighten restrictions on China's access to semiconductor technology. Commerce Secretary Gina Raimondo on Monday signaled the US may intensify its campaign on China curbs, saying the government "will do whatever it takes to protect our people including expanding our controls."

Biden has also said he would sign a bill in the US House of Representatives that would force TikTok's Chinese owners to sell the app due to national security concerns. The US intends to investigate potential data and cybersecurity risks posed by Chinese electric vehicles and other internet-connected cars, too.

— With assistance from Josh Xiao, James Mayger, Yujing Liu, and Kelly Li

EMBARGOED UNTIL 5:00 AM EDT, WEDNESDAY, APRIL 17, 2024

FACT SHEET: Biden-Harris Administration Announces New Actions to Protect U.S. Steel and Shipbuilding Industry from China's Unfair Practices

Call to triple the tariff rate on steel and aluminum imports from China

United States Trade Representative to investigate China's unfair shipbuilding practices

President Biden knows that steel is the backbone of the American economy, and a bedrock of our national security. American steel fueled the country's industrialization and helped build the middle class. American-made steel remains critical for our economic and national security. American companies must lead the future of more sustainable steel. This green steel will fortify the infrastructure that supports our communities, form the ocean vessels that transport American goods, power the electric vehicles of our clean-energy future, and support thousands of hardworking American families.

President Biden is making historic investments in American steel and manufacturing that are a sharp contrast with the previous Administration. While the previous Administration failed to deliver an infrastructure bill, President Biden's Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act are spurring hundreds of billions of dollars in private-sector manufacturing and clean energy investments. Under President Biden, investments in construction of new factories have more than doubled—after falling under the previous Administration even before the pandemic—while nearly 800,000 manufacturing jobs have been created and construction employment is at a record high. Our trade deficit with China is the lowest it's been in over a decade—lower than any year under the previous Administration. President Biden's strategic trade and investment agenda protects workers, consumers, and businesses from unfair competition.

At the same time, American workers in the steel and aluminum industries face a significant challenge from Chinese exports of steel and aluminum which are among the most emissions-intensive products in the world. China's overcapacity and non-market investments in the steel and aluminum industries mean high-quality U.S. products have to compete with artificially low-priced alternatives produced with higher carbon emissions.

Steel is a critical input for our domestic shipbuilding industry—from the commercial shipping vessels that carry American exports around the world, to the U.S. naval vessels that keep global seas safe. Commercial shipyards provide industrial capacity for maintaining the U.S. Navy's dominance and support thousands of suppliers and jobs.

The Biden-Harris Administration recognizes growing concerns that unfair Chinese trade practices, including flooding the market with below-market-cost steel, are distorting the global shipbuilding market and eroding competition. These concerns were outlined in a petition to the U.S. Trade Representative from five labor unions requesting an investigation into Chinese acts, policies, and practices in the maritime, logistics, and shipbuilding sectors.

In response to China's unfair practices, today the Biden-Harris Administration is taking new, historic actions to support American steel manufacturing and shipbuilding.

- **President Biden is calling on the USTR to consider tripling the existing 301 tariff rate on Chinese steel and aluminum.** The current average tariff on steel and aluminum is 7.5% under Section 301. American workers continue to face unfair competition from Chinese imports of steel and aluminum products, which are among the world's most emissions-intensive. Chinese policies and subsidies for their domestic steel and aluminum industries means high-quality U.S. products are undercut by artificially low-priced Chinese alternatives produced with higher emissions. To the extent consistent with the United States Trade Representative's (USTR) review of Section 301 tariffs and findings of her investigation, President Biden is calling for USTR to consider enhancing the effectiveness of tariffs on Chinese steel and aluminum products by tripling them.

- **President Biden's Department of Commerce is taking action against countries and importers that do not play by the rules and flood the market with cheap products.** Since President Biden took office, the Department of Commerce has imposed over 30 anti-dumping and countervailing duties on steel-related products. These are tariffs on steel imports that are priced below the fair and competitive value. The Department of Commerce has also conducted nearly 27 investigations into anti-competitive actions by Chinese exporters and efforts by countries like China to evade trade rules.

- **President Biden is directing his senior team to work with Mexico to prevent China's evasion of tariffs on steel and aluminum that is imported from Mexico into the United States.** This is a growing challenge that must be addressed to prevent Chinese steel exports from gaining access to the U.S. market under USMCA tariff rates.

- **The United States Trade Representative is initiating an investigation into China's unfair trade practices in shipbuilding, maritime and logistics sectors.** This investigation follows a petition filed by the United Steelworkers (USW) and four other unions who claim the Government of China's drive to dominate the global shipbuilding, maritime, and logistics sector is built on non-market policies that are far more aggressive and interventionist than any other country. President Biden believes it is critical to understand China's uniquely aggressive set of interventions in these sectors, and to take actions that address distortions to the global market for commercial vessels, maritime shipping, and logistics that harm American workers and shipbuilders.

- **President Biden is committed to maintaining strong American steel companies powered by American steel workers.** In light of the proposed sale of U.S. Steel to Nippon Steel, President Biden will continue to make clear that U.S. Steel has been an iconic American steel company for more than a century, and that it is vital for it to remain an American steel company that is domestically owned and operated.

- **President Biden is investing in clean American-made steel.** Today's announcements build on the Administration's commitments to green steel production. The Biden-Harris Administration, through the Bipartisan Infrastructure Law and the Inflation Reduction Act, recently announced up to $1.5 billion for six clean iron and steel projects as part of a historic broader investment to lower emissions from energy-intensive industries. These projects are set to demonstrate innovative technologies that can eliminate the vast majority of emissions from steelmaking, and enable the industry to phase out more traditional carbon-intensive production methods. They will support the economic comeback of steel communities in Pennsylvania, Ohio, and the South and Midwest, so the U.S. steel industry can remain competitive as the global leader in low-carbon iron and steel products.

These investments include up to $75 million for the only high-silicon grain oriented electrical steel plant in the U.S. in Lyndora, Pennsylvania that is sustaining more than 1,000 United Autoworker jobs at the Cleveland-Cliffs Butler Works plant and up to $500 million for the Cleveland-Cliffs plant in Middletown, Ohio to produce clean steel for the auto supply chain.

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www.shipbuildersusa.org

Monday, March 11, 2024

The Shipbuilders Council of America (SCA) - the national trade association representing the U.S. shipbuilding, maintenance, and repair industry - supports the recently filed petition of the United States Trade Representative (USTR) for relief of the unfair trade policies, practices and preferences from People's Republic of China in the maritime, global logistics and shipbuilding sectors. The petition filed by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO CLC ("USW") is submitted pursuant to 302(a) of the Trade Act of 1974 to demand action be taken to address the unreasonable and discriminatory acts implemented by China to directly undermine the U.S. commercial maritime and shipbuilding sectors.

Through numerous State directed industrial campaigns, China has funneled hundreds of billions of dollars in direct subsidies to state-owned enterprises with the strategic policy objective to ultimately dominate global commercial shipbuilding. These long-term strategic industrial policies and enormous state funded investments in China's commercial shipbuilding manufacturing, particularly between 2010 and 2018, directly correlated to a significant decline in shipyards globally and adversely impacted the shipbuilding and ship repair industries in the U.S. According to China's own Ministry of Industry and Information Technology, at the conclusion of 2023, new shipbuilding orders represents 53 percent of the global market share and over half of the world's tonnage. For the first time, China has also surpassed the combined market share of shipyards in Japan and South Korea.

Shipyard businesses in the U.S. operating under free enterprise compete aggressively for domestic commercial and government shipbuilding and ship repair contracts. However, because of China's heavy subsidization of its commercial shipbuilding and ship repair sectors there has been no ability for private-industry U.S. shipyards to compete for contracts to build or repair ships for international commerce. Indeed, as a direct result of China's policies, preferences and practices in its commercial shipbuilding and ship repair industries, U.S. businesses big and small have exited this manufacturing sector significantly reducing the overall shipyard industrial base.

The SCA applauds this effort to place a spotlight on what has been a thoroughly state orchestrated industrial campaign by China to drive out global competition in shipbuilding and ship repair with the goal of controlling international shipping and the crippling of manufacturing businesses around the world, particularly in the U.S. This race to bottom for cheap built and repaired ships and below market rate shipping, has led to a global dependence on China for these products and in certain instances the flow of international commerce. China's recent aggression in the Indo-Pacific Region, including unlawful maritime activities, unprovoked confrontations with the U.S. and its allies, and threats to international shipping lanes, raise serious security concerns as they rapidly grow both its military and commercial fleets. The time is now for the U.S. to put in place appropriate measures to lessen the impacts of China's undue influence over this manufacturing sector and promote trade policies and incentives to grow the overall domestic shipyard industrial base.

Matthew Paxton
President
Shipbuilders Council of America

The Big Read Shipping

Shipbuilding: the new battleground in the US-China trade war

Labour unions are urging the Biden administration to investigate China's dominance of naval engineering, potentially inflaming Sino-American tensions

Rana Foroohar in New York YESTERDAY

Shipping has been at the centre of the global economy for over 5,000 years, and it is no less important now than it was for our seafaring ancestors.

For all our technological advances, it is still the most effective means of importing and exporting goods and raw materials. It remains crucial to national security, not just for the long-standing role it has played in the defence of nations and of trade but also because today's port software and logistics platforms hold crucial data about which countries and companies are moving goods around the world.

Even Adam Smith, the father of modern capitalism, believed that shipbuilding was one of the very few industries that deserved national support and should not be left to market forces alone.

That's a key part of the argument being made in a new petition for trade relief and state support of the US shipbuilding industry under a so-called section 301 case filed by the United Steelworkers union and other labour organisations on March 12.

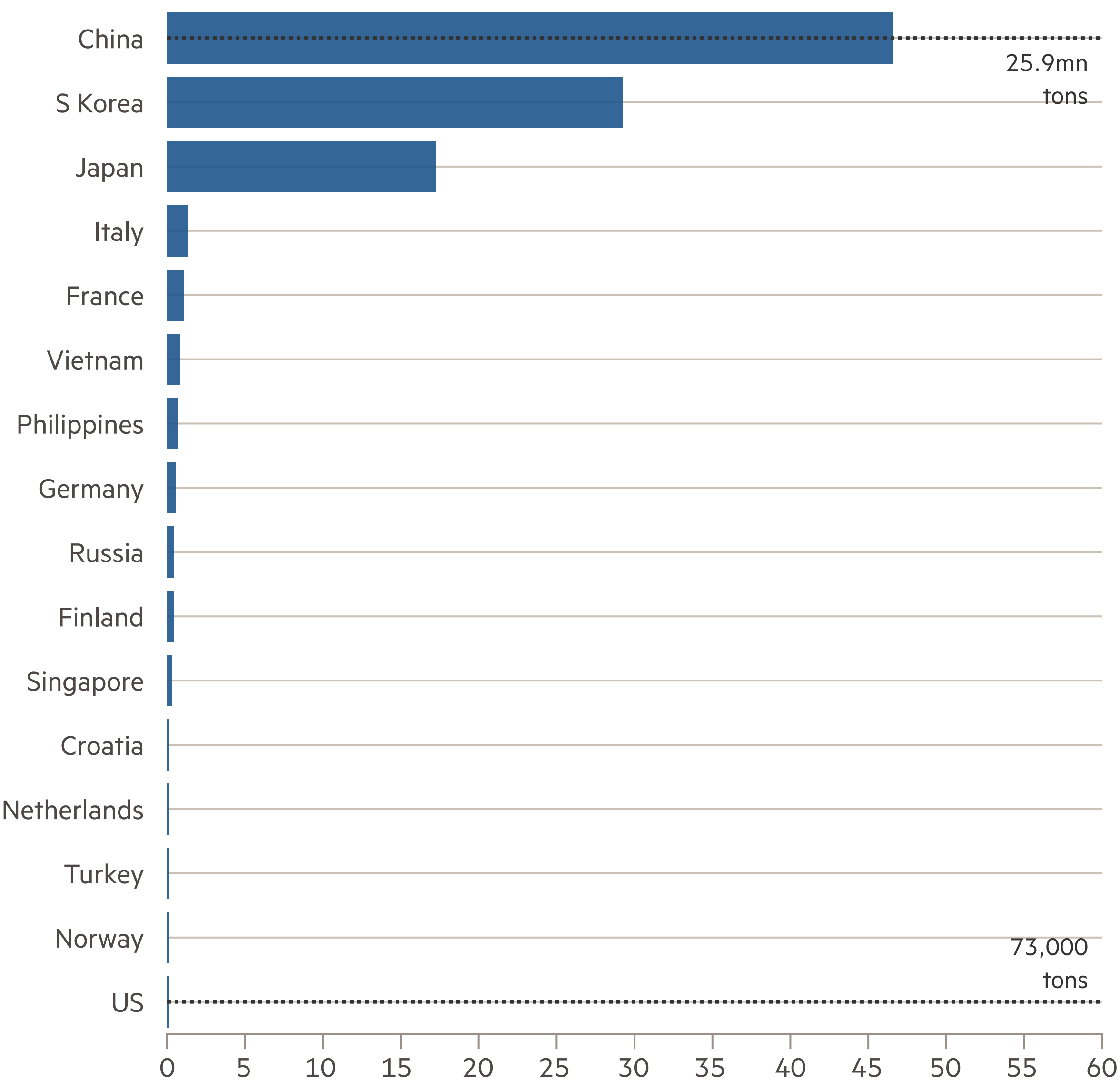
The petitioners accuse China of distorting global markets in the maritime, logistics and shipbuilding sectors through "unreasonable and discriminatory acts, policies, and practices".

The petition, which the US government now has 45 days to respond to, seeks a variety of penalties and remedies to level the global playing field in shipbuilding and stimulate demand for commercial vessels built in the US. These include port fees on Chinese-built ships docking at US ports, and the creation of a Shipbuilding Revitalisation Fund to help the domestic industry and its workers.

A case that might appear focused on one industry in fact has dramatic global implications. Not only does it have the potential to reignite the US-China trade conflict, but it will also increase the focus on China's growing military might and the massive commercial shipping industry that underpins it. At the same time, it raises questions about America's ability and even willingness to reindustrialise in strategic sectors, which may bleed into the 2024 presidential election.

The US is not a significant player in the global shipbuilding industry

Percentage of global gross tonnage built, 2022, ranked by country of origin



FINANCIAL TIMES

Source: Unctad

Finally, it's a window into whether the US has the ability to continue to play its traditional post-second world war security role, which includes policing global shipping lanes and securing the South China Seas for commercial transport, at a time when it no longer has the industrial capacity and workforce to build its own ships. The direction that the Biden administration takes on the case, and how China responds, will say much about the future economic and political shape of the world.

As the secretary of the navy, Carlos del Toro, put it in a speech at the Harvard Kennedy School last September, "History proves that, in the long run, there has never been a great naval power that wasn't also a maritime power — a commercial shipbuilding and global shipping power."

Over the past few decades, America has essentially stopped building its own ships.

In 1975, the US shipbuilding industry was ranked number one in terms of global capacity, producing more than 70 commercial ships a year. Nearly fifty years later, the US now produces less than 1 per cent of the world's commercial vessels, falling to 19th place globally. China meanwhile has tripled its production relative to the US over the past two decades, producing over 1,000 ocean-going vessels last year, versus America's 10.

The resulting asymmetry comes with both commercial and military concerns for the US, but also for any country that depends on it for security. More than 90 per cent of military equipment, supplies and fuel travels by sea, according to the 301 complaint, the vast majority on contracted commercial cargo vessels. All of these are made overseas, including some in China.

What's more, the complaint says, "Chinese companies — primarily state-owned companies — have become leaders in financing, building, operating and owning port terminals around the world."

According to research by Isaac B Kardon, an assistant professor at the China Maritime Studies Institute at the US Naval War College, and Wendy Leutert, an assistant professor at Indiana University, Chinese firms own or operate one or more terminals at 96 foreign ports, 36 of which are among the world's top one hundred by container throughput.

Shipping cranes made by Shanghai Zhenhua Heavy Industries Company (ZPMC) dot the Port of Oakland in California. The company provides 70 per cent of the world's cargo cranes © Getty Images

"Another 25 of these top one hundred are on the Chinese mainland, establishing a PRC nexus for some 61 per cent of the world's leading container ports," they wrote in a 2022 article in *International Security*. China also makes much of the equipment used in the industry. A Chinese state-owned company, ZPMC, provides 70 per cent of the world's cargo cranes.

This level of control over global logistics and supply chains offers clear economic and security advantages, and reflect decades of policy decisions taken by both the US and China.

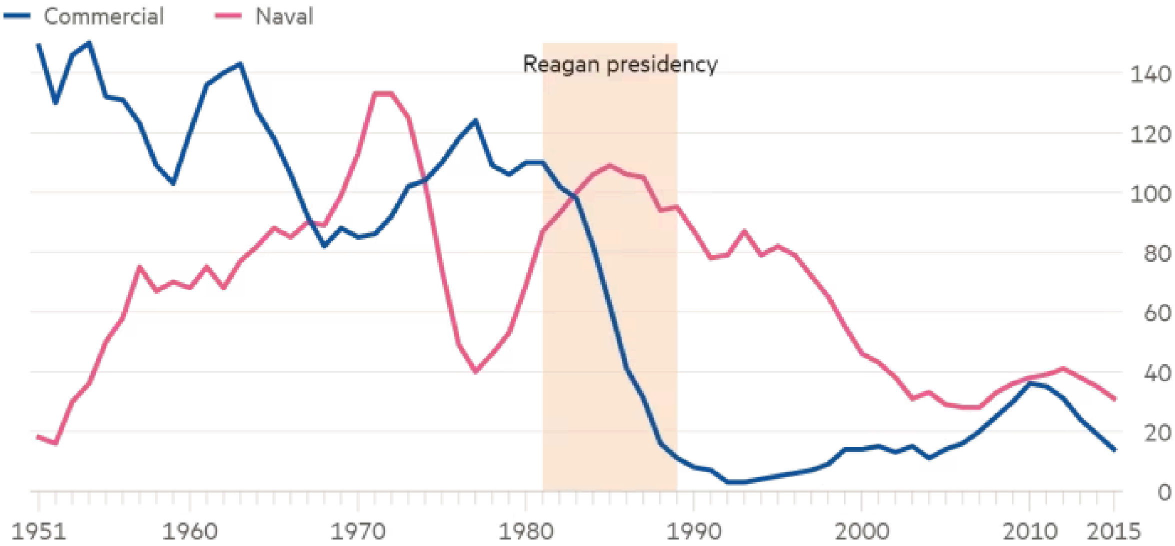
The shrinkage in the US shipbuilding industry is a result of several factors, say US shipbuilding experts, starting in the 1980s, when most government subsidies for shipbuilding were pulled, given that they were antithetical to the free market economics embraced by the Reagan administration.

While the 1920 Jones Act still requires ships that go between US ports to be built, owned and operated by the US, that traffic represents a small portion of overall maritime commerce. Reagan officials, many of which were security hawks as well as free-marketeers, had initially thought that shipbuilding for the military during the cold war would create enough demand to sustain the US shipbuilding industry.

Much of the raw materials and components needed to produce new ships are no longer available in the US, thanks to the shrinking and outsourcing of the American manufacturing base, according to defence officials and unions. That's a problem common in many industries, not just shipbuilding.

The decline of US shipbuilding accelerated under the Reagan administration

Deliveries of large ships from US yards, rolling total over previous five years



Commercial = over 1000 gross tonnage; Naval = over 1000 long tons
Sources: Maritime Administration , http://shipbuildinghistory.com/
© FT

Meanwhile, as a "just in time" production approach was employed over the past few decades, US contractors were discouraged from having excess capacity that might be needed in the event of a supply chain disruption, natural disaster, or security emergency.

This, along with consolidation in the industry and the rise of cheaper ships produced in Japan, South Korea and most recently China, has resulted in lowered investment in things like technology, factory equipment and training for US workers. The result has been an overall decline in competitiveness and capacity in US shipbuilding yards, according to navy and union officials, as well as some labour economists.

The decline is of major concern to trade groups such as the Shipbuilders Council of America, says its president Matthew Paxton, but also to the industries that support shipbuilding.

USW president David McCall, who represents workers making everything from steel and engines to paints, cables and other products used in ships, notes that US steel mills are running at about 70 per cent capacity around the country. “If we could run capacity for more ships and the infrastructure to support them, it would create many more jobs which in turn would create more profitable facilities,” he says.

A worker at a US shipyard in 1940. Much of the raw materials and components needed to produce new ships are no longer available, thanks to the shrinking and outsourcing of the American manufacturing base © Keystone/Getty Images

Indeed, it’s telling that the steelworkers’ union actually negotiates things like capital investment into the factories that support industries like shipbuilding as part of their own collective bargaining efforts.

In a globalised market, the workers have more incentive to seek investment in their industries than large public corporations that can place jobs or investments anywhere, according to McCall. “The CEOs that run these companies may leave after a few years, with golden parachutes, but we work in our communities for decades. We have to think about long-term security for workers,” says McCall.

This is a complaint that many on the labour left, and increasingly some on the political right too in the US, have made, particularly as it relates to industries in crucial or strategic sectors. With the breakdown of the US-led system of free market policies and institutions known as the Washington consensus, the supply chain vulnerabilities exposed by Covid-19 and wars in Ukraine and the Middle East, and the increase in economic and political tensions between China and the West, business as usual is increasingly challenged.

The Biden administration has made the reshoring of several crucial industries, including chipmaking and battery production, an explicit pillar of its economic strategy, though implementation of the new industrial policies have been mixed.

Rebuilding a workforce and factories from scratch takes time, and achieving the scale and high-speed iteration crucial to the cost-effectiveness and productivity of operations can take further years or decades of investment.

While there has been a hollowing out of shipyards and construction capacity, there are also problems higher up the value chain. The US Bureau of Labor Statistics predicts "little or no change" in the number of marine engineers and architects in the US between 2022 and 2032, while the job market for such careers in places like South Korea and China is booming.

Workers at a shipyard in Jiangyin, Jiangsu province. The massive geopolitical power shift in shipping is due in large part to China's aspiration to dominate global shipbuilding © Aleksandar Plaveski/EPA

To fill the gap, US officials have been turning to allies for help. Del Toro, the naval secretary, who has been concerned about the economic and security implications of the decline of shipbuilding in the US for some time, recently met with officials in South Korea and Japan to encourage them to consider doing more production in the US, for the American market, in order to make up for their own loss of global market share to China.

This makes sense in theory, but the shortage of skilled US workers and capacity is a clear concern for allies, which brings home the point that a viable commercial shipping industry and national security aren't discrete problems, but are intricately connected.

Shipbuilding is about steel and workers, but it's also about technology. The digital component of transport and logistics is arguably as crucial to security and commerce as what gets made in shipyards.

China has, over the past several years, rolled out the pre-eminent global logistical supply chain platform, Logink, which it is giving for free to various ports around the world. The worry on the part of the US administration, as well as many in the labour and defence communities, is that this could give Beijing a window in global supply chains — both commercial and military — that would be both a competitive issue and a national security concern.

As a recent Department of Transportation Maritime Administration warning put it, "Logink is a single-window logistics management platform that aggregates logistics data from various sources, including domestic and foreign ports, foreign logistics networks, shippers, shipping companies, other public databases, and hundreds of thousands of users in the PRC."

The warning further states that "the PRC government is promoting logistics data standards that support Logink's widespread use, and Logink's installation and utilisation in critical port infrastructure very likely provides the PRC access to and/or collection of sensitive logistics data".

Michael Wessel, a commissioner on the US-China Economic and Security Review Commission, calls it "a serious self-inflicted economic and national intelligence wound".

Last month, President Biden signed an executive order designed to strengthen cyber security at US ports, and directed billions of dollars into new infrastructure amid concerns that hackers from China could exploit these facilities to create havoc with supply chains.

The massive geopolitical power shift in shipping is due in large part to China's aspiration, starting in 2001 (the same year it entered the WTO), to dominate global shipbuilding. Beijing had at that point designated the industry as "strategic", which meant massive WTO non-compliant subsidies, limits on foreign partnerships, and other anti-competitive policies.

In 2006, it became one of the seven strategic industries over which state-owned enterprises should maintain control. In 2015, as part of the Made in China 2025 plan, Beijing identified shipbuilding as one of the ten priority sectors in which China would seek to dominate global commerce by 2025.

A Cosco ship sits in San Francisco Bay awaiting access to the Port of Oakland. China has tripled its production relative to the US over the past two decades, producing over 1,000 ocean-going vessels last year, versus America's 10 © David Paul Morris/Bloomberg

Since then, the Chinese shipbuilding industry has enjoyed policy loans from state-owned banks, equity infusions and debt for equity swaps, below market rate steel inputs, tax preferences and grants from export agencies, as well as protection from foreign ownership.

All of this is outlined in the 301 petition, which puts forward a case that China simply isn't playing by free market rules, and that US law allows the president to act to remedy the situation since it poses a threat to American commerce.

The petition also notes that a more traditional trade remedy adjudicated at the WTO wouldn't address the issue, since the majority of ships produced in China are used in international commerce rather than being imported to the US. "You simply can't compete with subsidised Chinese products [in the global marketplace]," says McCall. "We need to reinvent industrial policy in America."

The big question now is whether the Biden administration, which has tried hard in recent months to stabilise US relations with China, will take up the petition, and if so, how quickly they will do it.

In this, election politics may have a role to play. The proposals would have strong appeal to a Trump administration, particularly one with China hawk Robert Lighthizer as the US trade rep. If Biden doesn't quickly accede to them, he risks losing labour support, and/or looking weak on China.

Some on the left have floated the idea that the reshoring of shipbuilding jobs might help make up for the labour that will be lost in the electric vehicle transition, which is estimated to require roughly 40 per cent as many workers as cars made with traditional combustion engines.

The case also has major international stakes. Missile attacks in the Red Sea and worries over Taiwanese sovereignty have brought the importance of naval power back into the global discussion.

Meanwhile, the disruptions of the past few years have highlighted the risks of a "just in time" approach to commerce, pushing policymakers and business leaders to think more about resiliency and redundancy in the most strategic industries.

The subsequent move towards more industrial strategy has also led to complaints about the subsidies being offered in the US in areas like chips or clean technology, which some consider protectionist. And yet, concern about Chinese dumping in areas such as electric vehicles is growing too, in Europe as well as in the US.

However the Biden administration responds, the case calls into question the role of industrial policy in fair and secure market crafting, as well as the need for a new global trading paradigm — one that accounts for state-run systems, and acknowledges the challenges that free market economies and public corporations governed by short-term, shareholder concerns have competing with them.

In the meantime, the Americans and Chinese are each brushing up on the thinking of Alfred Mahan, the 19th-century military strategist and author of "The Influence of Sea Power Upon History."

As he put it, "The necessity of a navy, in the restricted sense of the word, springs . . . from the existence of a peaceful shipping, and disappears with it, except in the case of a nation which has aggressive tendencies, and keeps up a navy merely as a branch of the military establishment." Then, as now, merchant shipping and military might are intertwined, not only as potential instruments of war, but of peace.

Congress of the United States
Washington, DC 20515

April 10, 2024

The Honorable Katherine Tai
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Tai:

We write to express support for a petition filed in March 2024, under Section 301 of the Trade Act of 1974, requesting that USTR undertake an investigation into potentially unfair trade practices by the government of the People's Republic of China (PRC or China) concerning the maritime, logistics, and shipbuilding sector. We strongly support the petition filed by the United Steelworkers (USW) for USTR to investigate China's unreasonable and discriminatory policies in these sectors under the Section 301 process. We urge USTR to conduct a full review of the allegations in the petition and initiate a full investigation in a timely manner.

The PRC's unfair state-sponsored policies and programs have contributed to a loss of America's domestic commercial shipbuilding capacity. In the last 22 years, the PRC has led a campaign of subsidization, strategic targeted investment, and other related policies with the aim of dominating global shipping and advancing the goals of the Chinese Communist Party (CCP)[1]. This effort to dominate global shipping has resulted in the PRC's shipbuilding industry increasing from less than 10 percent of global shipbuilding capacity to nearly 50 percent in the year 2024[2]. Several PRC policies, including anticompetitive practices, preferential loans from China's state banks, the provision of subsidized steel, and additional financing from PRC have fueled China's current capacity and increased the global market dependencies on PRC industry for shipbuilding and maritime transport of goods at the expense of the United States and our allies.

Over the last 20 years, the PRC's overall policy support for its state-owned enterprises in shipbuilding and supplying industries have increased the PRC's production capacity to over 1,000 ocean-going vessels a year, while the United States' share of the market continues to decrease. The PRC's anti-competitive practices directing mergers among the largest state-owned steel and shipbuilding firms encourages PRC monopolization of the commercial shipbuilding industry and have led to the loss of export market share of goods used in commercial shipbuilding. For example, U.S. exports of diesel and semi-diesel marine engines dramatically decreased over the last two decades and U.S. manufacturers have exported fewer than 100 marine engines to China in 2021 and 2022.

Commercial shipping is also a significant transportation mode for American exports and global commerce. Forty percent of U.S. international trade by value and seventy percent by trade weight is moved by commercial ships[3]. Additionally, ninety percent of U.S. military equipment and materiel travel by sea[4]. Since the COVID-19 pandemic impacted every sector of the economy, Americans' focus on supply chain fragility has made it even more clear that our nation must strengthen our domestic shipbuilding and supply capabilities to protect

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[1] United States Department of Defense – Military and Security Developments Involving the People's Republic of China – 2023 Annual Report to Congress
[2] Seavy, 2024
[3] United States Department of Transportation – Bureau of Transportation Statistics
[4] United States Military Sealift Command

American interests.

Due to the loss of our domestic shipbuilding infrastructure, U.S. shipyards and suppliers do not have the capacity to replace ships lost in combat or the ability to supply our own needs, much less those needs of our friends and allies. A vibrant domestic commercial shipbuilding industry will allow our country to ensure that a resilient supply chain remains available in times of need.

In addition to the threats to commercial shipbuilding, PRC-based firms who control shipping companies, strategic ports, and logistics platforms raise several national security concerns. For example, the CCP supported LOGINK logistics platform collects and combines data from a variety of government and private sector sources to create significant concentrated knowledge of the inflows and outflows of goods from ports across the world. The data collected allows the PRC and CCP to access sensitive information such as the movement of military equipment moving through commercial ports.

The need for an investigation into the PRC's shipbuilding, transportation and logistics policies is clear. We urge you to expeditiously initiate a full Section 301 investigation and consider the relief measures identified in the petition to address the injury that the PRC's policies and actions have had on interests.

Thank you for your attention to this sensitive matter.

Sincerely,

Joe Courtney
Member of Congress

Donald Norcross
Member of Congress

John Garamendi
Member of Congress

Debbie Dingell
Member of Congress

Ro Khanna
Member of Congress

Jared Golden
Member of Congress

André Carson
Member of Congress

Val Hoyle
Member of Congress

Eric Swalwell
Member of Congress

Donald G. Davis
Member of Congress

Chris Deluzio
Member of Congress

Melanie Stansbury
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Frank J. Mrvan
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Julia Brownley
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Brendan F. Boyle
Member of Congress

David J. Trone
Member of Congress

Marcy Kaptur
Member of Congress

Haley M. Stevens
Member of Congress

Elissa Slotkin
Member of Congress

Robert C. "Bobby" Scott
Member of Congress

Raja Krishnamoorthi
Ranking Member
Select Committee on the CCP

Rosa L. DeLauro
Member of Congress

Chrissy Houlahan
Member of Congress

Jan Schakowsky
Member of Congress

Andrea Salinas
Member of Congress

Mary Gay Scanlon
Member of Congress

Mark Pocan
Member of Congress

Lloyd Doggett
Member of Congress

Terri A. Sewell
Member of Congress

James P. McGovern
Member of Congress

China slams U.S. probe into its shipbuilding industry, says move is a 'mistake on top of a mistake'

Chinese officials said the U.S. provides hundreds of billions in “discriminatory” subsidies to shipbuilding and other domestic industries, “yet accuses China of adopting so-called ‘non-market practices.’”

April 18, 2024, 2:34 AM EDT / Source: CNBC

By Sheila Chiang, CNBC

China said it “firmly opposes” the U.S. investigation into its maritime, logistics and shipbuilding industries, calling the move a “mistake on top of a mistake.”

In an official statement late Wednesday, China’s ministry of commerce said the U.S. provides hundreds of billions of dollars in “discriminatory” subsidies to its domestic industries, “yet accuses China of adopting so-called ‘non-market practices.’”

“In fact, the development of China’s industries is the result of companies’ technological innovation and active participation in market competition,” the Chinese ministry said.

On Wednesday, the Office of the U.S. Trade Representative initiated a probe into China’s maritime, logistics and shipbuilding industries, alleging that Beijing used “unfair, non-market policies and practices” to dominate these sectors. Under the Trade Act of 1974, Section 301 seeks to address unfair foreign government practices impacting U.S. commerce.

“By launching a new Section 301 investigation, the U.S. is making a mistake on top of a mistake,” the Chinese ministry said.

Beijing called on the U.S. to “respect multilateral rules” and vowed to “take all necessary steps to resolutely defend its rights and interests.”

The investigation comes after five national labor unions launched a petition on March 12 requesting the U.S. to probe the policies and practices of China’s maritime, logistics and shipbuilding sectors.

U.S. Trade Representative Ambassador Katherine Tai has pledged to launch a “full and thorough investigation into the unions’ concerns.”

“The allegations reflect what we have already seen across other sectors, where [China] utilizes a wide range of non-market policies and practices to undermine fair competition and dominate the market, both in China and globally,” she said, according to the USTR statement.

President Joe Biden has also called on the USTR to triple tariffs on Chinese steel and aluminum imports, in a bid to protect American industries.

"Chinese policies and subsidies for their domestic steel and aluminum industries means high-quality U.S. products are undercut by artificially low-priced Chinese alternatives produced with higher emissions," the White House said in a statement.

In an address to union workers in Pittsburgh on Wednesday, Biden accused China of "cheating" in its steel trade practices.

"They're not competing. They're cheating," he said, adding that "we've seen the damage here in America."

"The bottom line is that I want fair competition with China, not conflict."

Deborah Elms, head of trade policy at the Asia-based Hinrich Foundation, said the Section 301 investigation could be more significant than Biden's call for tariff increases on Chinese steel and aluminum imports.

The total amount of Chinese steel into the U.S. market is less than 1%, Elms told CNBC's "Capital Connection" on Thursday.

She said the launch of a Section 301 investigation on shipbuilding "is becoming more of an issue potentially."

"Now, that could be much more significant because it sets up the stakes for further retaliation by the U.S. against China, and then potentially by China against the U.S.," Elms said.

"As we head into a very tight election season, both parties [Democrats and Republicans] are competing in the U.S. to see who could be toughest on China."

International shipowners to Biden: Don't slap port fee on Chinese-made ships

BY **DOUG PALMER** | 05/22/2024 04:43 PM EDT

Shipowners in Europe and Canada are urging the Biden administration not to impose a port fee, potentially as high as $1 million, on the large number of Chinese-made ships that dock at U.S. ports to load or unload goods.

The comments are in response to a March petition filed by the United Steelworkers and four other labor unions asking for a series of measures to help rebuild the U.S. shipbuilding industry, which has been in decline for decades.

President Joe Biden, who has been aggressively courting union support as he runs for reelection, announced during a stop at USW headquarters in April that the Office of the U.S. Trade Representative would launch the Section 301 investigation requested by the petitioners.

USTR set a Wednesday deadline to filecomments ahead of a public hearing next week as part of the investigation. That gives opponents a chance to weigh in before any final decisions are made.

Labor union position: The union groups argue that massive Chinese subsidies to support its shipbuilding industry have made it impossible to revive the U.S. industry without government help.

However, those same subsidies have made China the world's largest shipbuilder and its vessels are used by shipping companies around the world. So any action aimed at Chinese-made ships could negatively affect allies the Biden administration also wants to persuade to take united action against Chinese overcapacity in a number of sectors.

One of the unions' main recommendations was for the United States to impose a new port fee on Chinese-made ships, regardless of their current ownership, and use the funds to create a "Shipbuilding Revitalization Fund" to support investments to boost the domestic shipbuilding industry's capacity, supply chains and workforce.

Shipowners' arguments: The European Community Shipowners' Associations, in comments filed with USTR, said it had "serious concerns" about the proposed port fee.

They argued it would not work to discourage China from subsidizing its industry but would hurt the United States by reducing its import and export market competitiveness and raising costs for consumers. They also voiced doubt that the fee would achieve the goal of revitalizing the domestic shipbuilding industry.

The European shipowners group estimated that at least 35 percent of the world's commercial shipping fleet consists of Chinese-made ships operated by non-Chinese companies, illustrating the scope of the potential port fee.

The International Chamber of Shipping, which represents over 80 percent of the world's merchant fleet, also weighed in against the proposed fee, as did the St. Lawrence Shipoperators Association, which represents ships that operate primarily on the Great Lakes.

"Port fees on Chinese made vessels that are registered, owned, and operated by companies in Canada would be extremely punitive and run counter to the principles of free trade and bi-national cooperation that have been a hallmark of trade on the Great Lakes for generations," the Quebec-based group said in its comments filed with USTR.

The Royal Norwegian Ministry of Trade, Industries and Fisheries also filed comments, noting "a fee on vessels built in China will mainly affect international ship owners and operators."

Several Chinese and Asian trade associations also urged Biden not to impose a port fee, as did several trade associations representing the U.S. retail and technology sectors. They warned the proposed fee would increase costs for consumers.

The China Association of the National Shipbuilding Industry took issue with many of the allegations contained in the union groups' petition and warned that imposing a port fee on Chinese-made ships would hurt the U.S. economy.

Shipping industry to USTR: Port fee would not alter China's incentives

A port fee on Chinese-built ships sought by a coalition of U.S. unions would not meaningfully change China's support of its shipbuilding sector, a major global shipping trade association told the Office of the U.S. Trade Representative on Wednesday, arguing that operators could avoid the fee by substituting other foreign-made vessels to service U.S. routes.

The potential impacts of the proposed fee – called for in a petition filed earlier this year by a group of major unions – were among several key issues under discussion during an interagency hearing chaired by USTR in Washington as part of its investigation under Section 301 of the Trade Act of 1974. The unions proposed the fee as a possible remedy for what they contend are unfair practices in China's maritime, logistics and shipbuilding sector that have contributed to a decline in U.S. shipbuilding and pose the greatest obstacle to its resurgence.

According to the World Shipping Council, a trade association that represents major liner shipping companies from around the world, including some from China, the fee is "disconnected" from the purpose of Section 301 – that is, in this case, to elicit changes to China's practices, as described in prepared remarks by the group's director of government relations and incoming president, Joe Kramek, at the hearing.

Instead, Kramek said, the fee "appears designed to raise funds to finance subsidies for domestic shipbuilding" – and, to that end, he charges, the measure would fail.

"Most container vessels currently serving the U.S. trade are not Chinese-built, and the global supply of non-Chinese-built container vessels would enable vessel operators, over time, to avoid the port fees by shifting Chinese-built vessels onto the many non-U.S. routes, while using non-Chinese build vessels for U.S. routes," he said. "And, because vessel operators would still make purchasing decisions based upon cost, there would still be demand for Chinese-built vessels. Thus, a port fee on yet-to-be-constructed Chinese vessels would not meaningfully change the market dynamics for the sourcing of new vessels, and therefore would not work to change China's incentives."

Kramek said the council does not take a position on whether China's practices are actionable under Section 301.

According to the petitioners, China produces more ships than the two second-largest global producers – Japan and Korea – combined. While those two countries also provide support to their shipbuilding industries, China's level of support is far greater, the petition charges, outlining a slew of concerns about directed mergers, policy loans from state-owned banks, government support for upstream industries like steel, intellectual property theft and others that the petitioners and their supporters highlighted in testimony on Wednesday.

Those supporters include domestic steel producer Cleveland Cliffs, the Alliance for American Manufacturing, Sen. Tammy Baldwin (D-WI) and Rep. Debbie Dingell (D-MI), among others.

"The PRC's unfair trade practices, if unchecked, will make it impossible for the U.S. shipbuilding industry to recover," Dingell told the panel, noting that the U.S., a leader in shipbuilding in the 1970s, now ranks 19th in the world, producing just 10 oceanic commercial vessels annually to China's total of more than 1,000.

Trade associations representing Chinese industry, meanwhile, argued that the decline of the U.S. shipbuilding industry long predated China's rise. Zhang Shouguo, executive vice-chairman of the China Shipowners' Association, linked an acceleration in the development of China's shipbuilding industry to the country's accession to the World Trade Organization in 2001. The U.S.' share of the global shipbuilding market had fallen to "one quarter of one percent" by 1999, he said.

Zhang and others also disputed the petitioners' estimates of costs associated with the potential port fee. The petition states that a "hypothetical million-dollar port fee" on a cargo ship holding 20,000 20-foot containers, for instance, would impose a cost of $50 per container. According to Zhang, the per-container figure would be "several times greater." Those costs, he argued, would get passed along to U.S. consumers and harm U.S. exporters, in particular in the agriculture and energy sectors.

A representative for the European Union also raised concerns about the port fee, warning that it could disrupt U.S. liquefied natural gas exports. An industry official from Canada charged that the fee would undermine U.S. trade relations with its northern neighbor.

The proposed fee would be "extremely punitive" and "run contrary" to "principles of binational cooperation" between the U.S. and Canada, Ontario Marine Council Chair Steve Salmons said. The OMC represents marine supply chain stakeholders in Ontario, including ports, marine operators, shipyards and terminal operators.

In addition to a port fee, the petitioners offered several other recommendations, including a call for the U.S. to "engage with partners in Japan, Korea, and other major shipbuilding countries to address any concerns about government interventions and any other practices that distort the global market for commercial vessels" and the suggestion that the U.S. consider encouraging "other countries to explore their own measures against China's unfair practices in order to establish a united alliance of countries seeking to maintain fair and open competition in the maritime and logistics sector."

Japan and Korea were not represented during the hearing.

The representative for the EU said the bloc would be "open to explore" potential cooperation with the U.S. on such issues, contending that the Organization for Economic Cooperation and Development's "Shipbuilding Committee could be a very suitable avenue for such cooperation."

Under Section 301, USTR must first determine whether the country at issue has engaged in unfair practices or has violated U.S. rights under a trade agreement. Then, the agency decides what action, if any, is needed.

Supporters of the petition contended that China's dominance in shipbuilding posed a significant national security threat as well as an economic threat to U.S. interests.

"To help deter Chinese aggression, we and our allies must visibly prepare for protracted war," said Thomas Shugart, adjunct senior fellow at the Center for a New American Security, a national security-focused think tank with deep ties to Democrats. He contended that such an effort should include "reinvigorating the U.S. industrial base," in particular for shipbuilding.

Shugart said China holds "first place" in "three of the pillars of maritime power – fishing fleets, merchant shipping and maritime law enforcement." While the U.S. maintains "superiority" in "hard naval power," he added, the "trend lines even there are distinctly negative."

In addition to the hearing, USTR solicited written comments on the Section 301 probe. They were due by May 22. Post-hearing comments are due by June 5. -
- *Margaret Spiegelman*(mspiegelman@iwpnews.com)

The Threat of China's Shipbuilding Empire

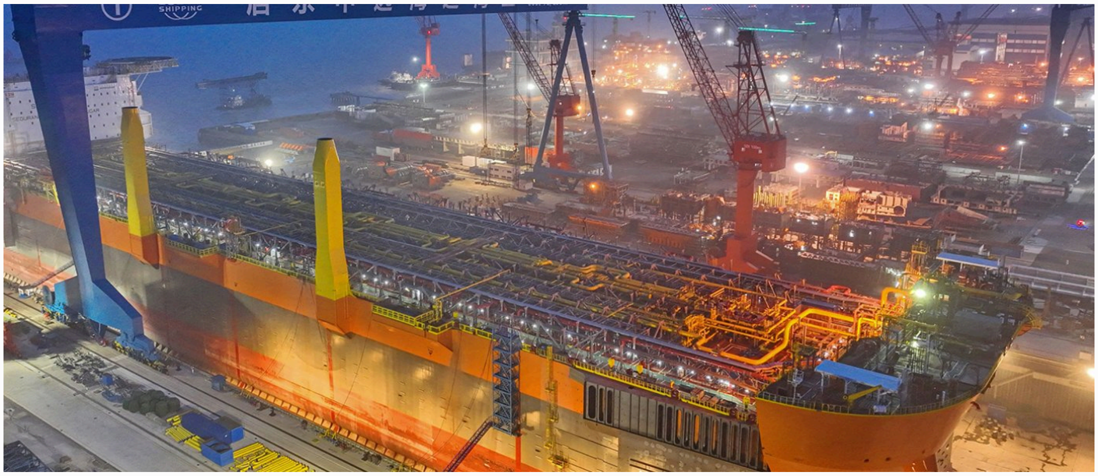

Photo: STR/AFP/Getty Images

Commentary by **Matthew P. Funaiole**
Published May 10, 2024

Audio Briefs
The Threat of China's Shipbuilding Empire
An audio version of "The Threat of China's Shipbuilding Empire," a new commentary by CSIS's Matthew P. Funaiole. This audio was generated with text-to-speech by Eleven Labs.

SHARE SUBSCRIBE DESCRIPTION

China's shipbuilding empire is the latest flashpoint in the intensifying frictions between Washington and Beijing. As the Biden administration zeroes in on the potentially unfair trade practices that propelled China's emergence as the largest shipbuilder in the world, broader national security issues are also at play. Foreign capital and technology are flowing into Chinese dual-use shipyards, which is accelerating Beijing's ongoing naval buildup.

Speaking from the United Steelworkers headquarters in Pittsburgh on April 17, President Joe Biden promised to take "a real hard look" at the Chinese industrial tactics that have buoyed its shipbuilding sector. On the same day, the U.S. Trade Representative launched a Section 301 investigation into China's alleged use of nonmarket practices to undermine competition in the global shipbuilding industry.

Attention to this issue is certainly warranted, and likely past due. Undoubtedly, China has made generous use of nonmarket practices to boost its own shipbuilders at the expense of their competitors. Despite Beijing's claims that its industry arose from "technological innovation" and "market competition" alone, in reality, Beijing plowed hundreds of billions of dollars into its shipping and shipbuilding ecosystem through the 2000s.

These state-driven efforts helped China undercut competition and glean market share from erstwhile global leaders. Chinese shipbuilders now collectively account for over 50 percent of all merchant tonnage produced globally each year, an eye-watering rise from just 5 percent in 1999.

Yet it was not U.S. companies being displaced by the rise of China's shipbuilding industry. Even when the U.S. shipbuilding industry was more vibrant in the 1970s, U.S. shipyards produced just 15 to 25 new merchant ships per year—typically accounting for less than 5 percent of global tonnage. After subsidies supporting the industry were eliminated in the 1980s, this number dropped to a fraction of 1 percent of global production.

Japanese and Korean shipbuilders have suffered the most from China's ascent. Over the past decade, the two powerhouses have seen their combined share of the global shipbuilding market tumble from 55 percent to about 40 percent today.

This trend will likely continue. Last year, China attracted 59 percent of new shipbuilding orders. Most large ocean-faring vessels put to sea in the coming decade will be built in China.

As concerning as this is for the industrial competitiveness of the United States and its allies, China's shipbuilding prowess is also a matter of national security. Chinese shipbuilders produce far more than just container ships, bulk carriers, and tankers. They also build warships for the People's Liberation Army Navy (PLAN).

Many of the most prominent shipyards in China embody Beijing's military-civil fusion strategy, which seeks to fuse together civilian and military technological, scientific, and industrial development to strengthen China's comprehensive national power.

One firm in particular, China State Shipbuilding Corporation (CSSC), plays a critical role in producing ships for both commercial clients and the PLAN. The sprawling state-owned giant presides over 100 subsidiaries and by itself accounts for nearly a quarter of the global commercial shipbuilding market.

Plainly visible at major CSSC shipyards are the hulking skeletons of commercial vessels being built in the shadow of Chinese warships. The blurred lines between commercial and military activities are perhaps best on display on Changxing Island near Shanghai, where two prominent dual-use shipyards—Jiangnan and Hudong-Zhonghua—are being merged into a massive "shipbuilding base."

It is here that China is nearing completion of its third and most capable aircraft carrier, the Type 003 or *Fujian*. The assembly facilities and fabrication halls that build components of the carrier are frequently used to produce commercial hulls. Even the dry dock where the *Fujian* was assembled had to first be cleared to make room for the flagship project—it was previously occupied by a massive container ship for a foreign client.

This sharing of resources, including capital, technology, personnel, equipment, and facilities, is not uncommon in China and has turbocharged its naval-industrial development. Today, Jiangnan Shipyard alone has more capacity than all U.S. shipyards combined, and China's broader naval shipbuilding capacity is over 230 times larger than that of the United States.

More concerning still is the degree to which foreign companies inadvertently support China's military industrial complex.

Between 2019 and 2021, foreign firms accounted for at least 64 percent of merchant ship orders at CSSC-owned shipyards. Many of these companies are based in some of the United States' closest allies and partners, including France, Japan, and Sweden.

Even Taiwan, which faces an ever-present and steadily growing threat from China, is home to one of CSSC's top foreign customers. Evergreen Marine Corporation, which is among the largest shipping companies in the world (and owner of the infamous *Ever Given* megaship that ran aground in the Suez Canal for six days in 2021), has purchased dozens of hulls from China since 2018. Nearly all of Evergreen's orders were fulfilled at shipyards that produce surface combatants for the PLAN.

Beyond pumping capital into China's dual-use shipyards, some foreign companies also share crucial technology and expertise that have leveled up China's shipbuilding capabilities. French naval engineering firm Gaztransport & Technigaz

SA (GTT), for example, has made technology available to Chinese shipbuilders which has subsequently been used in dozens of Chinese-built vessels for foreign firms like CMA CGM, Hapag-Lloyd, and Mitsui O.S.K. Lines.

These dynamics raise significant questions about the unintended consequences of global economic engagements with China's ostensibly civilian sectors that have deep ties to its military.

There is no quick and simple solution to competing with China's booming shipbuilding industry. Reinvigorating the United States' battered industry will be a multi-decade endeavor that has only just begun. Deepening integration with key allies, including industry leaders like Japan and South Korea, will be crucial. Equally important will be garnering support from other partners that share concerns over China's military expansion and collaborating with them to assess the risks of procuring vessels from Chinese dual-use shipyards.

Matthew P. Funaiole is vice president of iDeas Lab, Andreas C. Dracopoulos Chair in Innovation and senior fellow of China Power Project at the Center for Strategic and International Studies in Washington, D.C.

Tags

Asia, China, Defense and Security, and Maritime Issues and Oceans

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HD HHI · Hanwha Ocean enter into 'profitable' US Navy ship MRO business

By Kim Ji-hwan, Kim Mi-geon
Published 2024.05.14. 11:17

Aerial views of the 3,400-t frigate (center), 2,200-t offshore patrol vessel (bottom), and 1,400-t amphibious warfare ship (top) that HD HHI won from Peru/Courtesy of HD HHI

South Korean shipbuilding conglomerates HD Hyundai Heavy Industries (HD HHI) and Hanwha Ocean are venturing into the maintenance, repair, and overhaul (MRO) segment for US Navy ships. This sector has witnessed sustained demand over several decades and offers prospects for expansion through future warship newbuilding contracts. The US Navy's MRO sector presents a lucrative opportunity for both companies as they seek to broaden their presence in the defense industry.

According to the shipbuilding industry on May. 13, HD HHI and Hanwha Ocean submitted applications for a Master Ship Repair Agreement (MSRA), a crucial qualification to access the US battleship MRO market. Earlier this year, they underwent on-site inspections of their shipyards, a rigorous process through which the US Navy assesses the capabilities of potential MRO service providers. Upon approval of the MSRA, these companies will be eligible to undertake MRO orders for US Navy ships.

The interest of these two shipbuilding giants in the US Navy ship MRO services is primarily fueled by the immense size of the market. According to projections from British military intelligence firm Janes, the global specialty ship market is anticipated to reach approximately $1 trillion (about 1,320 trillion won) over the next decade. Within this market, the segment for submarines and surface ships, which are the focal points for domestic shipbuilders, is estimated to be around $243 billion (about 320 trillion won). Moreover, the global naval vessel MRO market is expected to hit $57.76 billion (about 78 trillion won) this year, with the US alone accounting for approximately $14.62 billion (about 20 trillion won) annually.

An official introduces the Jang Bogo-III Batch-II submarine at Hanwha Ocean's booth at the '2024 Yi Sun-Sin Defense Industry Exhibition (YIDEX)' at the Naval Academy in Jinhae-gu, Changwon-si, Gyeongnam-do. /News1

A critical requirement for securing business opportunities in this domain is the operation of a local shipyard. South Korean shipbuilders face challenges in entering the MRO business due to the absence of shipyards in the United States. The Jones Act, implemented in 1920 following World War I, mandates that only domestically built ships can operate within the US, aiming to safeguard national security interests and protect the domestic shipbuilding industry.

To overcome this obstacle, Hanwha Ocean is in the process of acquiring Austal, a global shipbuilding company and defense prime contractor based in Australia. Austal, which supplies ships to various naval forces, including the Australian and US navies, operates shipyards in Alabama in the US. If Hanwha Ocean successfully acquires Austal, it would gain easier access to US shipbuilding and MRO contracts.

Meanwhile, HD HHI has entered into a memorandum of understanding (MOU) with Philly Shipyard in Pennsylvania, US, for newbuildings and MRO projects for ships and tubular vessels commissioned by the local government entities. Additionally, there are discussions regarding the potential acquisition of a local shipyard in the US by HD HHI. An official from HD HHI mentioned, “We are exploring all possible avenues, including the acquisition of a local shipyard, as part of our strategy to secure MRO business opportunities.”

Dominion Energy Launches First US Offshore Wind Turbine Installation Vessel

April 16, 2024, by Adrijana Buljan

The United States' first Jones Act-compliant offshore wind turbine installation vessel (WTIV), *Charybdis*, has been launched to water at Seatrium AmFELS shipyard in Brownsville, Texas.

The vessel, which will be operated by Dominion Energy's subsidiary Blue Ocean Energy Marine, was launched after the welding of the hull and the commissioning of the vessel's four legs and related jacking system were completed.

Dominion Energy says there is no change to the vessel's timeline, which supports the current construction schedule for the 2.6 GW Coastal Virginia Offshore Wind (CVOW) project, where *Charybdis* will be installing the wind turbines.

Besides Dominion's own offshore wind project, the WTIV also secured work on the Revolution Wind and Sunrise Wind offshore wind farms with Ørsted and Eversource in 2021.

As reported in November last year, Dominion Energy said the WTIV would be completed later than planned, with an expected delivery in late 2024 or early 2025. The vessel was originally scheduled to enter into service by the end of 2023.

According to Dominion Energy, Seatrium is building the vessel using domestically sourced steel, with the hull and other infrastructure fabricated with more than 14,000 tons of domestic steel, of which nearly 10,000 tons were sourced from Alabama, West Virginia and North Carolina suppliers.

At peak construction, over 1,200 workers were employed on the project, Dominion Energy says.

Once complete, the home port for *Charybdis* will be Hampton Roads, one of the US offshore wind installation ports.

The 472-foot (approx. 144 metres) *Charybdis* will be equipped to install wind turbines with a capacity of 12+ MW and will be able to accommodate up to 119 people on board.

Kalypso & Partners To Construct A Cable Lay Vessel, 1st Purpose Built For US Offshore Wind Market

By[MI News Network]April 16, 2024[Shipping News]

Plans have been announced to construct America’s first Jones Act-compliant cable laying vessel (CLV), a significant achievement for the country’s developing offshore wind sector.

Kalypso Offshore Energy, a New York-based firm, has collaborated with Dutch shipbuilder Royal IHC on this groundbreaking project to strengthen the country’s offshore energy capabilities.

Kalypso Offshore Energy and Royal IHC have recently signed a letter of intent to finalize the contract, engineering, and construction details for the 5,000-ton CLV, which will be delivered in 2028.

This collaboration represents a significant step forward in satisfying the growing need for infrastructure to enable offshore wind projects along the United States coastline.

Kalypso Offshore Energy, led by Colin Smith, a former project manager of DEME, strives to meet the evolving needs of offshore wind operations in the United States.

The company’s CLV, built on US territory, is expected to improve the country’s offshore energy prospects while boosting local economic growth.

The revolutionary vessel, spanning 376 feet (115 meters) in length, will be outfitted with cutting-edge technologies designed exclusively for offshore cable laying operations.

Image Credits: Kalypso Offshore Energy

It will feature two carousels with dual product laylines, a customized cable protection system, and a separate enclosed space for cable splicing and maintenance.

The CLV will also include a knuckle boom crane with a capacity of 100 metric tons for offshore construction jobs and an onboard jet trencher.

Derk te Bokkel, CEO of Royal IHC, expressed his satisfaction in leading the creation of this critical contribution to America’s energy transition and security.

He highlighted the importance of this milestone for Royal IHC and the offshore wind sector in the United States, emphasizing the company’s dedication to supporting Kalypso Offshore Energy’s ambitious effort.

Kalypso Offshore Energy’s objectives extend beyond the CLV project. The company is also developing concepts for an Offshore Service Vessel (OSV) to support wind farm construction activities.

The OSV, which has heavy-lift cranes and specific accommodation facilities, is expected to provide critical support at every step of offshore wind farm development.

As the offshore wind energy industry in the United States gains popularity, investments in infrastructure and vessel capabilities are expected to play a critical role in supporting its expansion and development.

Kalypso Offshore Energy’s ambitious initiatives highlight the increasing popularity of the US market and represent a big step forward for the country’s offshore wind objectives.

Reference: Splash 247

Blowing in the Wind

Louisiana's Role in Offshore Wind Development

May 31, 2024 |By William Kalec

In the race towards a more sustainable energy future, Louisiana stands at the forefront — you could even say "sailing" ahead. The Pelican State is poised to harness the potential of offshore wind.

Spearheading the initiative is a collaborative effort from GNO Inc., along with an array of organizations ranging from big corporations to philanthropic entities and educators. The GNOwind Alliance is a free P3 program managed by GNO, Inc., and includes more than 250 organizations with a shared vision for Louisiana's leading role in the emerging offshore wind industry. Together, they orchestrated an immersive, multi-city experience aimed at propelling the wind energy industry from mere concept and "what ifs" to tangible reality.

Part of that effort includes Louisiana Wind Energy Week, or "Wind Week." Held for the first time in January, the event convenes local suppliers, community stakeholders, national partners, global developers, and environmental specialists in a week of enriching activities surrounding the State of Louisiana's emerging offshore wind industry.

"The program is designed to advance key conversations concerning the opportunities and challenges facing the development of a robust offshore wind industry in Louisiana – carrying the State's legacy as an offshore energy leader into the future," said Cam Poole, Energy & Innovation at GNO Inc., and Program Manager for the GNOwind Alliance. "We've found that bringing diverse perspectives together who all want to see this move forward as robustly and sustainably as possible benefit greatly from having in person convenings like wind week to come together and problem solve."

Poole said the inspiration for Louisiana Wind Energy Week came from the National Renewable Energy Laboratory (NREL)'s National Offshore Wind Supply Chain and Workforce Assessments, which captured at a national level the immense economic opportunities that would materialize alongside the growth of the offshore wind industry. This also included some of the actions necessary to capture these opportunities from a federal and state policy perspective. "In partnership with the Southeast Wind Coalition, we brainstormed how we could take the findings of these studies most relevant to Louisiana companies and communities and distill them into an actionable program," Poole said. "A week of robust discussions and planning sessions is what we landed on and thus Wind Week was born."

The event took six months of planning and included an all-hands-on deck approach with local, national, and global partners – demonstrating the diverse groups committed to seeing Louisiana play a strong role in this emerging sector. NREL helped with initial program development of the Supply Chain and Workforce Workshops that took place in Baton Rouge over the first two days, and GNO Inc. partnered with University of New Orleans, SeaAhead, and the National Wildlife Federation for a day focused on environmental planning and research concerning offshore wind, and Tulane University Law School led the charge on regulatory and financial discussions with a closing program at Port of New Orleans.

Attendees included members of the GNOwind Alliance as well as additional local businesses, community college, higher education, and apprenticeship partners, regional environmental NGOs, and state leaders. Wind Week also saw national partners from the Oceantic Network, NREL, Turn Forward, American Clean Power (ACP), RWE, Shell, and others coming to Louisiana to participate and drive forward the program.

NREL ranks Louisiana #4 nationally for its wind resource potential, and the Gulf of Mexico cumulatively carries a majority of the nation's wind resources – demonstrating the essential role the region will play as the nation seeks to expand offshore wind as an emission free energy resource that can provide clean power to industry and residential customers. But Poole said the Gulf has a bit of a "Goldilocks" issue. "On average, wind resources are available but at a lower speed than ideal for most turbines coming in at 7.5 m/s compared to the 9-10m/s ideal," Poole said. "At the same time, we have a higher hurricane incidence which also necessitates wind turbines that are built to withstand these occasionally high-force winds. So innovators, such as those here in Louisiana like Gulf Wind Technology, and OEMs like Vestas (who has a project planned off Cameron Parish) have an impetus to design and produce products that can address these issues."

Additionally, Poole said the energy market in Louisiana and across the Gulf differ from the East Coast, so there is a need to reconcile how to approach the offtake or "end use" of offshore wind energy. With 70% of our power going to industry and what are considered 'hard to abate' carbon-intensive sectors, many believe that Louisiana is well aligned with the ability to produce green hydrogen with wind power through a process referred to as electrolysis. GNO, Inc. through the GNOwind Alliance, not only helps create a forum for discuss and collaborate around these issues, but also drive action forward on them.

"I wish more people knew that offshore wind is an industry that isn't looking to undercut Louisiana's existing energy leadership, rather build upon it," Poole said. "Louisiana's legacy in offshore energy production is a big reason why many are banking on offshore wind's success here, and provides an opportunity for exiting operations to satisfy external and internal motivations to reduce their carbon intensity."

One of the attendees of Wind Week said the program of events did an excellent job convening experts to discuss solutions to the most pressing topics facing the U.S. market writ large — such as transmission and interconnection, Jones Act compliance challenges, and leasing and permitting needs.

"There were also great forward-looking discussions on how Louisiana can strengthen its already leading position in the domestic offshore wind supply chain, as well as integrate the existing oil and gas workforce into offshore wind through expansion of training opportunities," said Alexandra St. Pé, Project Director, RWE Renewables. "The lesson I took away from the week was that the same Louisiana grit and ingenuity that powered the world over the last 75 years, will be the engine that fuels the region's expansion into offshore wind."

St. Pé echoed Poole and said one of the challenges in the Gulf of Mexico for offshore wind is lower average wind speeds than regions where offshore wind has historically been developed, as well as regular severe wind events like hurricanes. Organizations like RWE see this technological challenge as an opportunity to partner with leaders in the region who have worked in offshore energy for decades, and with other partners across the value chain including wind turbine manufacturers, to develop innovative solutions that can enable development of offshore wind in the Gulf while also providing new designs and technology that can be used elsewhere.

That's why they're supporting a consortium effort led by LSU, called Gulf Louisiana Offshore Wind or GLOW, to secure federal funding for local research and innovation into turbine designs and technology that can optimize for the local conditions — and this technology can be exported to other markets around the world.

For St. Pé, investing in wind just makes sense — both for the planet and for the state. “Offshore wind has the potential to be an incredibly important energy resource for Louisiana,” she said. “These projects produce a lot of energy – in fact, just one rotation of one offshore wind turbine can power a home for a day. As energy demand continues to increase, offshore wind offers an opportunity to diversify our domestic energy supply while expanding the Gulf region’s world-class energy and maritime expertise to build and operate the projects.”

Trump rails against wind energy in fundraising pitch to oil executives

At a Mar-a-Lago dinner, Donald Trump doubles down on promises to derail a key form of clean energy that competes with fossil fuels

By Maxine Joselow and Josh Dawsey

April 17, 2024 at 6:00 a.m. EDT

Former president Donald Trump repeatedly ranted about wind power during a fundraising dinner with oil and gas industry executives last week, claiming that the renewable-energy source is unreliable, unattractive and bad for the environment.

Sign up for the Climate Coach newsletter and get advice for life on our changing planet, in your inbox every Tuesday.

"I hate wind," Trump told the executives over a meal of chopped steak at his Mar-a-Lago Club and resort in Florida, according to a person with knowledge of the meeting, who spoke on the condition of anonymity to describe a private conversation.

Trump's comments reveal how he is wooing potential donors with his long-standing hostility to wind farms and pledges to halt this form of renewable energy if he returns to office. His stance poses a potential threat to one of the linchpins of America's clean-energy transition, according to more than a dozen Trump allies, energy experts and offshore wind industry officials.

Even if President Biden were to win reelection, experts say, opponents of offshore wind will remain emboldened by Trump's stance and well positioned to challenge a new generation of projects in federal waters.

And if Trump were to return to the White House?

"If I were in the offshore wind industry, I would probably be pretty, pretty nervous," said a former Trump administration energy official, who spoke on the condition of anonymity because he was not authorized to comment publicly.

The Trump campaign did not respond to specific questions for this story, and it has not elaborated on his energy policies, which he has often summarized as "drill, baby, drill." In an emailed statement, Trump campaign spokeswoman Karoline Leavitt said the former president would "make America energy dominant again."

Energy analysts say they expect a second Trump administration would slow the pace of offshore wind lease sales and environmental reviews. These steps could undercut the industry at the very moment when it needs to accelerate to meet Biden's goal of 100 percent clean electricity by 2035, and to help New England reduce its deep dependence on imported gas and oil.

"Project reviews and auction schedules could slow substantially, potentially to the point of a de facto pause," analysts with ClearView Energy Partners wrote in a recent note to clients. "In short: the regulatory uncertainty from the upcoming election could keep project developers on the sidelines."

A Trump Interior Department would also prioritize offshore oil and gas leasing in the Gulf of Mexico over offshore wind auctions, said William Perry Pendley, who served as acting director of Interior's Bureau of Land Management under Trump.

"The priority has to be oil and gas," Pendley said, adding, "I don't think there's a reason to press forward on wind."

Trump told executives at the fundraising dinner he would open up the Gulf of Mexico to drilling, a person with knowledge of the meeting said, lift Biden's pause on new liquefied natural gas exports, speed up drilling permits, reverse regulations aimed at deploying electric vehicles, and do what he could to help the oil and gas industry. He listened to each executive for about four or five minutes.

Pointing out the window to the Atlantic Ocean at one point, one attendee said, the former president claimed that offshore wind turbines break down when they are exposed to saltwater — though these projects are designed to resist saltwater corrosion.

Near the end of the meeting, Trump told executives that they should contribute to his campaign — the leader of his main super PAC was in the room — because he was trailing Biden financially. His policies would be much better for the oil and gas industry than those of Biden, and he'd do much of what they wanted "on Day 1," he said.

In addition to political uncertainty, offshore wind developers face significant economic challenges. Interest rates and supply chain bottlenecks have contributed to the demise of some projects, including two in New Jersey late last year.

Democrats are doing their best to lock in commercial-scale offshore wind projects before Trump has a chance to halt them. The Biden administration has already approved eight, including one that is up and running. Democratic governors in the Northeast have also reinforced their commitments to deploying more offshore wind energy, regardless of the balance of power in Washington.

If Biden were to win a second term, he would be in a position to accelerate offshore wind along the Gulf and West coasts, and add more capacity to the Atlantic. Once those steel turbines are anchored to the ocean floor, they would be hard to scuttle — one reason the stakes now are so high.

A long battle

Trump's crusade against wind power dates to 2006, when he bought an 1,800-acre estate in Scotland near a planned wind farm that he warned would be "monstrous" and "really ugly."

The Trump Organization sought to build a golf course there, and it sued to block the wind project, saying the turbines would ruin the view for golfers. In December 2015, less than a year before the U.S. election, judges on Britain's top court unanimously rejected that claim.

But the battle raged on. While in the White House, Trump frequently attacked the clean-energy source, suggesting without evidence that it causes cancer.

"If you have a windmill anywhere near your house, congratulations, your house just went down 75 percent in value," Trump said in a 2020 speech. "And they say the noise causes cancer. And of course it's like a graveyard for birds."

There are no known instances of wind farms causing cancer. While turbines can kill birds, research suggests that house cats cause far more bird deaths in the United States each year, and that painting the turbine blades black can help reduce fatalities.

Yet taking a cue from Trump's anti-wind rhetoric, Interior delayed the approval of the first major U.S. offshore wind farm in 2019. Then-Interior Secretary David Bernhardt extended the environmental review of Vineyard Wind, a proposed wind farm near Martha's Vineyard, Mass.

The decision pushed back the timeline for the project, which had planned to start operating in 2021. It also cast a pall of uncertainty over the entire offshore wind sector, as other developers worried about the administration potentially interfering in their own projects.

Bernhardt, who now chairs the Center for American Freedom at the America First Policy Institute, a pro-Trump think tank, did not respond to requests for comment. Bernhardt has been talking with energy executives and others in recent weeks about policies in a second Trump term, according to a person familiar with the outreach, who spoke on the condition of anonymity because they were not authorized to comment publicly.

'A shot in the arm'

Today, the forces opposing offshore wind have multiplied and become more powerful. Fossil fuel interests have worked with right-wing think tanks and community groups to block projects up and down the East Coast, according to a recent report by Brown University's Climate and Development Lab.

Several of these groups have repeated Trump's false claims that wind turbines are killing whales and driving the marine mammals "crazy." Many are now feeling emboldened by the former president's rhetoric.

"It's a shot in the arm to our movement," said Robin Shaffer, president of Protect Our Coast New Jersey, which describes itself as a grass-roots group made up of "residents, homeowners, business owners, fishermen and visitors."

Trump "rightly sees offshore wind as a boondoggle," said H. Sterling Burnett, director of the Arthur B. Robinson Center on Climate and Environmental Policy at the Heartland Institute, a conservative think tank that has called climate change a "hoax" and has sued to stop an offshore wind project off Virginia.

Early on, Protect Our Coast received support from the Delaware-based Caesar Rodney Institute, a think tank that has been backed by fossil fuel interests such as American Fuel & Petrochemical Manufacturers and the American Energy Alliance. The Heartland Institute received funding from oil giant ExxonMobil until 2008.

Forging ahead

Regardless of the election, officials in the Biden administration and the Northeast are forging ahead with ambitious offshore wind goals. And they are making union labor — a key Democratic constituency — central to this push.

Interior this month approved the nation's eighth large offshore wind project, south of Martha's Vineyard. Overall, the Biden administration has approved more than 10 gigawatts of clean energy from offshore wind projects — enough to power nearly 4 million homes.

In New England, which relies on natural gas to fuel nearly 43 percent of its power generation, Vineyard Wind is now delivering power to roughly 30,000 homes, despite the delay under Trump. Massachusetts Gov. Maura Healey (D), who has set a goal of 100 percent clean electricity by 2030, has praised the developers for agreeing to hire hundreds of union workers.

"In a whole new industry like offshore wind, we're seeing the beginnings of workers coming together and collectively organizing," said Liz Shuler, president of the AFL-CIO, the country's largest federation of labor unions. "These are all things that would be at risk if there were a second Trump administration. So we think it couldn't be more dire."

Yet Rebecca Tepper, secretary of the Massachusetts Executive Office of Energy and Environmental Affairs, said Trump's false claims about wind power won't stop the state's progress.

"The former president's claims, like a lot of his statements, have been verified as false over and over again," Tepper said. "We're busy working with developers and moving forward."

SHIPBUILDERS COUNCIL OF AMERICA

GOVERNMENT REPORT

2024 SCA Spring General Membership Meeting
June 12-13, 2024

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Navy League 2024: Findings from shipbuilding review spur US Navy secretary to seek foreign aid

April 11, 2024 5:24PM ET

(Janes)

Rocked by results of a recently completed shipbuilding study lambasting progress on new aircraft carriers, submarines and other major US Navy (USN) programmes, USN Secretary Carlos Del Toro is looking elsewhere for advice and examples to improve USN shipbuilding efforts.

“As the findings of the 45-day comprehensive shipbuilding review have underscored, too many of our industry partners are behind schedule and over budget on our highest priority programmes,” Del Toro said on 9 April during a keynote speech at the Navy League Sea-Air-Space 2024 global maritime exposition in National Harbor, Maryland.

For more information about the review, please seeUS Navy seeks to address major programme delays caused by shipbuilding's new normal of worker and supply shortages.

“We build the most capable warships in the world in shipyards that are decades behind the global technological standard,” Del Toro said. “This is an inefficient approach requiring far too much time, workforce, and taxpayers' dollars. It is certainly an approach that is wholly inadequate to pace our 21st century competitors.”

“Our Korean and Japanese allies build high-quality ships, including Aegis destroyers, for a fraction of the cost that we do. When my team and I went to South Korea, we were floored at the level of digitisation and real-time monitoring of shipbuilding progress, with readily available information down to individual pieces of stock materials,” he added.

“Their top executives could tell us – to the day – when ships would be delivered. It's an ethos, a commitment to constant improvement that is the foundation of their reputation for consistently delivering on time [and] on budget – even during [the] Covid[-19 pandemic],” he continued.

US shipbuilders can tap that know-how, Del Toro said.

“The daunting challenges we face are also an opportunity to partner with a greater number of shipbuilders here in the US and with our closest allies abroad. We have an opportunity to attract the most advanced shipbuilders in the world to open US-owned subsidiaries and invest in commercial shipyards here at home.”

Del Toro cited some benefits of such a course. “This will allow us to modernise and expand our shipbuilding industrial capacity, creating good-paying ‘new-collar' American jobs that come with a healthier, more competitive shipbuilding workforce.”

He said, “I am pushing our shipbuilding industry to invest in itself to get better, to be technological leaders, and to once again deliver platforms on time and on budget. I am determined to address the longstanding challenges in our procurement processes that cause industry heartburn as they try to do business with us.”

Comment

Del Toro has tasked the USN's new Office of Strategic Assessment (OSA) to take a deep dive into the opportunities for improvement identified in the 45-day comprehensive shipbuilding review, and to develop innovative new approaches for how the navy can better organise itself to procure ships more effectively.

Del Toro wants the OSA to provide data-driven assessments and recommendations.

AUKUS Is a Good First Step, But It Needs to Go Further

March 4, 2024 14 min read Download Report
The Heritage Foundation
Authors :Robert Peters and Wilson Beaver

SUMMARY

The U.S. defense industrial base is not up to the challenge of building a military capable of deterring China in the Indo–Pacific. The problem is pressing, and with each passing year the extent and immediacy of the problem grows larger. The solution is twofold: The United States must expand the defense industrial base here at home, and it must expand defense industrial base collaboration with its closest allies, with Japan and South Korea at the top of the list licensed for co-production.

KEY TAKEAWAYS

Time is crucial in the competition with China, and the U.S. needs more capabilities than the hollowed-out American industrial base is currently able to produce.

Demand currently so far outstrips supply that collaborating with key allies to address the shortfall would have no negative effect on American industry.

For defense industrial base strategy to match national defense strategy, co-production must expand to produce the munitions.

In September 2021, the leaders of Australia, the United Kingdom, and the United States announced a plan to cooperate on their respective nuclear attack submarine (SSN) programs.

Known as AUKUS, the plan encompasses the sharing of nuclear-propulsion technology, hull design, port and berthing rights, and officers, as well as the selling of U.S.-made *Virginia*-class SSNs, and will eventually lead to the production of SSN-AUKUS-class submarines in the United Kingdom and Australia by the 2030s and 2040s.

Overall, this is good news. Sharing innovative technology and best practices through officer exchanges with two close allies in the critical undersea warfighting domain is vitally important. The United States and its key allies need far more maritime platforms, particularly submarines.

Through such cooperative efforts, the British and Australian submarine fleets will have access to the best submarine technology in the world, while the United States gains technically advanced and competent partners who are able to deter China and Russia in their respective waters. While the United States is committed to AUKUS—even to the point of pledging to sell three *Virginia*-class SSNs to Australia while it develops its shipbuilding capacity to produce SSN-AUKUS submarines indigenously—more needs to be done, and fast.

AUKUS should not be an end in and of itself, but rather the model for additional cooperation. The United States and its partners not only need more submarines, but they also need more destroyers, frigates, aircraft, long-range precision-strike munitions, and even basic conventional artillery shells, if they are to deter their adversaries from further acts of aggression against key allies and partners.

The Need

Much has been written on the need to build more shipyards, so that the United States can expand its naval fleet—particularly when it comes to frigates and destroyers critical to deterring aggression in the Western Pacific.

Indeed, the U.S. ability to produce ships is so stressed that shipbuilders are pulling welders from the *Virginia*-class to work on *Columbia*-class ballistic missile submarines.

As a consequence, the rate of production of *Virginia*-class submarines has fallen from three boats a year to two.

Meanwhile, the limited number of dry docks that can service submarines means that an unprecedentedly high number of American attack SSNs are not on active patrols as they await servicing and maintenance.

In many cases, shipyards are taking years to do significant repairs on damaged ships, due to lack of shipbuilding and ship maintenance capacity.

At the end of the Cold War, the U.S. shuttered the majority of its active shipyards, and too few now remain to meet the demands of the Navy—thus compounding the problems mentioned above when it comes to ship maintenance and repair.

As Heritage Foundation experts and others have written, the U.S. needs to expand shipyards here in the United States, including by using companies from closely allied nations to build ships in the United States, which would both expand capacity for the U.S. Navy and invest in the American defense industrial base.

The U.S. already does this to a limited extent—Italian shipbuilder Fincantieri, for example, is currently building the new *Constellation*-class frigate in Wisconsin.

The most likely additional candidates for expanded production by allied countries here in the United States would be South Korea and Japan, who together comprise 40 percent of the world's shipbuilding and have a strong incentive to support the growth in capacity of the U.S. Navy.

Meanwhile, allied demand for the F-35, the fifth-generation fighter that is the backbone of the U.S. Air Force, outstrips America's ability to build the plane. More allied nations ordering the aircraft is a good thing—it increases allied capability, which serves as an important force multiplier should the United States find itself in a war leading a coalition of nations against an aggressor, and it reduces the per-unit cost for the American taxpayer for what is roundly regarded as the best fighter plane in the world.

However, Lockheed Martin, the producer of the F-35, cannot produce enough aircraft to meet demand.

The company is essentially at capacity—meaning that the United States and its allies will continue to fly aged, fourth-generation fighter planes until Lockheed Martin can produce enough F-35s to modernize the free world's air forces. And, as a recent congressionally mandated commission noted, the United States desperately needs more bombers (particularly the next-generation bomber B-21 Raider) and the accompanying air-refueling tankers, if it is to deter China and Russia from greater aggression.

In addition to platforms, such as submarines, surface warships, tanker aircraft, and fighter aircraft, the United States Armed Forces desperately need additional munitions—bombs, air defenses, missiles, and even "dumb" artillery shells. Due to 20-plus years of operations in the Middle East, combined with U.S. support to Ukrainian armed forces, the United States military is woefully short on munitions. Indeed, when President Joe Biden sent cluster munitions to Ukraine, it was because the United States was so low on unitary artillery rounds that the only thing it could send were cluster munitions.

Similar weapon shortages exist throughout the forces. Some wargames estimate that the United States would be out of certain air-launched precision-strike munitions within days of a conflict with China, that missile defenses in the Western Pacific would be exhausted within hours in such a conflict, and that the U.S. only has enough torpedoes for an extremely limited salvo in any kind of conflict.

In short, U.S. magazines are nearly empty, and the nation cannot replace these munitions anywhere near the rate of expected use in combat.

The Solution

Demand far outstrips supply in the defense industrial base, especially when it comes to munitions. Undersecretary of Defense for Acquisition and Sustainment Bill LaPlante has stated that the demand so far outstrips supply that there would be no adverse effects to U.S. industry were the Department of Defense (DOD) to dramatically expand the overseas production of American munitions.

Already, in 2023, the U.S. and Australia decided to co-produce Lockheed Martin's Guided Multiple Launch Rocket System (GMLRS) in Australia. The DOD is looking at bringing in allies and partners at every stage of weapon production. According to

Undersecretary LaPlante: “Where we’re headed is co-development, coproduction, and co-sustainment with our partners.”

The U.S. is looking to expand production in Europe, but the co-production plans are currently emphasizing munitions most relevant to the ground war in Ukraine and less relevant to the primarily air and sea war that would be fought were conflict to erupt in the Indo–Pacific. For the defense industrial base strategy to match the national defense strategy, this co-production must expand to produce the munitions needed for the Indo–Pacific, and Japan and South Korea should be at the top of the list of countries licensed to co-produce. The DOD will need to especially prioritize joint air-to-surface standoff missiles (JASSM), long-range anti-ship missiles (LRASM), and advanced capability (ADCAP) torpedoes both for co-production overseas and for domestic production.

Production of these missiles within the U.S. is currently inadequate. For example, for fiscal year 2024, the Air Force plans to buy a mere 27 LRASMs, and the Navy is buying only 91.

The annual purchases of other critical munitions, such as the JASSM, the SM-6, Tomahawk missiles, and MK 48 torpedoes, is similarly anemic.

This is partly the fault of Congress, especially as appropriators have failed even to appropriate the total amount that was authorized for munitions production last fiscal year. However, the Pentagon itself is the entity most capable of fixing the problem. For all its faults, Congress generally authorizes the requested munitions numbers that the Pentagon gives it. The issue is that the munitions requirements being sent up by the services are far short of what the U.S. military would need to fight and win a war with a near-peer adversary.

Instead, it seems that military planners base their requirements lists on the numbers needed for training exercises—that is, the bare minimum. Pentagon planners seem worried to request a massive increase, as the failure for the requirement to be met would be seen as a failure. Instead, the Pentagon submits low requirement numbers, the requirement is fulfilled, and the Pentagon congratulates itself for having met its goal. To fix this problem, the Pentagon will need to submit a far larger munitions requirement that is based on planning for an Indo–Pacific contingency and take the risk that Congress will not fulfill the requirement.

At the very least, this would lay bare the inadequacies of the current numbers and put the onus on Congress to increase support.

As Mackenzie Eaglen of the American Enterprise Institute and others have noted, co-production with close allies has a proven track record of success and could offer solutions to U.S. munitions shortfalls.

During the Cold War, the U.S. co-produced AIM-9 Sidewinder missiles with West Germany, which both boosted the stockpiles of one of America’s closest allies (alleviating the strain on U.S. resources) and led to significant design improvements and cost reductions across the board. America and Japan have likewise worked together to co-produce the SM-3 as the key component of both American and Japanese ballistic missile defense.

Expanding the number of missiles available for co-production by allies would similarly improve munition capacity overall and lower costs across the board.

Recommendations for the U.S. Department of Defense

What, then, should the Defense Department do to improve its capacity to build the platforms and munitions it needs? It should:

- **Work with the U.K. and Australia to open one additional new shipyard in both countries to build attack submarines.** The additional shipyards would not only build additional SSNs for the Royal Navy and the Royal Australian Navy, but they could also build *Virginia*-class or even *Virginia*-replacement-class subs for the U.S. Navy. Australia, whose newest defense budget should be released in April, needs to show continuing and increased financial commitment to submarine co-production in this budget to maintain support for AUKUS in the United States.
- **Contract the production of conventional artillery rounds with South Korea and Poland.** South Korea and Poland have developed robust defense industrial bases capable of producing significant amounts of munitions. Given the lessons of Ukraine, which continues to see Ukraine and Russia expend enormous amounts of artillery rounds, and given the fact that the United States only produces 3,000 rounds of 155-mm rounds per month, the United States needs far greater production capacity for simple artillery rounds.
- **Open new production lines for munitions relevant to conflict in the Indo–Pacific by licensing the production of these missiles to allies—especially Japan and South Korea.** Japan and South Korea need precision-guided strike munitions, and so does the U.S. Licensing these munitions can fill this gap.
- **Establish licensing agreements for shipyards in South Korea to produce other U.S. systems, up to and including warships.** The U.S. is behind on all its shipbuilding goals and cannot meet the ship requirements set by Congress and needed for the Pacific on its own. South Korea has a massive capacity for shipbuilding and can fill this gap. As with munitions, demand outstrips supply and U.S. industry would not suffer so long as the DOD kept the demand the same or increased it.
- **Alert Congress and the public to the extent of the problem by being brave enough to submit a far larger munitions requirement** based not on annual training exercise needs, but on the expected expenditure rates during a conflict with a near-peer adversary in the Indo–Pacific. The fault for this gap is not entirely the Pentagon's, but the Pentagon is in the best position to offer a solution.

Conclusion

The defense industrial base as it currently stands is not up to the challenge of building a military capable of deterring China in the Indo–Pacific. The problem is pressing, and with each passing year the extent and immediacy of the problem grows bigger. The solution is twofold: The U.S. must expand the defense industrial base here at home, and it must expand defense industrial base collaboration with its closest allies.

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US Navy secretary scouts Korean shipbuilders for fleet support

Published : 2024-02-28 15:18:10

HD Hyundai Vice Chairman Chung Ki-sun (center left) guides US Secretary of the Navy Carlos Del Toro (center right) during a tour of the HD Hyundai Heavy Industries' shipyard in Ulsan on Tuesday. (HD Hyundai)

US Secretary of the Navy Carlos Del Toro toured the shipyards of HD Hyundai Heavy Industries and Hanwha Ocean on Tuesday to explore their military shipbuilding capabilities for handling comprehensive support services for the US Navy fleet, as part of US defense needs to bolster its naval presence in Asia.

Del Toro's visit to Korea comes as the US contemplates outsourcing naval ship maintenance, repair, and overhauls, or MRO, to alleviate domestic capacity constraints. These services keep naval vessels in optimal condition and ready for deployment. There is also an interest in constructing naval vessels in allied nations like South Korea and Japan as cost-effective alternatives to strengthen the US naval presence in Asia in response to China's rapidly expanding fleet.

HD Hyundai Vice Chairman Chung Ki-sun met Del Toro at the company’s Ulsan shipyard on Tuesday, where they discussed the shipbuilder's technological capabilities and strategies for strengthening US-South Korean maritime cooperation. Del Toro personally inspected significant naval projects at the HD HHI shipyards, including the Republic of Korea Navy's forthcoming Aegis destroyer, the ROKS Jeongjo the Great, and the Chungnam-class frigate, both nearing delivery.

HD HHI previously submitted an application for a Master Ship Repair Agreement in 2023 to qualify for US Navy ship MRO tasks, which was followed by a successful yard inspection early this year. By establishing a logistics support center in the Philippines in 2022, HD HHI became the first Korean shipbuilder to expand its MRO business internationally.

Moreover, HD HHI is actively engaged in building 14 ships for international clients, including patrol vessels and frigates in the Philippines.

Del Toro also visited Hanwha Ocean's shipyard in Geoje, South Gyeongsang Province, guided by CEO Kwon Hyek-woong on the same day. He observed the construction of the advanced JangBogo KSS III Batch-II submarine and toured the shipyard's modern production facilities.

Hanwha Ocean has engaged in international technical partnerships to deliver full-spectrum MRO solutions, including technology transfers and support services. The company has a track record with the overhaul of 24 Jangbogo-I and II-class submarines, enhancements to three Jangbogo-I-class submarines, and current performance upgrades for three Gwanggaeto the Great-class destroyers

Earlier on Monday, South Korean Defense Minister Shin Won-sik and Del Toro convened at the Yongsan National Defense Complex, agreeing that defense industry collaboration is vital for reinforcing the naval strength of both nations by ensuring supply chain stability and improving joint operational efforts.

According to the US Naval Institute, China commands almost 50 percent of the global shipbuilding market, with South Korea and Japan following at nearly 30 percent and 17 percent, respectively. US capacity is only 0.13 percent.

The Pentagon's National Defense Industrial Strategy report last month pointed out the decline in the US's maritime military production capacity, leading to delays and increased costs in key weapons programs. The report attributes China's commercial shipbuilding success over the past 40 years to the US's market-driven approach since the 1980s.

In the strategy report, Del Toro criticized defense contractors for their late and over-budget project deliveries, though he did not name specific companies.

http://www.koreaherald.com/common/newsprint.php?ud=20240228050672

THE NATIONAL INTEREST

March 12, 2024 | *Topic:* **Security** | *Region:* **Americas** | *Blog Brand:* **The Buzz** | *Tags:* **U.S. Navy, Navy, Military, Defense China, Chinese Navy, PLAN**

The U.S. Navy's Real China Problem Won't Be Easy to Fix

In short, Secretary Del Toro has taken on an unenviable task: persuading Asian business leaders to invest in the U.S. shipbuilding complex to take on China at a time when domestic political headwinds are fierce. Profit, risk, time. Let's wish him well.

by James Holmes

Secretary of the Navy Carlos Del Toro recently barnstormed Northeast Asian shipyards in hopes of enlisting investment from allied nations to help revivify the U.S. shipbuilding sector. The secretary entreated the leaderships of such industrial heavyweights as South Korea's HD Hyundai Heavy Industries and Hanwha Ocean and Japan's Mitsubishi Heavy Industries to reopen one or more mothballed U.S. yards.

And not a moment too soon. Adding marine industrial capacity is a must if the U.S. Navy, Marine Corps, and Coast Guard are to keep pace with the challenges of our time—chiefly Chinese sea power. China, the world's biggest shipbuilding nation, reputedly boasts over 200 times the United States' capacity. It is flourishing in the nautical realm while America struggles. Because Chinese yards are outbuilding their U.S. counterparts at a helter-skelter rate, China will go to war with a larger navy than the U.S. Navy and it will be able to repair or replace battle losses more swiftly.

That is a big deal. The arithmetic of war is stern. A force that can speedily regenerate combat power after taking a punch, as all forces do, is resilient; one that cannot is fragile. The People's Liberation Army Navy may not measure up to the U.S. Navy on a ship-for-ship, airframe-for-airframe, missile-for-missile basis. But the balance of resiliency yaws the PLA Navy's way to an alarming degree. China has a bigger fleet and can replenish it faster.

Manufacturing supremacy bestows an advantage of worrisome import on Beijing.

So the strategic rationale for soliciting foreign investment is impeccable: America needs more hulls and more capacity to maintain and overhaul them. It should amass that capacity wherever it may and in a hurry. And there is precedent for what Del Toro is asking. Australian shipbuilding firm Austal already constructs warships in Alabama, for instance, as does Italy's Fincantieri in Wisconsin. It only makes sense to add the world's second- and third-largest shipbuilding nations to the mix.

But. What about the business rationale?

That's less compelling, and the Navy Department needs to figure out how to burnish its case by the numbers. Look at Del Toro's appeal through the eyes of Asian business magnates. One imagines they will evaluate any North American venture by the closely interconnected standards of profit, risk, and time. First, profit. Shipbuilders are not philanthropies. Show them the money! Company officers will crave assurances that there will be enough demand for their wares to repay their investments on these shores, plus enough more to make it worth their while. That chiefly means would-be suppliers want to know there will be sufficient demand from the U.S. government, by definition the United States' sole customer for ships of war and merchantmen that support the fight.

Convincing Asian shipbuilders that the United States actually means to build a much larger fleet, as laid out in the navy's 30-year shipbuilding plans, will be pivotal in negotiations. This will be a tough sell. The U.S. Navy's inventory is still dawdling below 300 ships years after Congress mandated a 355-ship fleet. Shipbuilding budgets have fallen well short of paying for those extra 60-odd ships, remain in limbo under a continuing resolution almost halfway through the fiscal year, and are set to remain stagnant. This is a recurring pattern within the Beltway. Recalls former acting Secretary of the Navy Tom Modly: "Everyone seemed to talk a good game to each other about the requirement for the 355-ship navy, but there was no commitment, no plan, and no money to actually build one."

Sea power is a conscious political choice, and it's far from clear that American society as a whole has resolved to bulk up the sea services. Washington has some 'splaining to do if it covets Asian investment.

Second, risk. Firm leaders will want assurances that the demand signal for military and mercantile shipping will remain vibrant. Otherwise they may balk at what promises to be a capital-intensive enterprise. How many resources it will take remains to be determined. Presumably naval shipyards in such ports as Long Beach and Philadelphia were laid up with an eye toward preserving and perhaps recommissioning them in some future time of crisis. But chronological age matters even if crews did their preservation job to perfection. Machinery decays. Long Beach Naval Shipyard was shuttered in 1997, Philadelphia in 1995. The degree to which buildings and hardware remain in good order after sitting idle for so long is unclear, and is sure to come up when U.S. officialdom parleys with shipbuilders. (It also appears the Philly site has undergone partial redevelopment—adding another wrinkle.)

Answering questions about the scope of the project will help HD Hyundai, Mitsubishi & Co. gauge and manage risk—making it easier to get to yes in talks. Candor pays.

If not reassured decisionmakers could blanch at the risk. Think about the politics of naval shipbuilding. To all appearances Congress has elected not to meet the martial challenges of our time. Peacetime strategy is about designing and fielding forces fit for war. That being the case, lawmakers make strategy through the budgetary process all the time. They make strategy by what they fund—and by what they don't. As Admiral J. C. Wylie points out: "The Congressman voting on an military appropriation is, in a very real sense indeed, making a fundamental strategic decision…"

And how. Refusing to approve military appropriations for this fiscal year marks a fundamental strategic decision that stasis shall prevail in naval and military affairs. Given the highly visible budgetary impasse in Washington, it's unclear what kind of assurances U.S. naval and military leaders could concoct to show that demand for South Korean- and Japanese-built ships will remain strong and steady. Recent history says just the opposite. But the effort must be made.

And third, time. Shipbuilders will want assurances not only that an American venture will be profitable at reasonable risk, but that U.S. government orders for warships will remain robust enough to sustain yard operations for a long, long time. Constancy is a virtue on the demand side when courting the supply side. Assuming one were forthcoming, an initial burst of new-construction dollars would do little for builders if demand dwindled over the long term, leaving them operating at a loss with a wasting asset on their hands.

They might rebuff a transpacific partnership rather than risk eventual ruin.

In short, Secretary Del Toro has taken on an unenviable task: persuading Asian business leaders to invest in the U.S. shipbuilding complex at a time when domestic political headwinds are fierce. Profit, risk, time. Let's wish him well.

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DefenseNews

Opinion | Outsourcing Navy shipbuilding weakens the United States

By **Matthew Paxton** Thursday, Mar 21, 2024

A Philly Shipyard employee waits to hear from U.S. President Joe Biden during a visit in July 2023. (Spencer Platt/Getty Images)

The Pentagon's first-ever industrial base strategy is rightly looking to address critical areas of America's supply chain resilience, workforce readiness, flexible acquisition and economic deterrence.

But rather than looking to invest in American shipbuilding and repair capacity, our military leaders are actively exploring outsourcing the U.S. maritime-industrial base, weakening our nation and undermining American sovereignty.

For years, top executives in the U.S. shipyard-industrial base have repeatedly communicated to Congress and military officials the importance of a comprehensive industrial base policy. Absent a companion maritime strategy, the offshoring of American industries and jobs critical to our national security and readiness will be inevitable.

Meanwhile, China —— our principal maritime adversary — is seeking to overtake the U.S. Navy as the world's most capable naval superpower. It has aggressively expanded its efforts to dominate global supply chains and increase capacity and capability through commercial markets as a flywheel for military size and ship count.

From 2010 to 2018, China provided $132 billion in direct subsidies for shipbuilders, driving a substantial decrease in the number of shipyards globally. This volume-centered approach, subsidized by the Chinese government, saturated the market and effectively drove out global competitors.

The U.S. maritime strategy should focus on building and maintaining more ships in existing U.S. shipyards. Not only is the U.S. not prioritizing shipyard capacity, but we are also imposing thousands of pages of regulation on shipbuilders that add cost and weigh down the industry while our global competitors play by a far less restrictive set of rules.

DefenseNews

The current defense acquisition strategy myopically views competition to be only among U.S. players. These strategies leave excess capacity and capability untapped and pitted against each other as opposed to working together to optimize shipyard throughput. There is more than enough capacity to accomplish all the fleet's maintenance needs, and yet the Navy is looking abroad for ship maintenance, as well as the capability to build combatant and logistics ships, plus vessels for the Coast Guard and the Army. These efforts are driving layoffs to the very domestic workforce Navy leadership says it wants to preserve.

This shortsighted approach creates market uncertainty and instability, complicating additional investments in the industrial base, and undermines the substantial capital investments the U.S. shipbuilding industry has made in its workforce and facilities.

Japan, Korea and now China all became global shipbuilding leaders, producing for roughly 95% of the worldwide market. Each country recognized its shipbuilding industries as strategic resources and infused hundreds of billions of equivalent dollars into their industries.

Meanwhile, the billions in private capital invested by major U.S. shipyards in recent years to increase efficiency and throughput is met by the U.S. government with inconsistent, multi-tranche shipbuilding plans (or none at all), canceled and deferred programs, myriad change orders, and empty promises of workforce development incentives. Many of the capabilities Navy leaders recently touted during overseas travel can be found right here at home, in American shipyards operated by an American workforce.

A more strategic U.S. approach would put the maximum amount of volume through each shipyard to both build ships faster and repair ships on time. An economies of scale approach applied to the overall shipbuilding and ship repair industrial base would yield many of the results the Navy is looking for, while at the same time building strength in the U.S.'s ability to compete on a global playing field.

Just take the recent delivery of the first in a series of National Security Multi-Mission Vessels being built for U.S. maritime academies to train the next generation of the merchant marine. The U.S. Maritime Administration employed a Vessel Construction Manager program to use commercial ship design and construction best practices.

In her February 2023 remarks to the Navy League, MARAD Administrator Ann Phillips touted the innovative approach, including $428 million in savings per ship.

This program represents a model for the Pentagon. A win for the U.S. government. A win for mariners. A win for industry. And a win for taxpayers.

The shipyard industrial base appreciates the continued dialogue with Navy leadership on what we all want to achieve, which is providing for the most capable, lethal and mission-ready naval fleet in the world.

The time to course correct is now. We should not outsource our national and domestic security and assets. The last thing we should cede is our ability to build our own ships and defend our nation.

Matthew Paxton serves as president of the Shipbuilders Council of America.

H.R. 8070 – DRAFT FY2025 NATIONAL DEFENSE AUTHORIZATION ACT
HOUSE COMMITTEEE ON ARMED SERVICES

UPDATED MAY 23, 2024

UPDATED SUMMARY AS OF MAY 23, 2024:

By a vote of 57-1, the House Armed Services Committee (HASC) advanced a modified version of the **FY25 National Defense Authorization Act (NDAA)** on Wednesday.

In summary, the bill abides by an $895 billion limit on national defense spending set by a debt limit deal struck last year by the Biden administration and congressional Republicans. The cap covers spending on the Pentagon, nuclear weapons programs under the Energy Department and other national security programs across other agencies.

The bill would authorize $31.5 billion for the construction of six ships including the purchase of a second Virginia-class attack submarine that was left out of the Navy's shipbuilding budget. The draft bill also proposes to eliminate the entire $1.2 billion request to procure a new Constellation class-frigate.

The bill would also prohibit the retirement of Guided Missile Cruisers USS Shiloh (CG 67) and USS Lake Erie (CG 70).

NOTE: The below SCA summary highlights the base text of the bill AS OF MAY 23, 2024 and now includes an amendment table in the appendix that has been included to reflect actions on relevant amendments considered during the markup.

SCA Summary – Table of Contents

TITLE I – PROCUREMENT

SHIPBUILDING AND CONVERSION, NAVY
ITEMS OF SPECIAL INTEREST

LARGE SURFACE COMBATANTS

The committee remains concerned about the ability of the Navy's destroyers to meet future threats, especially as missile technology continues to advance. The committee understands that the Navy is in early phases of developing its requirements for a new large surface combatant, known as DDG(X), to replace the DDG 51 destroyers. At the same time, the Navy is in the process of building the latest iteration of its DDG 51 Arleigh Burke destroyer (Flight III) and testing the DDG 1000 Zumwalt class, its most recent new start large surface combatant program destroyer. The Navy has stated that its new large surface combatant is expected to be a blend of its current destroyer programs, in addition to incorporating some future concepts such as directed energy and improved ship signatures. The committee recognizes that the Navy is leading a world-class design effort for DDG(X) that aims to enhance its capability and capacity to oversee shipbuilding design efforts. The Navy expects to invest over $100 billion between 2019 and 2048 building its fleet of new large surface combatant ships.

The committee directs the Comptroller General of the United States to review the following:

(1) the status of the large surface combatant program, including, but not limited to, the Navy's plans for developing requirements, its acquisition strategy, test plans, and concept of operations and comparisons to GAO's leading acquisition practices as appropriate;

(2) the status of DDG 51 Flight III development, construction, and testing; and

(3) the status of the Zumwalt-class program including combat systems development, ship testing, and modifying the ship for its new mission.

The committee directs the Comptroller General to provide a briefing to the House Committee on Armed Services not later than April 1, 2025, with one or more reports to follow.

VIRGINIA CLASS SUBMARINE

The committee continues to be perplexed by the Navy's inconsistent funding of shipbuilding and specifically that of Virginia class submarines. For the second time in less than 5 years, the Navy has surprised both Congress and industry by removing a submarine from the budget request that had previously been planned for inclusion. This sporadic funding will only further stress an already stressed industrial base while also delaying the time it will take to reach the Navy's stated goal of 66 fast attack submarines (SSNs). The Navy claims that by continuing to fund the advanced procurement line at the two SSN rate per year they will mitigate the impact to suppliers and the overall industrial base. However, in their response to committee questions they state that "the previously purchased contractor and government furnished equipment will be used as critical material that will be consumed on future hulls". Navy budget documents and committee briefings fail to identify what future hull will receive these components leading to further uncertainty for the industrial base. The committee can only conclude that it is the Navy's plans to reduce advanced procurement (AP) funding at a future date of which they are incapable of or refuse to identify. This is the worst way to project future work to industry and will only cause reluctance in their decisions to invest in their workforce, facilities, and tooling due to their lack of confidence in Navy budgeting. The Navy also fails to recognize the impact of removing one SSN in fiscal year 2025 has on the suppliers that only receive funding that is provided in the full funding line. This will most likely result in stable suppliers becoming at-risk suppliers.

The committee also notes Congress' considerable efforts last year to enact the needed legislation that enabled the Australia-United Kingdom-United States (AUKUS) trilateral security pact. The foundation of the agreement was an acknowledgement by the Department of Defense, the Navy, Congress and industry that we are all collectively committed to 2 SSNs and 1 Columbia per year, commonly referred to as 2+1. To renege on that commitment in just the first year after achieving the needed enabling legislation sends an inconsistent message to our allies and a talking point for our adversaries propaganda.

Finally, the committee remains committed to providing the maximum amount of undersea capacity to the Navy fleet, a consistent message to our workforce and unwavering support of the AUKUS pact. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than February 1, 2025 on how the Navy plans to mitigate the impact to suppliers of reducing the amount of AP in future budgets.

LEGISLATIVE PROVISIONS
SUBTITLE B – NAVY PROGRAMS

SECTION 111 – MODIFICATION OF ANNUAL REPORT ON COST TARGETS FOR CERTAIN AIRCRAFT CARRIERS

This section would modify the annual report on cost targets to include additional cost data fidelity and subsequent Ford-class aircraft carriers.

SECTION 114 LIMITATION ON AVAILABILITY OF FUNDS FOR MEDIUM LANDING SHIP PENDING CERTIFICATION AND REPORT

This section would prohibit the obligation or expenditure of funds authorized to be appropriated by this Act for the procurement of the Medium Landing Ship until the Secretary of the Navy certifies that the Medium Landing Ship design is not based on more than 35 percent military specifications. It would also require the Secretary of the Navy to submit a report to the congressional defense committees detailing the differences in cost and construction schedules between a ship design based on military specifications and a design that uses commercial standards and elements.

H.R. 8070 – DRAFT FY2025 NATIONAL DEFENSE AUTHORIZATION ACT
HOUSE COMMITTEEE ON ARMED SERVICES

UPDATED MAY 23, 2024

CHART: SHIPBUILDING CONVERSION, NAVY: CHART

($ in thousands)

Program	FY2025 President's Request	Qty	HASC Mark	Qty	Δ HASC-FY25Request	Δ Qty
FLEET BALLISTIC MISSILE SHIPS						
Columbia Class Sub	$3,341,235		$3,341,235			
Columbia Class Sub AP	$6,215,939		$6,215,939			
TOTAL FBM SHIPS	**$9,557,174**		**$9,557,174**			
OTHER WARSHIPS						
Carrier Replacement Program	$1,186,873		$1,086,873		($100,000)	
Carrier Replacement Program (CVN 81)	$721,045		$721,045			
Virginia Class Sub	$3,615,904	1	$4,315,904	2	$700,000	1
Virginia Class Sub AP	$3,720,303		$3,720,303			
CVN RCOH	$1,061,143	1	$861,143		($200,000)	
DDG1000	$61,100		$61,100			
DDG-51	$6,409,190	2	$6,409,190	2		
DDG-51 AP	$41,724		$41,724			
FFG(X) Frigate	$1,170,442	1	-	-	($1,170,442)	-1
TOTAL OTHER WARSHIPS	**$17,987,724**	**4**	**$17,217,282**	**4**	**-$770,442**	
AMPHIBIOUS SHIPS						
LPD Flight II	$1,561,963	1	$1,561,963	1		
LHA Replacement	$61,118		$61,118			
Medium Landing Ship	$268,068	1	$268,068	1		
TOTAL AMPHIBIOUS SHIPS	**$1,891,149**	**2**	**$1,891,149**	**2**		
AUXILIARIES, CRAFT AND PY PROGRAMS						
Auxiliary Personnel Lighter (APL)	$76,168		$76,168			
Outfitting	$674,600		$674,600			
Service Craft	$11,426		$41,426	*1*	$30,000	*1*
LCAC SLEP	$45,087	*3*	$45,087	*3*		
PY Completion	$1,930,024		$1,930,024			
Auxiliary Vessels (Used Sealift)	$204,939	*2*	$141,939	*2*	($63,000)	
TOTAL AUX, PRIOR YR PROGRAMS	**$2,942,244**	***5***	**$2,909,244**	***6***	**-$33,000**	***1***
TOTAL SCN/BATTLE FORCE SHIP QTY	**$32,378,291**	**6**	**$31,574,849**	**6**	**($803,442)**	

H.R. 8070 – DRAFT FY2025 NATIONAL DEFENSE AUTHORIZATION ACT
HOUSE COMMITTEEE ON ARMED SERVICES

UPDATED MAY 23, 2024

FY25 SCN ADJUSTMENT EXPLANATIONS

($ in thousands)

CARRIER REPLACEMENT PROGRAM	**- $100,000**
Advance Procurement for CVN 82 and 83	+ $100,000
Rephasing of incremental funding	- $200,000
VIRGINIA CLASS SUBMARINE	**+ $700,000**
Cost growth	- $300,000
One additional ship	+ $1,000,000
CVN REFUELING OVERHAULS (RCOH)	**- $200,000**
Late contract award	- $200,000
FFG-FRIGATE	**- $1,170,442**
Program delay	- $1,170,442
Service Craft	**+ $30,000**
Additional Yard, Repair, Berthing & Messing Barge	+ $30,000
Auxiliary Vessels (Used Sealift)	**- $63,000**
Cost growth	- $63,000

CHART: OTHER PROCUREMENT, NAVY

FY25 OTHER PROCUREMENT, NAVY

($ in thousands)

Program	FY25 President's Request	HASC NDAA Mark	Δ HASC-FY25 Request
Other Procurement, Navy			
DDG Modernization	$861,066	$806,066	($55,000)
LHA/LHD Midlife	$81,602	$81,602	
LCAC	$11,013	$11,013	
Ship Maintenance, Repair & Modernization	$2,392,190	$2,392,190	
Standard Boats	$400,892	$275,892	($125,000)
LSD Midlife & Modernization	$56,667	$56,667	

FY25 OP,N ADJUSTMENT EXPLANATIONS

($ in thousands)

DDG MODERNIZATION	**- $55,000**
Excessive cost growth	- $60,000
Water purification	+ $5,000
STANDARD BOATS	**- $125,000**
Insufficient justification	- $125,000

CHART: OTHER PROCUREMENT, ARMY

FY25 OTHER PROCUREMENT, ARMY
($ in thousands)

Program	FY25 PB Request	HASC NDAA Mark	Δ HASC-FY25 Request
Army Watercraft ESP	$55,459	$55,459	
Maneuver Support Vessel (MSV)	$66,634	$ 66,634	

TITLE II – RESEARCH, DEVELOPMENT, TEST AND EVALUATION

NAVY
ITEMS OF SPECIAL INTEREST

ADDITIVE MANUFACTURING IN NAVAL OPERATIONS

The committee is encouraged by the work the Department of the Navy is doing with additive manufacturing. The availability of replacement parts for equipment remains a critical challenge for operations in contested defense settings. The unreliability of traditional supply chains and logistics poses significant risks to warfighters, leaving them in potentially adverse or dangerous situations. Building on the Navy's momentum in additive manufacturing, the committee encourages a further focus on the production of pumps and valves for maritime applications to support and enhance the Shipbuilding Industrial Base. This focus will align the growing demand for more efficient and reliable components in maritime operations and leverage the innovative capabilities of additive manufacturing to produce complex parts.

Additionally, Expeditionary or Point of Need Additive Manufacturing (PON-AM) will play a significant role in bolstering the operational readiness and logistical efficiency of the Navy and Marine Corps in contested environments. The committee supports assessing the potential capacity for PON-AM technologies to relieve logistical stresses on the Navy forward deployed in contested environments. Therefore, the committee directs the Secretary of the Navy to submit a report to the House Committee on Armed Services not later than January 1, 2025, on how the Navy is addressing the use of additive manufacturing in contested environments at the point of need. The report shall include:

(1) an analysis of operational efficiency of PON-AM technologies, appraising Cold Spray, Powder Bed Fusion, and Wire Arc Additive Manufacturing, and their suitability in austere settings;

(2) a comparative cost-benefit analysis between PON-AM and conventional supply, focusing on the production processes, equipment footprint, and user-friendliness;

(3) an assessment of the current state of PON-AM technologies and their integration into naval operations;

(4) a risk assessment for the use of PON-AM, considering the robustness of different AM methods; and

(5) exploration of potential commercial partnerships for rapid deployment and advancement of PON-AM.

The report should also detail the required funding to develop and expand PON-AM, emphasizing its strategic value in enhancing U.S. force self-sufficiency and reducing logistics footprint in cooperation with allies. The report is to be presented in an unclassified format, with an optional classified annex.

AUTONOMY INTEGRATION FOR SMALL UNMANNED SURFACE VESSELS

The committee supports the Department's initiative to enhance naval capabilities through the integration of autonomous platforms to augment the capabilities of the Fleet and Joint Force. The Department's efforts to acquire fully-autonomous small unmanned surface vessels (sUSVs) are encouraging, but progress has been hindered by the fielding and sustainment challenges associated with the integration of platform-agnostic autonomy solutions. The successful adoption of vertical integration strategies in similar technologies highlights the potential for improved cost-efficiency and sustainability within our naval forces.

Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than March 1, 2025, consisting of the following elements:

(1) current progress to develop and acquire fully-autonomous sUSVs;

(2) efforts to co-develop and integrate hardware and software of sUSVs with private industry, while adhering to Modular Open Systems Approach principles;

(3) an evaluation of vertical integration approaches as applied to sUSVs, reflecting on experiences with unmanned aerial vehicles and other comparable technologies; and

(4) future plans for acceleration vertically integrated sUSVs to the Navy, including initiatives to enhance autonomy and the incorporation of third-party sensors, payloads, and software to meet operational demands.

DDG(X) PROGRAM

The committee notes that the Navy faces an important decision in selecting the optimal propulsion motor technology for the DDG(X) program, where both Permanent Magnet (PM) and High-Temperature Superconducting (HTS) motors present comparable attributes in efficiency, weight, and space. A late-stage failure in the selected motor technology could significantly derail the lead ship's schedule, highlighting the importance of a thorough risk mitigation strategy. Given the program's substantial investment, exploring dual motor development offers a pathway to enhance resilience and cost-efficiency, ensuring the program's success and longevity.

Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than March 1, 2025, on the propulsion motor technology for the DDG(X) program. The briefing shall include, at a minimum:

(1) details on the Navy's progress and plan for selecting the propulsion system for the DDG(X) program, including timelines and key performance indicators;

(2) a comparison between the Permanent Magnet (PM) motor and the High-Temperature Superconducting (HTS) motor technologies, highlighting their respective efficiencies, weight, space characteristics, and how each aligns with the Navy's operational requirements for the DDG(X) program;

(3) strategies for mitigating the risks associated with a potential late-stage failure of the chosen propulsion motor technology, reflecting on lessons learned from the DDG 1000 destroyer's propulsion issues; and

(4) an analysis of the advantages of developing and testing two propulsion motor options, including projected cost savings and enhanced program flexibility.

POTENTIAL FOR OCEAN FLOOR MAPPING WITH LONG-ENDURANCE UNMANNED VEHICLES

The accurate mapping of the ocean floor is critical for naval operations. The committee notes incidents involving the USS Connecticut in October 1, 2021, as well as the USS San Francisco in 2005 where better ocean floor mapping may have prevented unfortunate undersea incidents. Undersea mapping method is both time and data intensive.

Given these challenges and the accelerating progress of unmanned systems, there is a need to explore innovative solutions that may better inform naval operations and ensure safety of sailors and the submarine fleet. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than February 1, 2025, on the potential use of long-endurance unmanned vehicles for ocean floor mapping. The briefing shall include an assessment of the following elements:

(1) current state of the Navy's ocean floor mapping, including limitations of existing methodologies;

(2) commercial unmanned vehicles that could be leveraged for ocean floor mapping, including the maturity and readiness of these technologies;

(3) potential cost reductions and manhour improvements achievable with long-endurance unmanned vehicles; and

(4) challenges to deploying unmanned vehicles for the purposes of ocean floor mapping, including data accuracy and integration into existing naval operations

TEST AND EVALUATION INFRASTRUCTURE FOR NAVY UNMANNED SYSTEMS

As the Navy continues to integrate unmanned systems into its fleet, the need for resilient and reliable test and evaluation infrastructure becomes critical. Test and evaluation infrastructure must be sufficient to properly validate rapid advancements in these technologies and demonstrate operations in the complex environments that these systems will operate.

Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than February 1, 2025, on test and evaluation infrastructure for unmanned systems. The briefing shall include an assessment of the following elements:

(1) capabilities of the current Navy test and evaluation infrastructure to support and maintain unmanned systems;

(2) applicable lessons learned from the Army Futures Command model that may improve identification and validation of new unmanned technologies as well as improve integration and experimentation with industry and academia;

(3) current gaps in test and evaluation infrastructure that could hinder the demonstration of unmanned systems; and

(4) potential improvements to test and evaluation infrastructure to support the increased use of unmanned systems.

CHART | FY25 RDTE, NAVY

($ in thousands)

Program	FY25 President's Request	HASC NDAA Mark	Δ HASC-FY25 Request
Large Unmanned Surface Vessels (LUSV)	**$53,964**	$53,964	
Surface & Shallow Water MCM	**$29,421**	$29,421	
Ship Concept Advanced Design	**$110,800**	$116,800	$6,000
Ship Preliminary Design & Feasibility Studies	**$52,586**	$52,586	
Advanced Surface Machinery Systems (ASMS)	**$93,942**	$97,942	$4,000
SSBN New Design (Ohio Replacement)	**$189,631**	$196,631	$7,000
FRIGATE Development	**$107,658**	$107,658	
Small/Medium Unmanned Undersea Vehicles	**$52,994**	$52,994	
Large Unmanned Undersea Vehicles	**$6,874**	$6,874	
Advanced Undersea Prototyping	**$21,466**	$21,466	
Medium Unmanned Surface Vehicles	**$101,838**	$101,838	
Unmanned Surface Vehicle Enabling Capabilities	**$92,868**	$92,868	

FY25 RDTE,N ADJUSTMENT EXPLANATIONS

($ in thousands)

SHIP CONCEPT ADVANCED DESIGN	**+ $6,000**
Hybrid Robotic Automation Demonstration	+ $4,000
Intumescent fire protective marine cable coating	+ $2,000
ADVANCED SURFACE MACHINERY SYSTEMS (ASMS)	**+ $4,000**
Silcon Carbide Flexible Bus Node	+ $4,000
SSBN NEW DESIGN (OHIO REPLACEMENT)	**+ $7,000**
Advanced composites for Wet Submarine Applications	+ $7,000

TITLE III – OPERATION AND MAINTENANCE

ITEMS OF SPECIAL INTEREST

SHIP REPAIR IN A CONTESTED ENVIRONMENT

The committee notes that the Navy has struggled to execute regularly scheduled maintenance. Unplanned, deferred, and delayed maintenance has had damaging effects on the operational availability of ships, sailor morale, and the workforce at public and private shipyards and regional maintenance centers. While the Navy is working to implement several efforts to prevent the maintenance backlog and uphold more predictive maintenance schedules, the benefits of these initiatives have yet to be fully realized. Given these continuing challenges, the committee is particularly concerned about how ships will be maintained in a contested environment. Further, the Comptroller General has indicated that in a conflict scenario, the Navy lacks a developed strategy for repairing battle-damaged ships.

Sustaining fleet readiness in a contested environment requires an analysis of overseas repair capacity to meet emergent needs. Currently, the Navy may execute maintenance in foreign ports on forward deployed naval forces (FNDF), as outlined in section 8680 of title 10, United States Code, and Military Sealift Command (MSC) ships, as they are not technically homeported in the United States. Therefore, the committee strongly encourages the Navy to use these existing authorities, to their fullest extent practicable, in order to test, monitor, and maintain critical skillsets in foreign ports while minimizing impacts to deployment schedules, sailor morale, and the domestic industrial base.

The committee recalls that following a series of naval collisions in 2017, the National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232) mandated that ships homeported overseas must return to a domestic homeport after 10 years, in order to address the challenges FDNF ships face due to high operational demands and required training and maintenance schedules. While the Navy has made gains in maintenance availabilities, the Navy must continue to pursue avenues to maintain and sustain high levels of readiness for surface ships based overseas. The committee understands and supports the Navy's intent to shift initial intermediate maintenance periods for surface ships to 6 years, in an effort to improve material readiness. Using the authorities outlined in section 8680 of title 10, United States Code, the committee encourages the Navy to execute scheduled maintenance availabilities with our allies to exercise maintenance skillsets at foreign overseas ports so we may be better prepared for a conflict scenario. The committee also encourages the Navy to continue the use of overseas private shipyards for maintenance availabilities of MSC ships to further prove the overseas capacity should emergent repairs be required. The committee urges the Navy to use the information it collects from each availability to assess the capacity at foreign shipyards both now and in a potential contested or conflict scenarios.

Accordingly, the committee directs the Secretary of the Navy to provide a comprehensive briefing to the House Committee on Armed Services not later than December 1, 2025, regarding its strategy to both improve the long-term health of the shipbuilding and ship repair defense industrial base and to maximize its existing authorities to assess maintenance capacity and capabilities in overseas ports. This strategy shall inform decision making about the Navy's competing priorities, such as promoting competition within the industrial base, protecting existing domestic industrial capacity, and seeking new avenues for building and repair capacity. The ship industrial base strategy should reflect the desirable characteristics of a national strategy such as:

(1) purpose;
(2) risks;
(3) milestones;
(4) performance measures;
(5) responsible organizations; and
(6) required resources, including, but not limited to, ship repair infrastructure needed domestically and overseas, including drydock and pier capacity, to meets its needs for emergent and wartime repairs.

LOGISTICS AND SUSTAINMENT ISSUES

ARMY AND NAVY PREDICTIVE MAINTENANCE IMPLEMENTATION

The committee recognizes the importance of modernizing the Department's sustainment and maintenance enterprise to improve readiness and maintenance efficiency of defense materiel. The committee recognizes current, long-standing Department guidance directing the military services to implement predictive maintenance or condition-based maintenance plus technologies across current and future weapons systems, equipment, and materiel sustainment programs. The committee also notes the findings of the Government Accountability Office report, "Military Readiness: Actions Needed to Further Implement Predictive Maintenance on Weapon Systems". The committee commends the Air Force for designating a system of record for condition-based maintenance plus, the Predictive Analytics and Decision Assistant, and the leadership of the Air Force Rapid Sustainment Office in successfully deploying the capability. The committee notes the Air Force's reports that benefits from such efforts include reduced unscheduled maintenance, reduced disruptions to operations, increased aircraft reliability, and increased probability of mission success.

The committee encourages the military services to accelerate deployment of conditions-based maintenance plus for materiel sustainment and overall readiness. Therefore, the committee directs the Secretary of the Army, in coordination with the Secretary of the Navy, to provide a briefing to the House Committee on Armed Services not later than March 31, 2025. The briefing shall include, at a minimum:

(1) information regarding current efforts to field a conditions-based maintenance plus capability across materiel asset classes;

(2) current efforts to leverage near real-time platform sensor data to provide predictive insights on system degradation to inform maintenance on systems or subsystems before failure;

(3) investments made to date to develop and deploy such a capability at scale, as well as associated results of the investment in terms of improved platform readiness and mission capable rates;

(4) efforts to leverage proven commercial-off-the-shelf technologies for conditions-based maintenance plus;

(5) a list of platforms currently not meeting readiness goals that could benefit most from modern sustainment solutions like conditions-based maintenance plus; and

(6) resource and timeline recommendations for how each service can accelerate deployment of conditions-based maintenance plus across all materiel assets.

IMPLEMENTATION OF COMPTROLLER GENERAL RECOMMENDATIONS TO IMPROVE NAVY MAINTENANCE AND SUSTAINMENT

The committee remains concerned about Navy practices for maintenance and sustainment of its fleet due to persistent delays and a growing backlog that directly impacts operational readiness. These issues not only undermine the Navy's ability to execute its missions but also contribute to increased costs and reduced survivability of the fleet. Additionally, the Navy's lack of transparency and inefficiency in its maintenance and sustainment practices have prompted the committee to take action, including requiring studies from the Government Accountability Office (GAO) to identify deficiencies and recommend improvements.

These studies have produced several recommendations for the Navy, only a fraction of which have been implemented to date. Therefore, the committee directs the Secretary of Defense, in coordination with the Secretary of the Navy, to provide a briefing to the House Committee on Armed Services not later than March 1, 2025, on detailed plans and timeframes for fully addressing open recommendations in the following GAO reports regarding Navy maintenance and sustainment:

(1) Navy Ship Maintenance: Actions Needed to Monitor and Address the Performance of Intermediate Maintenance Periods, GAO-22-104510;

(2) Navy Ships: Applying Leading Practices and Transparent Reporting Could Help Reduce Risks Posed by Nearly $1.8 Billion Maintenance Backlog, GAO-22-105032;

(3) Navy Shipyards: Actions Needed to Address the Main Factors Causing Maintenance Delays for Aircraft Carriers and Submarines, GAO-20-588;

(4) Navy Ship Maintenance: Actions Needed to Address Maintenance Delays for Surface Ships Based Overseas, GAO-20-86; and

(5) Navy Shipbuilding: Increasing Focus on Sustainment Early in The Acquisition Process Could Save Billions, GAO-20-2.

The briefing shall include, with respect to each recommendation in these reports that the Secretary of Defense or the Secretary of the Navy has not yet implemented, the following elements:

(1) a summary of actions that have been or will be taken to fully implement the recommendation;

(2) a schedule, with specific milestones, for completing implementation of the recommendation; and

(3) offices of primary and collateral responsibility for the actions to implement the recommendations.

REVIEW OF PORT SECURITY PROTOCOLS AT PRIVATE SHIPYARDS

In light of the current security landscape and emerging global threats, it is critical that the Navy maintain consistent and rigid security standards for its vessels stationed at military installations and private repair shipyards. Safeguarding personnel, installations, assets, and information from espionage, terrorism, and other criminal activities will continue to be vital to protect our national security. The SECNAVINST 5500.35 directive outlines a framework for physical security within the Navy and Marine Corps, offering a set of guidelines designed to protect critical infrastructure.

Building on this foundation, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than March 1, 2025, on port security protocols at private repair shipyards. The briefing shall include the following:

(1) current port security measures implemented at private repair shipyards against those mandated for Navy and Marine Corps installations as detailed in SECNAVINST 5500.35, specifically comparing physical security protocols, intrusion detection systems, security forces roles, and reporting mechanisms for breaches of security measures;

(2) access control measures at private shipyards, including procedures for controlling access to shipyards, vetting processes for personnel, and managing assets;

(3) adequacy of security awareness and compliance training programs at private repair shipyards; and

(4) any discrepancies between the two-level security protocols (port security barrier and armed security patrol boats) applied to Navy ships at military bases versus the security posture permitted during routine repairs.

READINESS ISSUES

COMPTROLLER GENERAL REVIEW OF SUBMARINE FORCE GENERATION

The Navy's attack submarines provide the United States an asymmetric advantage to gather intelligence undetected, attack enemy targets, and insert special forces, among other things. These capabilities make attack submarines some of the most requested assets by the global combatant commanders. The 2022 National Defense Strategy states that the Department of Defense will prioritize a future force that is lethal, sustainable, resilient, survivable, and agile to strengthen and sustain deterrence and prevail in conflict, if necessary. Between fiscal years 2014 and 2020, however, attack submarines incurred 9,568 days of idle time and maintenance delays resulting in the Navy spending more than $1.50 billion in fiscal year 2018 constant dollars to support attack submarines that provided no operational capability while waiting for maintenance. Sustainably maximizing operational availability depends on the Navy adhering to its schedules for maintenance, training, and deployment. Submarines were the last to implement the Navy's new force generation process, the Optimized Fleet Response

Plan, and their ability to meet the goals under this revised process has not been independently evaluated.

Therefore, the committee directs the Comptroller General of the United States to assess the readiness and availability of the Navy's attack submarine fleet. This review should address the following:

(1) to what extent have Navy attack submarines met the intended goals (such as meeting desired operational availability, timely maintenance, adequate crewing, and training to fight advanced adversaries) of the Optimized Fleet Response Plan;

(2) what factors, if any, affect submarine readiness and how has the Navy mitigated any readiness challenges; and

(3) how does the Navy's approach to submarine force generation compare to that of strategic competitors and what insights, if any, can be leveraged to enhance the Navy's attack submarine fleet.

The committee directs the Comptroller General to provide a briefing to the House Committee on Armed Services not later than April 1, 2025, on the Comptroller General's preliminary findings and present final results in a format and timeframe agreed to at the time of the briefing.

CHART| FY25 OPERATIONS AND MAINTENANCE, NAVY

FY25 O&M,N Mark
($ in thousands)

Program	FY25 President's Request	HASC NDAA Mark	Δ HASC-FY25 Request
O&M,N			
Ship Depot Maintenance	$12,121,320	$12,121,320	
Ship Prepositioning & Surge	$463,722	$463,722	
Ready Reserve Force	$780,558	$780,558	
Ship Activations/Inactivations	$1,030,030	$1,030,030	
Expeditionary Health Services Systems	$173,200	$173,200	
Coast Guard Support	$21,800	$21,800	

TITLE VIII – ACQUISITION POLICY, ACQUISITION MANAGEMENT, AND RELATED MATTERS

ITEMS OF SPECIAL INTEREST
LEGISLATIVE PROVISIONS
SUBTITLE A – ACQUISITION POLICY AND MANAGEMENT

SECTION 802 – STREAMLINING OF MILESTONE B REQUIREMENTS

This section would modify section 4252 of title 10, United States Code, to streamline the Milestone B approval process for major defense acquisition programs by focusing decisions on risks in each program and reducing redundant and unnecessary documentation burdens on Program Managers.

SUBTITLE F – OTHER MATTERS

SECTION 852 – PILOT PROGRAM ON PAYMENT OF COSTS FOR DENIED GOVERNMENT ACCOUNTABILITY OFFICE BID PROTESTS

This section would require the Secretary of Defense to carry out a pilot program to determine the effectiveness of requiring a contractor to reimburse the Department of Defense for costs incurred in processing a covered protest.

TITLE X – GENERAL PROVISIONS

LEGISLATIVE PROVISIONS
SUBTITLE B – NAVAL VESSELS AND SHIPYARDS

SECTION 1011—ASSESSMENT REQUIRED IN THE EVENT OF A PROPOSED REDUCTION IN BATTLE FORCE SHIPS AS PART OF THE ANNUAL NAVAL VESSEL CONSTRUCTION PLAN AND CERTIFICATION

This section would require the Navy to be consistent in the first 10-year planning window of the annual 30-year Shipbuilding Report to Congress.

SECTION 1012—ASSESSMENTS REQUIRED PRIOR TO START OF CONSTRUCTION ON FIRST SHIP OF A SHIPBUILDING PROGRAM

This section would improve analysis and assessment of decisions made prior to the start of construction on first ships of a Navy shipbuilding program.

SECTION 1013—STRATEGY ON DEVELOPMENT OF NAVAL REARM AT SEA CAPABILITY

This section would require the Secretary of the Navy to submit to the congressional defense committees a strategy for delivering a rearm at sea capability to the surface fleet of the United States Navy.

SECTION 1014—AUTHORITY TO USE INCREMENTAL FUNDING TO ENTER INTO A CONTRACT FOR THE CONSTRUCTION OF A VIRGINIA-CLASS SUBMARINE

This section would provide incremental funding authority for an additional Virginia-class submarine in fiscal year 2025.

SECTION 1015 – PILOT PROGRAM ON USE OF AUTOMATED INSPECTION TECHNOLOGIES AT SHIPYARDS

This section would authorize a pilot program to procure automated inspection technologies for maintenance inspections of naval vessels and upgrade information technology infrastructure to support integrating these technologies.

SECTION 1016—PROHIBITION ON AVAILABILITY OF FUNDS FOR RETIREMENT OF GUIDED MISSILE CRUISERS

This section would prohibit the retirement of the Guided Missile Cruisers USS Shiloh (CG 67) and USS Lake Erie (CG 70).

SECTION E—STUDIES AND REPORTS

SECTION 1042—MOBILITY CAPABILITY REQUIREMENTS STUDY

This section would require the Commander, U.S. Transportation Command to submit a report and provide a briefing to the House Committee on Armed Services 1 year after enactment of this Act, with an interim update 6 months after enactment, to assess the operational risk for meeting the mobility requirements of the geographic combatant commanders.

SUBTITLE F—OTHER MATTERS

SECTION 1053—EXTENSION OF COMMISSION ON THE FUTURE OF THE NAVY

This section would provide a 1-year extension on the Commission on the Future of the Navy as authorized by Section 1092 of Public Law 117-263.

TITLE XXXIV – NAVAL PETROLEUM RESERVES

LEGISLATIVE PROVISIONS

SECTION 3401 – AUTHORIZATION OF APPROPRIATIONS

This section would authorize $13,010,000 for fiscal year 2025 for operation and maintenance of the Naval Petroleum Reserves.

TITLE XXXV – MARITIME ADMINISTRATION

LEGISLATIVE PROVISIONS
SUBTITLE A—MARITIME ADMINISTRATION

SECTION 3501—AUTHORIZATION OF APPROPRIATIONS FOR MARITIME ADMINISTRATION

This section would authorize funds for the Maritime Administration.

SECTION 3502—REAUTHORIZATION OF MARITIME SECURITY PROGRAM

This section would reauthorize the Maritime Security Program, extend it 2040, and increase the vessel stipend.

SUBTITLE B—MARITIME INFRASTRUCTURE

SECTION 3511—PORT INFRASTRUCTURE DEVELOPMENT PROGRAM

This section would extend the eligibility of cruise vessels to receive grants to fund shore power projects under the Port Infrastructure Development Program (PIDP) through fiscal year 2026, direct the Maritime Administration (MARAD) to update its categorical exclusions, require an extension of the PIDP application deadline when an amended notice of funding opportunity is published, emphasize the efficient approval of PIDP grant contracts, and create a reporting requirement on staffing shortages at MARAD and the Department of Transportation impacting the administration of PIDP.

SUBTITLE D—OTHER MATTERS

SECTION 3531—EXTENSION OF CERTAIN PROVISIONS RELATING TO TANKER SECURITY FLEET PROGRAM

This section would reauthorize the Tanker Security Program through 2040.

SECTION 3532—REQUIREMENTS FOR PURCHASING FEDERALLY AUCTIONED VESSELS

This section would set several requirements for potential purchasers of Government-owned vessels being auctioned by the Federal Government.

SECTION 3533—RECAPITALIZATION OF NATIONAL DEFENSE RESERVE FLEET

This section makes technical changes to section 3546 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117-263; 46 USC 57100 note) to clarify that the Secretary of the Navy shall support the Secretary of the Transportation in construction of a new sealift program.

CHART: COMMITTEE AMENDMENTS

The following amendments were considered by the full House Armed Services Committee (HASC) on May 22, 2024.

AMD NO.	MEMBER	DESCRIPTION	COMMITTEE ACTION
3752	Waltz	Addresses the shortage of workers in the maritime sector, provides funding for a comprehensive marketing, recruiting, and public relations campaign. Robust maritime workforce enhances U.S. national security and strategic sealift readiness	ADOPTED
3757	Waltz	Would codify and update National Security Directive 28, articulating a policy and vision for Strategic Sealift readiness and the requirement for an independent and competitive maritime sector- highlighting shipbuilding, shipping, and global maritime infrastructure.	ADOPTED
3815	Jackson (TX)	Requires a study on price elasticity of the labor supply for the industrial base for building/maintaining naval vessels	ADOPTED
3816	Davis, Donald	The committee is concerned about the potential impact of continuing resolutions and government shutdowns on naval fleet modernization/shipbuilding efforts.	ADOPTED
3837	Waltz	The United States must pursue a strategy of "de-risking," aimed at mitigating reliance and vulnerability to Chinese shipbuilding, shipping, and maritime infrastructure	ADOPTED
3840	Scott, Austin	Expands 10 USC 8062 regarding the Composition of the U.S. Navy to include the four public shipyards operated by the U.S. Navy.	ADOPTED
3931	Bergman, Jack	Frigate industrial base and workforce development	ADOPTED
3935	LaLota, Nick	Require DoD to write small business contract solicitations in plain language	ADOPTED
3939	Courtney, Joe	Makes modifications to require 100 percent design complete and congressional certification required prior to start of construction on first ship of a shipbuilding program.	ADOPTED
3940	Kelly, Trent	Funding Table Amendment for T-ATS	ADOPTED

AMD NO.	MEMBER	DESCRIPTION	COMMITTEE ACTION
3968	Scott, Austin	DRL: Directs the Secretary of Defense to provide a brief on suggested changes to title 10 to ensure the Department of Defense is prepared for Simultaneous Combat Against Peer Competitors in Multiple Theaters.	ADOPTED
3969	Scott, Austin	DRL: Directs the Secretary of the Navy to provide a brief on the feasibility of establishing a National Naval Shipbuilding Academy operated by the Department of the Navy	ADOPTED
4013	Kelly, Trent	Provides the Secretary of the Navy authority to enter into one or more contracts for advance procurement across programs associated with a ship or ships for which authorization to enter into a contract has been provided	ADOPTED
4017	Kiggans, Jennifer	Expresses a Sense of Congress that the Department of Defense should request procurement of CVN 82 not later than fiscal year 2028.	ADOPTED
4020	Lamborn	Requires the Navy to provide a briefing to the committee on areas in which the naval ship construction and maintenance enterprise can leverage the mining equipment industry's advanced processes, techniques and equipment to increase efficiency and lower costs	ADOPTED
4036	Kelly, Trent	Modification to the reporting requirement in Directed Report Language titled DDG(X) Program	ADOPTED
4052	Kelly, Trent	DRL Language Modification: Autonomy Integration for Small Unmanned Surface Vessels	ADOPTED
4100	Kiggans, Jennifer	Requires the Navy to change its current practice of soliciting ship repair contracts on a coast-wide basis from availabilities longer than ten months to only those that are projected to last more than 18 months.	ADOPTED
4122	Banks, Jim	Requires a briefing of the department's plans to carry out industrial mobilization in the event of a national emergency.	ADOPTED
4167	Jacobs, Sara	Exclusion of Oceanographic Research Vessels from Certain Sourcing Requirements	ADOPTED
4187	Garamendi, John	Sets requirements for domestic medium-speed marine diesel engine procurement	ADOPTED
4200	Garamendi, John	Repeals Unfunded Priorities Reporting Requirements	REJECTED
4292	Golden, Jared	Increases the amount for Other Procurement, Navy, Ship Maintenance, Repair and Modernization, Line 24, by $5,000,000 for Water Purification. Decreases the amount for Other Procurement, DDG MOD, Line 5, by $5,000,000	ADOPTED

AMD NO.	MEMBER	DESCRIPTION	COMMITTEE ACTION
4330	Golden	This directs the Secretary of the Army to work with the Secretary of the Navy to report to the committee on the planning and resources needed to ensure that the Kennebec River is properly dredged to ensure the readiness of newly built Naval warships	ADOPTED
4347	Slotkin, Elissa	Briefing examining utility of the design, engineering, and fabrication of domestically produced high-performance uncrewed surface vessels (USVs) in an effort to support attritable drone development with alternate materials, including carbon-fiber lightweight hull technology	ADOPTED
4348	Golden, Jared	Increases the amount for Shipbuilding and Conversion, Navy, DDG-51, Line 10, by $50,000,000 for Large Surface Combatant Shipyard Infrastructure. Decreases the amount for Procurement, KC-46A MDAP, Line 007, by $50,000,000	ADOPTED
4498	Kiggans, Jennifer	Requires a briefing from the Secretary of Defense on the maritime salvage capacity of the United States military.	ADOPTED
4633	Sherrill, Mikie	Directs MARAD and USACE to provide a briefing on the emergent dredging issue at the Bayonne Dry Dock and its impact on national security and maritime operations.	ADOPTED
4634	Rogers, Mike	Funds additional procurement of additional 40 ft patrol boats	ADOPTED
4640	Courtney, Joe	Amends restrictions regarding overhaul and repair of vessels in foreign shipyards.	ADOPTED
4656	Strong, Dale	Directs the Secretary of Defense to submit a report on the national defense implications of actions by foreign governments to nationalize or seize a U.S port or land necessary to access a U.S. port.	ADOPTED

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Friday, March 1, 2024

Honorable Trent Kelly
Chair, House Armed Services Committee,
Seapower and Projection Forces Subcommittee
United States House of Representatives
Washington, D.C. 20515

Honorable Joe Courtney
Ranking Member, House Armed Services Committee, Seapower and Projection Forces Subcommittee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Kelly and Ranking Member Courtney:

As your committee begins drafting the FY25 National Defense Authorization Act, we, the members of the Shipbuilders Council of America (SCA), write to express our appreciation for the continued bipartisan support in the House Armed Services Committee for policies supporting the U.S. shipyard industrial base.

We are writing to support the inclusion of a provision to curtail the amount of Navy ship repair and maintenance taking place in foreign countries. SCA is requesting two independent proposals that would have the concurrent result of decreasing overall foreign Navy ship repair. The two proposals are summarized below, and the associated legislative language is attached to this letter.

Proposal #1: Change to §88680. Overhaul, repair, etc. of vessels in foreign shipyards: restrictions

> Proposal #1 removes all the Homeport Change Rules that the Navy used to increase the amount of ship repair being done in Japan. It additionally states that all US and Guam based Navy Vessels may not be overhauled, repaired, or maintained in a facility outside the United States or Guam other than to do voyage repairs or repairs to correct damage sustained due to hostile actions or interventions. Maintenance on a United States or Guam based vessel over four months in duration would be barred.

Proposal #2: Change to §22466. Limitations on the performance of depot-level maintenance of materiel

> Proposal #2 adds a line to the 50/50 ruling for DOD maintenance dollars that makes all overseas maintenance work to be counted in the 50% of the public shipyard allocation. This will impact the level of work split between Public and Private facilities in favor of Private companies here in the United States.

SCA is concerned with the amount of Navy ship repair being conducted overseas that adversely undermines U.S. private investment in critical domestic shipyard facilities. The ever increasing amount of Navy ship repair going to shipyards overseas is leaving an abundance of excess capacity and capability untapped and underutilized. There is currently sufficient capacity to accomplish all of the Navy surface, non-nuclear fleet maintenance needs, and yet the Navy is looking abroad for ship maintenance, as well as the possibility of building certain classes of ships overseas.

Therefore the SCA requests inclusion of either both, or one of the two proposals listed above to decrease the amount of Navy ship repair going overseas, and to support the domestic shipbuilding and ship repair industrial base that our nation so vitally needs at this critical moment.

We appreciate your attention to this important issue and stand ready to discuss any questions.

Sincerely,

Matthew Paxton
President
Shipbuilders Council of America

DRAFT OPTION ONE

§88680. Overhaul, repair, etc. of vessels in foreign shipyards: restrictions

(a) Vessels Under Jurisdiction of the Secretary of the Navy ~~With Homeport in United States or Guam.~~-(1) A naval vessel designated homeport of which is in the United States or Guam may not be overhauled, repaired, or maintained in a shipyard outside the United States or Guam.

(2)(A) Notwithstanding paragraph (1) and subject to subparagraph (B), in the case of a naval vessel classified as a Littoral Combat Ship and operating on deployment, corrective and preventive maintenance or repair (whether intermediate or depot level) and facilities maintenance may be performed on the vessel-

(i) in a foreign shipyard;

(ii) at a facility outside of a foreign shipyard; or

(iii) at any other facility convenient to the vessel.

(B)(i)(I) Corrective and preventive maintenance or repair may be performed on a vessel as described in subparagraph (A) if the work is performed by United States Government personnel or United States contractor personnel.

(II) Notwithstanding subclause (I), foreign workers may be used to perform corrective and preventive maintenance or repair on a vessel as described in subparagraph (A) only if the Secretary of the Navy determines that travel by United States Government personnel or United States contractor personnel to perform the corrective or preventive maintenance or repair is not advisable for health or safety reasons. The Secretary of the Navy may not delegate the authority to make a determination under this subclause.

(III) Not later than 30 days after making a determination under subclause (II), the Secretary of the Navy shall submit to the congressional defense committees written notification of the determination. The notification shall include the reasons why travel by United States personnel is not advisable for health or safety reasons, the location where the corrective and preventive maintenance or repair will be performed, and the approximate duration of the corrective and preventive maintenance or repair.

(ii) Facilities maintenance may be performed by a foreign contractor on a vessel as described in subparagraph (A) only as approved by the Secretary of the Navy.

(C) In this paragraph:

(i) The term "corrective and preventive maintenance or repair" means-

(I) maintenance or repair actions performed as a result of a failure in order to return or restore equipment to acceptable performance levels; and

(II) scheduled maintenance or repair actions to prevent or discover functional failures.

(ii) The term "facilities maintenance" means-

(I) the effort required to provide housekeeping services throughout the ship;

(II) the effort required to perform coating maintenance and repair to exterior and interior surfaces due to normal environmental conditions; and

(III) the effort required to clean mechanical spaces, mission zones, and topside spaces.

(3) Notwithstanding paragraph (1), a naval vessel described in paragraph (1) may be repaired in a shipyard outside the United States or Guam if the repairs are-

(A) voyage repairs; or

(B) necessary to correct damage sustained due to hostile actions or interventions

(b) In the case of a naval vessel the homeport of which is not in the United States or Guam, the Secretary of the Navy may conduct work for the repair or maintenance of the vessel providing the maintenance period is for less than four months. ~~Vessel Changing Homeports.-(1) In the case of a naval vessel the homeport of which is not in the United States (or a territory of the United States), the Secretary of the Navy may not during the 15-month period preceding the planned reassignment of the vessel to a homeport in the United States (or a territory of the United States) begin any work for the overhaul, repair, or maintenance of the vessel that is scheduled to be for a period of more than six months.~~

~~(2) In the case of a naval vessel the homeport of which is in the United States (or a territory of the United States), the Secretary of the Navy shall during the 15-month period preceding the planned reassignment of the vessel to a homeport not in the United States (or a territory of the United States) perform in the United States (or a territory of the United States) any work for the overhaul, repair, or maintenance of the vessel that is scheduled-~~

~~(A) to begin during the 15-month period; and~~

~~(B) to be for a period of more than six months.~~

(c) Report.-(1) The Secretary of the Navy shall submit to Congress each year, at the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a report listing all repairs and maintenance performed on any covered naval vessel that has undergone work for the repair of the vessel in any shipyard outside the United States or Guam (in this section referred to as a "foreign shipyard") during the fiscal year preceding the fiscal year in which the report is submitted.

(2) The report shall include the percentage of the annual ship repair budget of the Navy that was spent on repair of covered naval vessels in foreign shipyards during the fiscal year covered by the report.

(3) Except as provided in paragraph (4), the report also shall include the following with respect to each covered naval vessel:

(A) The justification under law and operational justification for the repair in a foreign shipyard.

(B) The name and class of vessel repaired.

(C) The category of repair and whether the repair qualified as voyage repair as defined in Commander Military Sealift Command Instruction 4700.15C (September 13, 2007) or Joint Fleet Maintenance Manual (Commander Fleet Forces Command Instruction 4790.3 Revision A, Change 7), Volume III. Scheduled availabilities are to be considered as a composite and reported as a single entity without individual repair and maintenance items listed separately.

(D) The shipyard where the repair work was carried out.

(E) The number of days the vessel was in port for repair.

(F) The cost of the repair and the amount (if any) that the cost of the repair was less than or greater than the cost of the repair provided for in the contract.

(G) The schedule for repair, the amount of work accomplished (stated in terms of work days), whether the repair was accomplished on schedule, and, if not so accomplished, the reason for the schedule over-run.

(H) The homeport or location of the vessel prior to its voyage for repair.

(I) Whether the repair was performed under a contract awarded through the use of competitive procedures or procedures other than competitive procedures.

(4) In the case of a covered vessel described in subparagraph (C) of paragraph (5), the report shall not be required to include the information described in subparagraphs (A), (E), (F), (G), and (I) of paragraph (3).

(5) In this subsection, the term "covered naval vessel" means any of the following:
(A) A naval vessel.
(B) Any other vessel under the jurisdiction of the Secretary of the Navy.
(C) A vessel not described in subparagraph (A) or (B) that is operated pursuant to a contract entered into by the Secretary of the Navy and the Maritime Administration or the United States Transportation Command in support of Department of Defense operations.

DRAFT OPTION TWO

§22466. Limitations on the performance of depot-level maintenance of materiel

(a) Percentage Limitation.-Not more than 50 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel of such workload for the military department or the Defense Agency. Any such funds that are not used for such a contract shall be used for the performance of depot-level maintenance and repair workload by employees of the Department of Defense. In the case of work performed in foreign ports or foreign shipyards, such contract amounts shall count as work performed by employees of the Department of Defense.

(b) Waiver of Limitation.-The Secretary of Defense may waive the limitation in subsection (a) for a fiscal year if-

(1) the Secretary determines that the waiver is necessary for reasons of national security; and

(2) the Secretary submits to Congress a notification of the waiver together with the reasons for the waiver.

(c) Prohibition on Delegation of Waiver Authority.-The authority to grant a waiver under subsection (b) may not be delegated.

(d) Annual Report.-(1) Not later than 90 days after the date on which the budget of the President for a fiscal year is submitted to Congress pursuant to section 1105 of title 31, the Secretary of Defense shall submit to Congress a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of the funds referred to in subsection (a) that was expended during the preceding fiscal year, and are projected to be expended during the current fiscal year and the ensuing fiscal year, for performance of depot-level maintenance and repair workloads by the public and private sectors.

(2) Each report required under paragraph (1) shall include as a separate item any expenditure covered by section 2474(f) of this title that was made during the fiscal year covered by the report and shall specify the amount and nature of each such expenditure.

Top GOP Senator Wants Defense Budget to Surpass $1 Trillion (2)

By Roxana Tiron | May 29, 2024 4:10PM ET

Roger Wicker, the top Republican on the Senate Armed Services Committee, has proposed increasing the defense budget by $55 billion next year in a bid to raise US military spending eventually to 5% of the country's gross domestic product, surpassing $1 trillion.

The Mississippi senator is making his push as the Democratic-led Armed Services panel prepares to consider the fiscal 2025 defense authorization measure—legislation considered must-pass because it sets pay raises and authorizes military construction projects as well as military and weapons policies. Under his proposal, national defense spending would rise to $950 billion in fiscal 2025 and then steadily increase to reach 5% of GDP—about $1.6 trillion under current GDP levels of $28.2 trillion, for example.

"This will enable the United States to fix our failing defense infrastructure, field a new generation of equipment, and maintain American technological leadership," Wicker said in a new report obtained by Bloomberg Government.

Bobby Kogan, a Center for American Progress budget expert, estimated that Wicker's proposal to increase the defense budget to 5% of GDP would cost $5.7 trillion to $6.3 trillion over a decade, based on GDP projections made by the Congressional Budget Office. It would boost annual defense spending to more than $2 trillion by 2034, according to his calculations.

Temporary Increase

"Ideally, devoting five percent of GDP to defense spending in the near future will not be necessary for very long, but it would certainly pay dividends far beyond five years. This defense buildup would set up the U.S. military for sustained success over the next two to three decades," Wicker said in the report, entitled "Peace Through Strength."

The ambitious policy effort will likely intensify the debate about how the US should get ready for possible future conflict with China and addresses weaknesses in the defense industrial base supply chain exposed by wars in Ukraine and the Middle East. The issue is expected to attract particular attention in an election year.

Lockheed F-35 Program Funding Cap Is Sought by House Lawmakers

Whether actual spending bills can be approved to fund such a policy prescription remains to be seen. National defense spending is capped at $895 billion in fiscal 2025, as a result of last year's debt limit deal that President Joe Biden struck with the Republican House led at the time by Kevin McCarthy.

Defense hawks have complained that the capped defense spending amounts to barely a 1% increase from fiscal 2024. Last year, defense spending constituted 3% of the GDP in contrast with 9% of GDP at the height of the Cold War.

“The US military currently suffers from a strategy-resource mismatch,” Wicker said in the report. “Notably, this imbalance exists despite the inadequacy of the current strategy to achieve US interests. An accurate assessment of the threats posed to US interests must underpin any defense resourcing plan.”

Two-War Strategy

Wicker’s policy proposal references each military branch as well as a wide range of military capabilities spanning weapons,logistics, and strategy. It stresses that the US should be able to fight two wars at the same time and be able to maintain deterrence against “remaining aggressors.”

“The modernization and maintenance portions of the military budget are in a buying power death spiral,” Wicker said. “The overall mission tasking assigned to the U.S. military has grown significantly since the early 1980s, but the capacity of the armed forces has shrunk precipitously. The clearest examples of this phenomenon are in the US Navy fleet and the US Air Force aircraft fleets.”

His proposal includes strengthening missile defense by making operational as soon as possible the defense missile system in Guam and reversing the decision to cancel the Standard Missile-3 interceptor made by RTX Corp. The US should also revise and refit lower-altitude air defense to counter dones. Wicker wants to see three attack submarines built per year and spend at least $20 billion over several years to boost the surface ship industrial base.

Reinstate Aircraft

Other highlights include reversing the retirement of Boeing Co. F-15 E fighter aircraft and that of Lockheed Martin Corp.'s F-22 Raptor jets in order for the Pentagon to be able to buy “at least 340 more fighter aicraft in the next five years.” Speeding up production of Northrop Grumman Corp.‘s B-21 stealth bomber and E-2D Hawkeye surveillance aircraft is also part of the proposal.

While several key lawmakers, including Sen. Jack Reed (D-R.I.) , the armed services panel’s chairman, and Sen. Jon Tester (D-Mont.), who leads the defense spending panel, said they would back more defense money, the political math gets complicated.

If fiscal 2025 defense spending caps are ignored, Democrats in the Senate will likely demand an increase in domestic spending. Any increase in defense or otherwise in the Republican-led House is nearly impossible at a time when the chamber has had challenges passing major legislation. The landscape could change after the November election, essentially leaving Congress to make major decisions in a lame-duck session.

The House Armed Services Committee wrote its version of the defense authorization bill at the capped level of $895 billion because the chamber wouldn't be able to pass a measure that would break the caps.

— With assistance from Erik Wasson.

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21ST CENTURY

PEACE *THROUGH* STRENGTH

A GENERATIONAL INVESTMENT IN THE U.S. MILITARY

BY SENATOR ROGER WICKER

EXECUTIVE SUMMARY

America's national defense strategy and military budget are inadequate for the dangerous world in which we find ourselves. An emerging axis of aggressors is working to undermine U.S. interests across the globe. Congress and military leaders agree: The United States has not faced such a dangerous threat environment since the years before World War II. National security scholar Dr. Hal Brands writes, "As the strategic environment deteriorates, it's time to recognize how eminently thinkable global conflict has become."[1]

The best way to avoid further conflict is to be ready. Today's security challenges demand a generational investment to revitalize our armed forces – investments that would restore America's military strength for decades to come. This document contains a plan for such a restoration.

Chinese leader Xi Jinping remains fervently committed to reunifying Taiwan, peacefully or otherwise, and continues to act aggressively toward the Philippines, Australia, and others. U.S. military failure against China would drastically change the course of the 21st century, rendering the decades to come far darker for Americans, as well as the rest of the free world, economically, politically, and culturally. In Russia, President Putin has embarked on a massive land war in Europe and has mobilized his society for continued aggression. The Iranian Ayatollah backed the deadliest attack against Israel in decades while simultaneously orchestrating and provisioning a campaign against American servicemembers and the free trade upon which our economy depends. North Korean autocrat Kim Jong Un has continued his nation's military modernization at breakneck speed. Each of these tyrannical regimes poses their own grave risks to American security and prosperity.

Working together, these four dictators have put their countries on long-term paths that will most certainly bring continual aggression against the U.S. and our interests. China, North Korea, and Iran are supporting Russia's war, while Russia, China and North Korea each support Iran's proxy wars in the Middle East. Their mutual levels of military, political, and economic support bode poorly for peace anytime soon. The United States faces both a window of severe near-term danger and the prospect of a protracted—even decades-long—military competition.

Unfortunately, America's military has a lack of modern equipment, a paucity of training and maintenance funding, and a massive infrastructure backlog. America's existing National Defense Strategy and budget were not built to deal with the current threat landscape. The U.S. military needs this generational investment immediately to combat these rapidly growing and metastasizing threats.

This military rebuild should start with an additional $55 billion in fiscal year 2025 and grow to 5 percent of Gross Domestic Product over time. This will enable the United States to fix our failing defense infrastructure, field a new generation of equipment, and maintain American technological leadership. Such an investment would achieve two main strategic goals.

First, it would help to prevent wider conflict. The core purpose of the U.S. military is to prevent war. Over the course of the next five years, this investment would improve the U.S. military's ability to deter wider conflict and, if necessary, to win a war. Today, it is stretched too thin and outfitted too poorly to meet all the missions assigned to it at a reasonable level of risk. Our adversaries recognize this, and it makes them more adventurous and aggressive. A significant, immediate investment in the U.S. military would improve our ability to deter these foes. It would do so by recapitalizing infrastructure and equipment, accelerating the development of advanced capabilities, and putting innovative technology into U.S. service members' hands.

Second, a military rebuild would physically recapitalize U.S. military equipment, create a lasting and healthy defense industrial base, and sustain American innovation over the decades to come. By procuring large quantities of ships, aircraft, vehicles, munitions, and logistics equipment, this investment plan would rescue the U.S. military from its death spiral of ever-increasing maintenance costs. A significant down payment on military readiness will save American taxpayers over the long run by replacing old, maintenance-hungry equipment and by dramatically increasing competition in the defense industrial base.

This generational investment would safeguard one of America's most important and enduring national security advantages: America's national security innovation base. America's innovation engine continues to lead the world, but the Department of Defense does not have enough funding to sustain a healthy national security innovation base. The United States must remain a leader for both commercial and defense applications of emerging technologies, from quantum computing to 5G, and from autonomy to additive manufacturing and advanced aircraft. More dedicated funding, alongside a greater ability for the Department of Defense to use loans, can prevent the collapse of the current innovation ecosystem and help transition many companies to lasting defense industrial base contributors. We still have the most professional military in the world, and their ability to adapt to new technology can remain a distinct comparative advantage.

But new funding must come with new ways of doing business. The American people and our service members deserve a Department of Defense that is managed effectively. That will require a purpose-built national security workforce in concert with financial and acquisition reforms. It will require serious military and civilian leaders to make the right decisions on what weapons to develop and buy. Above all, it will require accountability at senior levels, instead of buck-passing and equivocating. At times, it will also involve tough personnel decisions. Reforming the Pentagon must go hand in hand with rebuilding the military. Overwhelming historical evidence shows exactly this—a healthier military budget fosters creative thinking and better management.

Defense investment does not guarantee victory. But failing to invest properly denies us a chance to deter war. Right now we are spending too little. The problems the U.S. military faces are solvable, but fixing them will require leadership from Washington.

We have seen this investment strategy work before. The Reagan-era defense buildup demonstrated that a peace dividend can be purchased for the world, but it cannot be done on the cheap. The following proposal is significant, but it is far less costly than America engaged in direct kinetic conflict with one or more of our adversaries. "Peace through strength" continues to be the most cost-effective national security policy. This investment can allow America to enjoy another peace dividend, as we did in the 1990s.

Two World Wars taught us that, as a nation of entrepreneurs and hard workers, as a trading nation, our economic future is tied closely to peace and prosperity in Europe and Asia. We need to put our money where our mouth is and show the world we are serious about a peaceful and prosperous American-led 21st century.

Coalition Against Democracy

Foreign and Defense Policy

The People's Republic of China (PRC), Russia, Iran, and the Democratic People's Republic of Korea (DPRK) have formed a coalition against democracy to combat the US-led international order. Each of these revisionist states aids the others in their goals to establish spheres of influence and subvert or destroy democratic nations. The Iranian-backed terrorist attacks in Israel, Russia's war on Ukraine, China's encroachment on Taiwan, and North Korea's ongoing hostilities toward South Korea are all fronts in a coordinated campaign to overturn democracy.

PRC TO RUSSIA

- Dual-use drones
- Nonlethal aid and economic assistance
- Dual-use and nonlethal equipment (e.g., body armor, thermal imaging equipment, and commercial drones)
- Computer chips
- Promise of "no limits" friendship
- Tacit support of war in Ukraine
- Armored personnel vehicles
- Increased purchasing of Russian crude to support the oil industry
- US-sanctioned aircraft parts sold
- Vladimir Putin named guest of honor at the Belt and Road Summit
- Increased investment in Russian banking sector by fourfold since the start of war in Ukraine
- Smokeless powder (enough to make 80 million rounds of ammunition)
- Joint naval patrols in East China Sea

IRAN TO RUSSIA

- Drone production facilities being built
- Drone manufacturing planned in Belarus
- North Korean R-122 122 mm rockets
- Chinese 152 mm shells
- Iranian Shahed kamikaze drones
- Drone training for Russian troops in Crimea
- Iranian 122 mm high explosive–fragmentation rockets
- 300,000 artillery shells and one million rounds of ammunition
- Maintenance for US-sanctioned Russian aircraft
- T-72 tank and howitzer barrels

RUSSIA TO DPRK

- Promise to build closer ties
- Satellite assistance

IRAN TO DPRK

- Cooperation on ICBM development

PRC TO DPRK

- Financial support and trade

DPRK TO RUSSIA

- Infantry rockets and missiles
- Equipment and munitions
- 10 million ammunition shells

RUSSIA TO IRAN

- Military ships and shipbuilding expertise
- Two Yak-130 combat trainer aircraft
- Captured Western equipment (e.g., British NLAWs and US Javelins and Stingers)
- Launch of the Iranian Khayyam remote-sensing satellite
- Nuclear materials and technology
- $900 million in cash for drones
- Promised Su-35 fighter jets (not yet sent)
- Assistance with the Iranian space launch vehicle
- Advanced surveillance software
- Support for anti-Israel narratives
- Disinformation, violent rhetoric, and hate speech against Israel spread by state-affiliated social media accounts
- Refusal to call Hamas a terrorist group

RUSSIA TO IRANIAN-BACKED GROUPS (HAMAS, HEZBOLLAH)

- Weapons seized by Russian military sent to Hamas and other Iran-backed groups
- Air defense systems from Russia's state funded Wagner Group sent to Hezbollah
- Six high-level meetings with Hamas and Iran since April 2022
- Refusal to call Hamas a terrorist group
- 17 trucks of weapons sent to proxies in Syria

PRC TO IRAN

- Joint military training
- Ammonium perchlorate (an ingredient in solid rocket fuel)
- Support for anti-Israel narratives
- Drone parts
- Disinformation, violent rhetoric, and hate speech against Israel spread by state-affiliated social media accounts
- Israel removed from Chinese corporate maps

DPRK TO IRAN

- Sent weapons to Hamas and other Iranian backed groups
- Sent Hamas grenade launchers and rifles
- Assisted Hezbollah building tunnels and underground military facilities

DPRK TO IRANIAN-BACKED GROUPS (HAMAS, HEZBOLLAH)

- Weapons sent to Hamas and other Iran-backed groups
- Grenade launchers and rifles sent to Hamas
- Assistance to Hezbollah for building tunnels and underground military facilities

RUSSIA TO PRC

- Oil (bought in yuan)
- Joint military training
- Arctic sea routes opened to China
- Promise of "no limits" friendship
- Joint naval patrols in East China Sea

IRAN TO PRC

- Oil (bought in yuan)
- Sanctions evasion through oil sales
- Joint military training

PRC TO IRANIAN-BACKED GROUPS (HAMAS, HEZBOLLAH)

- Chinese manufactured weapons sent to Hamas and other Iran-backed groups through intermediaries

Source: "Coalition Against Democracy," American Enterprise Institute.

country willing to store them. At best, lethal munitions should be stored securely at geographically-advantageous locations to reduce the logistics and sustainment efforts needed to move them across the world.

NO SUBSTITUTE FOR PRESENCE

Prepositioned stocks generally must be expanded in the Western Pacific. In particular, the Army Prepositioned Stocks (APS) program has been perennially underfunded – by almost $1 billion this year. The program should be duplicated for the other services and for key joint logistics needs, such as blood, plasma, food, and potable water. The Air Force began a program to preposition key combat support equipment in 2023, but the program can be accelerated.

Stocks of individual servicemember equipment still follow a "just enough" model, which will not be enough for lengthy, unscheduled deployments. Lastly, the Pentagon should seek to create a stockpile in Taiwan – which is already authorized in law – that looks exactly like the War Reserve Stockpile Ammunition – Israel (WRSA-I). Unfortunately, in past conflicts the United States government has sometimes overlooked our servicemembers' most basic needs, sending troops into theater with insufficient supplies needed for basic survival. They have lacked enough body armor, MREs, canteens, water-purification tablets, cold-weather gear, and more. Those requirements should be articulated clearly.

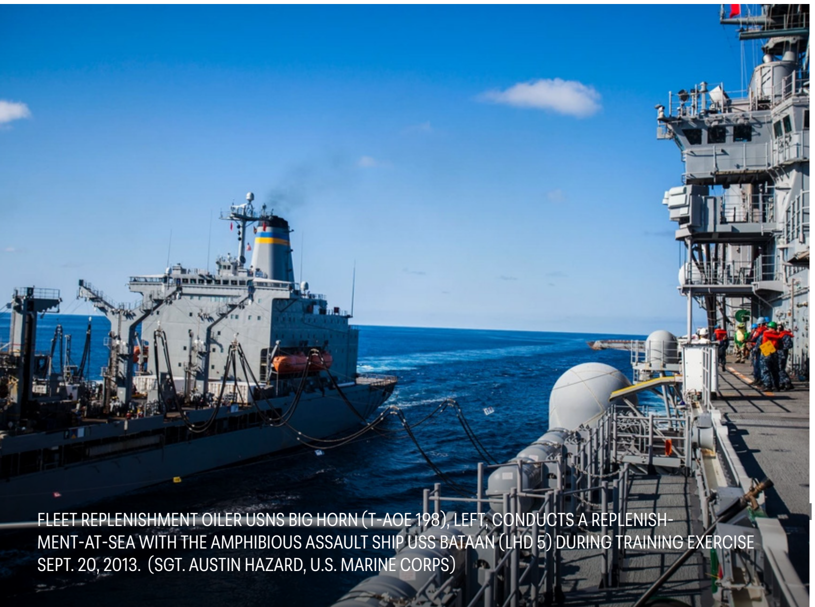
TRANSCOM and INDOPACOM should continue the diversification of fuel locations for both aviation and ship fuel. While future plans for a next-generation tanker continue to develop, the Air Force should maintain production of the KC-46A at 15 per year throughout the next five years. This will help to recapitalize and expand the aging tanker fleet, rather than ending production in FY27. We should do this if only to recognize the strains placed on the tanker fleet for both conventional and nuclear missions in a wartime scenario.

As mentioned in the following INDOPACOM section, the enabling infrastructure for a resilient logistics network will costs tens of billions of dollars over the next decade.

INTRATHEATER AND INTERTHEATER LIFT

Even with improved infrastructure and prepositioning in the First and Second Island Chains, the U.S. military will need a massive amount of sealift and airlift to build a hub-and-spoke logistics model in the Western Pacific.

A part of this answer lies in simply expanding U.S. intra and inter theater sealift fleets. While the U.S. Navy's submarine and surface combatant industrial bases may be strained, shipbuilders can build more logistics and auxiliary platforms today. The Navy should immediately move to purchase mature Logistics Support Vessels ships while developing the Landing Ship Medium (LSM). It should stand up a second shipyard for the LCU 1700 landing craft, expand production of the Surface-to-Shore Connector (SSC), and maximize the line for T-AO oilers.



FLEET REPLENISHMENT OILER USNS BIG HORN (T-AOE 198), LEFT, CONDUCTS A REPLENISHMENT-AT-SEA WITH THE AMPHIBIOUS ASSAULT SHIP USS BATAAN (LHD 5) DURING TRAINING EXERCISE SEPT. 20, 2013. (SGT. AUSTIN HAZARD, U.S. MARINE CORPS)

GROUND CREWS UNLOAD A U.S. ARMY UH-60 BLACK HAWK HELICOPTER FROM A U.S. AIR FORCE C-5 GALAXY TRANSPORT AIRCRAFT AT BAGRAM AIRFIELD, IN PARWAN PROVINCE, AFGHANISTAN, FEB. 2, 2013. (1ST LT. HENRY CHAN, U.S. ARMY)

The Merchant Marine can and should be a part of any naval buildup.[29] DOD payments to the Maritime Security Program will expand the number of ships participating, and the Navy should fund the Modular Console Adapter Kit, Modular Fuel Delivery Station, and Containerized Underway Replenishment Station to allow commercial ships to replenish Navy vessels. Lastly, the Navy needs a crash program to develop a Transferrable Re-Arming Mechanism to reload VLS tubes at sea.[30]

The Army can also pitch in with expanded Army watercraft procurement. The United States cannot possess only one Joint Logistics Over the Shore capability.

However, the Army and Marine Corps have much work to do in land-based logistics. There are key pockets of the innovation ecosystem working on technological answers to the problem of contested logistics, such as ALPV and autonomous resupply drones, and the services should embrace and expand these efforts.[31] Both ground-based services also need to increase their requirement for engineering equipment. The Air Force can help by investing in upgrades to its cargo fleet identified in the Mobility Guardian 2023 program.

SPECIFIED INVESTMENTS FOR THE CORE DEFENSE INDUSTRIAL BASE

The defense industrial base itself is a weapon. The Department of Defense needs a much larger and more capable workforce for defense industrial base issues. For instance, only a handful of people work for the Joint Production Accelerator Cell, the group that looks at high-profile weapons supply chains and determines the limiting factors impeding further action or investment. The Industrial Base Policy shop, including the office that executes DPA, is woefully understaffed to do the analytical work necessary to rebuild the U.S. defense industrial base.

Title III of the Defense Production Act (DPA) remains an underused tool for centralized building of the defense industrial base. While execution of DPA funding lagged in recent history, those problems have been solved. DPA has focused on the following DIB areas in recent years:

- Solid rocket motors
- Critical munitions subcomponents
- Critical chemicals
- Hypersonics
- Biomanufacturing
- Microelectronics

DPA currently has a $5.2 billion backlog of projects that could credibly be executed with the right direction and an expanded workforce. The department could spend more than $500 million per year in a core munitions defense industrial base rebuild program. This would include rapidly building a competitive and redundant solid rocket motor industrial base, strengthening suppliers for hypersonic weapons, and finding new sources for critical chemicals and precursors. The Pentagon could execute another $500 million per year for biomanufacturing, microelectronics, and casting and forging technologies.

The Pentagon should also execute $250 million a year more in the National Defense Stockpile, which purchases critical and strategic materials. The deck seems stacked against the Stockpile. Recent industry trends – in which U.S. mines and refineries shut down and are moved to China – do not work in its favor. About 150 materials are continuously monitored by the Defense Logistics Agency (DLA) for potential stockpiling requirements. DLA has found concerning shortfalls in 88 necessary critical materials. There is no domestic production for 76 out of the 88 materials. There is a single point of failure for 46 materials. It is easy for our adversary to turn off the spigot and create significant hardships for our industrial base.

U.S. Navy: Meeting Mission Demands and Setting the Conditions for Future Growth

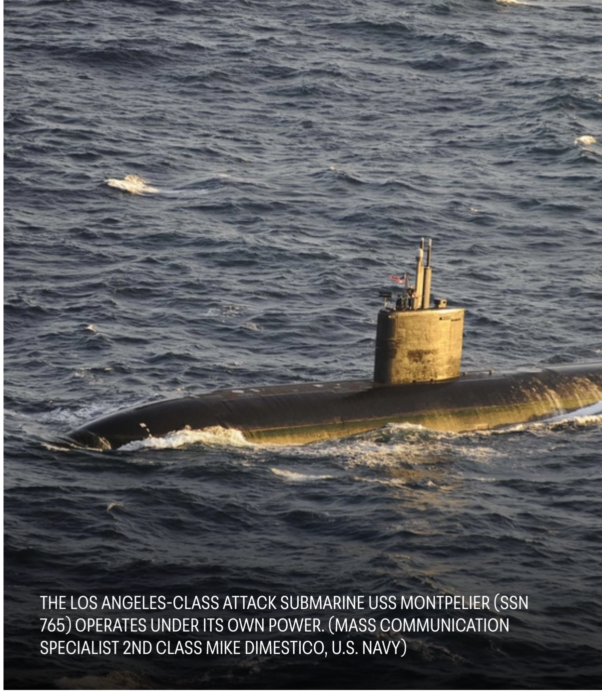
U.S. NAVY SHRINKS AS CHINA'S NAVY MULTIPLIES

The U.S. Navy is the smallest and oldest it has been in over 80 years. The number of Navy ships and Navy missile launch capacity are both set to reach minimums in 2027, within the window of maximum danger for a Chinese attack on Taiwan. Simultaneously, China has been engaged in a major buildup of its fleet with nearly 400 battle force ships, including a rapidly growing number of advanced ships. Recent American defense budgets have shrunk both the ship and aviation fleets and deferred maintenance, even as deployments become longer and more frequent. The U.S. Navy is in a death spiral, and it requires sustained budget growth alongside aggressive management to maintain a high state of readiness while expanding to meet growing threats.

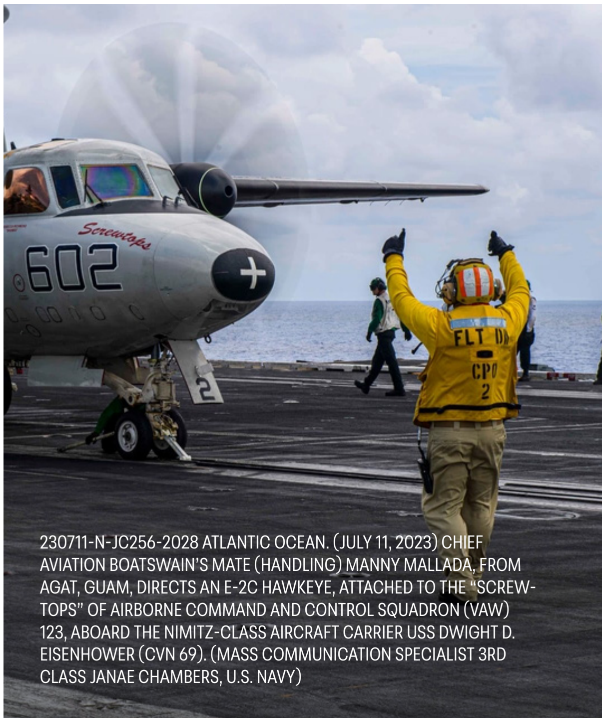
DESPITE DEFEATIST LEADERSHIP, AMERICA CAN GET TO 355 SHIPS

When it comes to shipbuilding, too many officials have repeatedly expressed defeatism. They doubt that additional funding will provide force structure returns. These leaders say so even as they provide shipbuilding plans that fail to consider known delays, cost growth, and unfunded investments in shipyards and suppliers.[39] The Navy fails to provide a consistent demand signal to industry. Forecasted plans for ship procurement vary by 60 percent compared to what is actually procured.

True, the U.S. Navy will struggle to deliver additional battle force ships over the next five years. Nonetheless, it is time to begin expanding the industrial base to make at least a 355-ship Navy a reality, even as the Navy looks to alternative capabilities in the near term to mitigate mission risk. These decisions would make it possible for the U.S. Navy to add ships over the next ten years. It could even exceed the 355-ship policy goal the Congress created in the FY2018 NDAA by growing to 357 ships by 2035, an increase of 41 ships in ten years over existing plans. This is a realistic, executable plan to build what the shipbuilding industrial base can do today, even as the U.S. seeks to ameliorate the constraints that currently exist on portions of the industrial base. More ships and better maintenance will feed a virtuous cycle of cost-effectiveness over the mid- to long-term, too.



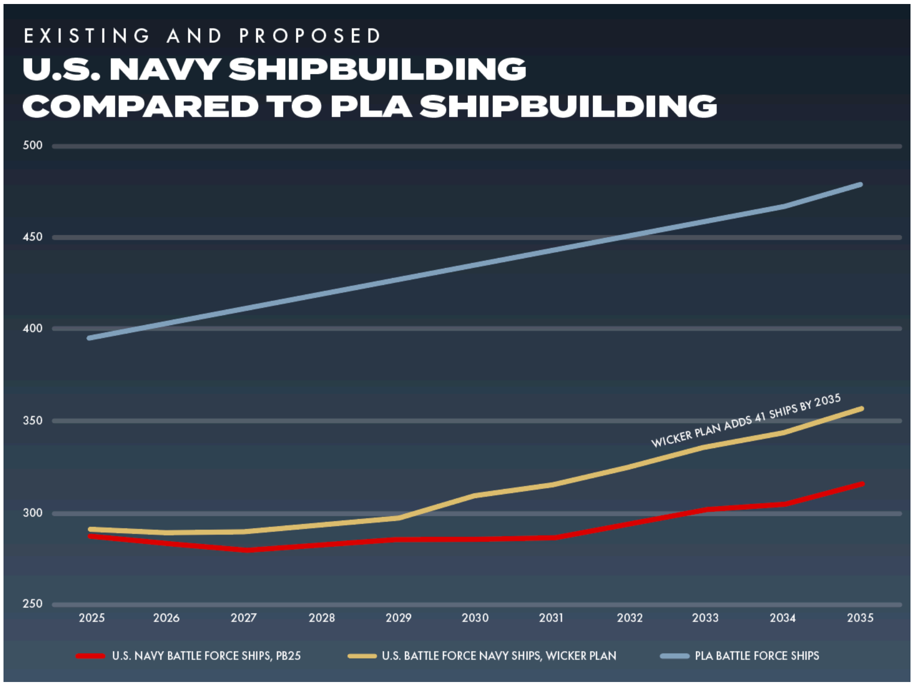
THE LOS ANGELES-CLASS ATTACK SUBMARINE USS MONTPELIER (SSN 765) OPERATES UNDER ITS OWN POWER. (MASS COMMUNICATION SPECIALIST 2ND CLASS MIKE DIMESTICO, U.S. NAVY)



230711-N-JC256-2028 ATLANTIC OCEAN. (JULY 11, 2023) CHIEF AVIATION BOATSWAIN'S MATE (HANDLING) MANNY MALLADA, FROM AGAT, GUAM, DIRECTS AN E-2C HAWKEYE, ATTACHED TO THE "SCREW-TOPS" OF AIRBORNE COMMAND AND CONTROL SQUADRON (VAW) 123, ABOARD THE NIMITZ-CLASS AIRCRAFT CARRIER USS DWIGHT D. EISENHOWER (CVN 69). (MASS COMMUNICATION SPECIALIST 3RD CLASS JANAE CHAMBERS, U.S. NAVY)

THE FUTURE USS JOHN FINN (DDG 113). (PHOT COURTESY OF HII)

Fig. V Getting Started on Growing the Navy



GETTING THE SUBMARINE INDUSTRIAL BASE ABOVE 2 SUBS PER YEAR

Congress and the Navy have begun to address the underfunded U.S. submarine industrial base. Since 2011, it is experiencing a five-fold increase in new construction requirements. Between FY23 and FY28, the Navy plans more than $16 billion of funding above regular construction and maintenance to address parts availability issues, strengthen the supplier base, build shipbuilder infrastructure, create workforce training pipelines, and transition advanced manufacturing solutions. This is the right way to approach the problem, although the Navy should add at least $1 billion to its budget in FY25 to keep suppliers on track for delivering two Virginia-class submarine shipsets per year. The submarine industrial base also must be capable of producing more than 12 *Columbia*-class SSBNs, both for an expanded nuclear deterrent and for a future replacement of the retiring *Ohio*-class SSGNs.

THE SURFACE COMBATANT INDUSTRIAL BASE NEEDS COMPREHENSIVE STRENGTHENING

For surface ships, the Navy needs to embark immediately upon a comprehensive industrial base investment strategy, just as it has done for the submarine industrial base. This would look something like the multi-year SHIPYARD Act – extensive funding for workforce development, supply chain resiliency, long-lead item production, development and insertion of additive manufacturing techniques, supplier base diversification, and shipyard modernization and expansion. As with the submarine industrial base, this investment strategy will require around $20 billion over a period of five years. Arleigh Burke-class destroyers must be reliably built at three per year. Once the Constellation-class frigate design is matured, two shipyards turning out four frigates per year is a worthy goal. Doing so will better allow the Navy to meet the competition-phase presence demands enshrined in statute in FY23 NDAA Section 912.[40] Priming the pump on the surface ship industrial base will also drastically increase the likelihood that the Navy's much larger replacement for DDG-51, DDG(X), can be delivered on time and under budget. At some point, the Navy and industry will need to contemplate an additional new-construction shipyard for the surface combatant industrial base.

To begin creating a high-low mix of surface combatants, the Navy should also fund preliminary design of a highly producible surface combatant and a guided missile patrol coastal craft. Some believe that such designs are foolish without access agreements in ally or partner nations, but the U.S. military must adopt an "if you build it, they will come" posture. Development of small surface combatants should precede access agreements, just as the post-INF Treaty development of ground-based, long-range fires did.

The Navy should also lock in a multi-ship procurement contract for LPD Flight II and LHA amphibious ships, halt the retirement of all amphibious ships with service life remaining, and reverse any future aircraft carrier production delays.


THE ATTACK SUBMARINE USS VIRGINIA (SSN 774) ARRIVES AT PORTSMOUTH NAVAL SHIPYARD FOR AN EXTENDED DRYDOCK SELECTIVE RESTRICTIVE AVAILABILTY. (U.S. NAVY)

In time, these industrial base investments should produce a core shipbuilding industry that can annually produce three large surface combatants, three attack submarines, and four frigates per year. It could also build aircraft carriers and amphibious ships faster than currently planned.

In the near term, the Navy's biggest opportunity lies in improving its maintenance throughput, procuring more logistics ships, and beginning procurement programs for unmanned vessels.

FIXING NEAR-TERM NAVY READINESS

The Navy's organic nuclear shipyards for repair are chronically underfunded. Companies invest three to five percent of their revenues to facilities sustainment, restoration, and modernization, but the Navy shipyards have been below one percent for decades. The Navy must invest in the Shipyard Infrastructure Optimization Program at realistic cost estimates for the magnitude of the effort. It must also procure a shiplift for nuclear submarines to increase maintenance throughput. More civilian public shipyard workers are required above the arbitrary 37,600 cap. The Navy should begin work on a fifth nuclear shipyard, which will likely cost over $20 billion.[41]

At the private repair yards, Navy workload will fall between 20 and 40 percent from 2021 under current plans. That rate causes significant pressure to layoff workers and defer investments. The Navy must stabilize repair demand at private shipyards and develop an infrastructure program. Funding for spare and repair parts for ships should be drastically increased to mitigate cannibalization and replenish rotatable pools.

THE NAVY SHOULD GET CREATIVE TO MEET NEAR-TERM MISSION DEMANDS

The Navy has not figured out how to build and repair ships at scale, and it has also failed to develop alternative concepts of operation and procurement to perform its missions in different ways. It has been too slow to adopt unmanned surface and underwater vehicles. That adoption process has been beset with poor program choices and an inability to accept the state of commercial technology.

The Navy should accelerate its efforts to build a digital infrastructure and transition small- and medium-sized unmanned underwater vessels (UUV) and unmanned surface vessels (USV) systems beyond the mine countermeasures efforts that have matured over the past decade. This includes rapidly scaling up kinetic small USVs using multiple providers of hardware and software. Doing so would enable them to meet critical INDOPACOM requirements with resilient beyond line-of-sight communications and autonomy that can operate in denied environments using swarm behaviors.

The Navy has also extensively experimented with medium USVs in the Pacific and should buy them at scale for electronic warfare missions and advancing containerized missile effects. There are a number of small and medium USVs and UUVs, including survivable dual-modality USV/UUVs, that have successfully been experimented with in Task Force 59 to provide maritime domain awareness tied together with mesh networking. These proliferated capabilities will require strong concepts of employment, including advancing unmanned mothership concepts by converting existing assets. The Navy should continue pursuing more exquisite unmanned capabilities. Doing so would mean entering a rapid competitive demonstration for extra-large UUVs before initiating serial production and continuing enabling technologies for maturing the large USV.

The Army must also continue its traditional maneuver forces modernization, which is meant to replace its core ground vehicles and rotary-wing fleet for scenarios involving Russia, North Korea, and even Iran. This includes making units lighter and more mobile to reduce the logistics burden of deploying mass numbers of soldiers. The service desperately needs to expand its Short and Medium Range Recon drone program and pick a solution for its new long-range cannon program (ERCA). Then, it should field that platform at scale.[47] Further, the Army needs to field manned/unmanned teaming vehicles as soon as possible, incorporating efforts like the XM-30 mechanized infantry combat vehicle, robotic combat vehicle, and small multipurpose equipment transport.

Work under Project Convergence to improve Army networking and shrink the command-and-control footprint should be accelerated. The Army needs a wholesale change in how it funds military deception capabilities, physical and electronic alike. Establishing command posts on the move, and disguising them, will be key to Army operations in future theaters. The Army should also pursue Starshield in earnest, enabling safe connectivity from remote locations. Legacy or outdated network products should cease so that solutions from visionary companies can be adopted.

U.S. Marine Corps: Complete Force Design 2030 Transformation

Under General Berger's leadership with Force Design 2030, the Marine Corps fundamentally transformed its contribution to the joint force. It did so over a period of only five years.[48] Like the Army, the Marine Corps wants to contribute better to the joint fight through extensive passive sensing, unmanned ISR systems, long-range fires, lighter infantry, and mobile air defense. Unlike the Army, the Marine Corps is renewing its focus on amphibious operations, including improved maritime mobility and resilience. It is critical that the Marine Corps provide all of these capabilities, particularly amphibious operations, in the Indo-Pacific. Accordingly, the capabilities must be prioritized in future budgets.

In addition to the traditional and non-traditional amphibious lift expansion detailed in the previous Navy section, any program in the Force Design 2030 capability portfolio should be accelerated to the extent that it can be. Marine Corps formations in the First Island Chain will clearly require more:

1. Passive sensors and secure communications;
2. Counter-C5ISRT capabilities;
3. Organic tactical mobility in the land, air, and maritime domains;
4. Organic long-range fires capabilities, including existing NSM/MRC programs and long-range GMLRS-ER or GLSDB fitted with maritime seekers, and shorter-range loitering munitions, as detailed in the munitions section;
5. More capable organic air defense capabilities, including the integration of more capable interceptors into the MRIC program.

The Marine Corps can and should make significant investments in contested logistics in the First Island Chain, as detailed in the contested logistics section. The Marine Corps FY25 unfunded request of $2.3 billion is just a start; it could be increased to accelerate Marine Corps transformation and build decision space for the Commandant to begin restoring some of the niche capabilities (such as lighter bridging options) that were divested. This additional funding could also open opportunities to augment current formations, although new force structure is not an advisable investment given the paucity of amphibious lift in the medium-term.

INDOPACOM	
$500,000	Guam Defense System (GDS)
$125,000	Joint Fires Network (JFN)
$90,000	Campaigning - Pacific Air Forces (PACAF)
$391,200	Campaigning - U.S. Army Pacific (USARPAC)
$47,000	Campaigning - U.S. Marine Corps Forces Pacific (MARFORPAC)
$53,000	Campaigning Campaigning - Special Operations Command Pacific (SOCPAC)
$49,000	Joint Training Team (JTT)
$312,000	Distributed Electromagnetic Warfare
$298,450	Joint Strike Missile (JSM} (USAF)
$40,080	Joint Task Force Micronesia (JTF-M)
$2,000,000	Disperse and harden INDOPACOM infrastructure
$2,250,000	Guam disaster recovery and resilient rebuild
$100,000	Create and staff standing JTF in INDOPACOM
$500,000	Create and fill INDOPACOM regional contingency stockpiles
$125,000	INDOPACOM advanced data sharing with partners (MPE/MDP)
$300,000	Advanced test and training range improvements
$1,500,000	Replenishment funding for Taiwan drawdowns

EUCOM	
$250,000	Permanent ABCT in Poland
$75,000	EDI acceleration in Eastern Europe
$375,000	Additional rotational deployment to Eastern Europe
$150,000	Enhanced Aegis Ashore (anti-air warfare capability, additional VLS, self-defense capability, comms upgrades, software upgrades)
$75,000	EUCOM improved base defense

CENTCOM	
$125,000	Long-term CENTCOM CUAS laydown
$75,000	CENTCOM mission networks with partners and allies

AFRICOM	
$75,000	AFRICOM counter-UAS laydown
$100,000	Additional AFRICOM contracted ISR
$75,000	Dedicated economic warfare funding for AFRICOM AOR

SOUTHCOM	
$75,000	SOUTHCOM security assistance increases
$50,000	SOUTHCOM economic warfare initiative
$50,000	SOUTHCOM exercise expansion

NORTHCOM	
$25,000	Expand JTF North
$100,000	Begin NORTHCOM critical site cUAS laydown
$150,000	Modernized homeland air defense radar network
$500,000	FY25 border bill - budget sustainably for border support mission

NAVY	
$93,000	Accelerate Weapons Combat Expenditure Replacement for SM-2
$50,000	Accelerate Mk-48 Heavy Weight Torpedo (HWT) Procurement (+4)
$125,000	Fund KC-130J Procurement (+1)
$3,225,000	Build 2x Virginia-class SSNs per year
$175,000	Reverse CVN delays
$1,431,000	Build 3x DDGs per year
$1,000,000	Large surface combatant shipyard infrastructure and workforce development
$500,000	Small surface combatant shipyard infrastructure and workforce development
$250,000	CVN industrial base
$95,000	LCU Second shipyard
$5,000	Begin study for new maintenance shipyard
$65,000	ESD buy back
$218,000	LSM interim capability (LSV)
$465,000	Increase Ship to Shore Connector (SSC) procurement
$398,000	Increase T-AO Fleet Oiler procurement
$80,000	Accelerate development of Transferrable Re-Arming Mechanism (TRAM)
$186,000	Expand Maritime Security Program (II)
$50,000	MCAK Modular Console Adapter Kit
$50,000	MFDS Modular Fuel Delivery Station
$50,000	Containerized Underway Replenishment Station
$200,000	Tomahawk supplier development
$15,000	PAC-3-AEGIS integration
$5,000	PAC-3-AEGIS engineering analysis

$25,000	HVP 5-inch cUAS round
$15,000	Longbow Hellfire integration
$20,000	Highly Producible Surface Combatant Preliminary Design
$12,000	Guided Missile Patrol Coastal Craft Preliminary Design
$90,000	HELIOS Long Lead Procurement
$80,000	LDUUV
$300,000	Shiplift for nuclear submarines
$200,000	USV buys for experimentation
$150,000	UUV buys for experimentation
$10,000	XLUUV competitive demonstration
$200,000	Maritime mine development and fielding acceleration
$20,000	Future Naval Capabilities Applied Research
$30,000	Future Naval Capabilities Advanced Tech Development
$20,000	Innovative Naval Prototypes Applied Research
$20,000	Innovative Naval Prototypes Advanced Tech Development

AIR FORCE	
$266,300	PACAF ACE exercises
$1,200,000	USAF Spares
$650,000	Fighter Force Re-Optimization
$55,900	ICBM field security
$419,000	Prevent retirement of F-22s (+TK a/c)
$400,000	Prevent retirement of F-15Es (+26 a/c)
$800,000	Interim E-2D Air Force fleet
$150,000	CCA multi-vendor expansion
$75,000	ABMS acceleration
$1,250,000	F-16 Block 70 production
$45,000	Stratospheric balloon program start
$1,500,000	Air Force classified programs
$400,000	E-7 acceleration
$288,000	F-15EX Conformal Tanks
$690,000	Procure 6 x F-15 EX Aircraft
$690,000	Procure 6 x F-35 Aircraft
$600,000	JDAM increase (+11,000)

$350,000	JASSM max production (+260)
$103,495	LRASM max production (+35)
$14,900	XQ-58A air-to-air weapon integration
$60,000	SDB I
$206,955	SDB II
$50,000	Accelerate experimentation and prototyping including for advanced low-cost weapons
$40,000	Digital tool development for propulsion industrial base
$75,000	Maintain ARRW
$23,000	Vanguard Program
$80,000	AFWERX Prime
$12,000	Electronic Combat Technology (spectrum warfare)
$27,000	DEFEND High Power Microwave (joint program with Navy)
$10,000	Accelerate and expand Digital Transformation Office initiatives
$50,000	Clear Lab Infrastructure backlog - Major Milcon (construction + planning & design)

ARMY	
$185,000	Army cUAS
$30,300	Army missile repair
$120,000	F25 PrSM Inc 1 production increase
$125,000	MDTF capabilities acceleration
$85,000	PrSM capacity expansion to 550/yr
$15,000	GMLRS maritime seeker
$15,000	GLSDB maritime seeker research
$175,000	Additional Patriot launcher
$115,000	JAGM production increase (+460)
$75,000	JAGM-MR air defense variant research
$20,000	NGCM R&D acceleration (+1yr)
$50,000	Expand SRR program
$500,000	APS modernization
$100,000	Additional Army sustainment brigade to INDOPACOM
$30,000	Army Innovation Program
$30,000	Technology Maturation Initiative
$200,000	USAG-Kwajalein Atoll Recap

MARINE CORPS	
$55,000	Autonomous Low Profile Vessel (ALPV)
$250,000	(+2) CH-53K Aircraft
$91,000	LRASM C-3 (AGM-158C-3)
$16,000	Small Diameter Bomb II (SDB II)
$10,320	Medium Range Intercept Capability Equipment Modernization
$40,000	OPF-M NDI
$66,100	NSM production increase (+21)
$75,000	USMC MLR capabilities acceleration
$200,000	USMC passive sensors and secure comms acceleration (including space)
$150,000	USMC distributed contested logistics capabilities (air, ground, maritime)

SPACE FORCE	
$1,500,000	Accelerate core Space Force capabilities

SPACECOM	
$1,250,000	Accelerate classified space capabilities
$250,000	Improve space situational awareness
$40,000	Expand space T&E infrastructure

CYBERCOM	
$50,000	Expanded cyber S&T work
$75,000	Grow Cyber Mission Force
$150,000	Offensive cyber weapons development
$11,500	AI Pilot on Depots, Shipyards, and Manufacturing Facilities
$3,000	AI Pilot on DoD Contract Administration

SOCOM	
$75,000	SOCOM finalize CUAS buildout for deployed forces
$75,000	SOCOM unmanned systems acceleration
$75,000	SOCOM ISR and EW capabilities improvement

STRATCOM	
$252,000	SLCM-N
$4,500	B-52 Nuclear Fleet Reconversion

$60,000	OHIO SSBN Missile Tube Reconversion
$27,800	ICBM Security Vehicles

NNSA	
$70,000	SLCM warhead
$225,000	Tritium Finishing Facility
$300,000	High Explosives Synthesis, Formulation, and Production Facility

MDA	
$175,000	MDA AN-TPY-2 production increase
$200,000	MDA classified increases
$243,000	THAAD interceptor production increase (+19)
$550,000	Restore SM-3 IB production
$65,000	Expand SM-3 IIA production capacity to 36/yr
$349,000	GPI development acceleration

DEFENSE INFRASTRUCTURE & DIB	
$1,920,000	Army executable FSRM
$2,010,000	Navy executable FSRM
$600,000	Marine Corps executable FSRM
$3,450,000	Air Force executable FSRM
$150,000	Defense Community Infrastructure Program (DCIP) expansion
$100,000	Lab infrastructure backlog
$500,000	DPA munitions supplier base program
$300,000	DPA castings and forgings, biomanufacturing, microelectronics program
$75,000	JETO expansion
$25,000	JPAC, IBP analytical expansion
$500,000	SDAF expansion for FMS/PDA pre-production
$100,000	Expand 5G at U.S. bases
$250,000	National Defense Stockpile
$100,000	Accelerate business systems modernization
$1,115,700	Air Force MILCON increase
$654,512	Army MILCON increase
$1,450,000	Navy MILCON increase

$492,300	USMC MILCON increase

R&E	
$150,000	DE Testing and Experimentation
$130,000	Rapid Prototyping Program (RPP) additional projects
$100,000	Rapid Defense Experimentation Reserve (RDER) additional experimentation
$50,000	Acclerate the Procurement and Fielding of Innovation Technologies (APFIT) additional transitions
$25,000	Testing regime for Simultaenous Transmit and Receive technology (advanced spectrum sharing)
$50,000	FCT increase (AUKUS)
$250,000	OSC expansion to leverage private capital for scaling

DARPA	
$100,000	Expansion of Underexplored Systems for Utility-Scale Quantum Computing

NGB	
$4,300	7 New State Partnership Program Partners

$55,061,612	**TOTAL FY25 INVESTMENT**

UNCLASSIFIED

Agenda
Meeting on World-Class Ship Design (WCSD)
For PDASN(RD&A) Mr. Jay Stefany

Location: Naval Surface Warfare Center, Carderock Division
USS Columbia Room, Bldg. 40 (MTIC)
1300 - 1700
20 May 2024

1300 – 1305: Preamble, Intro/Host – Larry Tarasek, NSWC-CD

1305 – 1315: Opening Remarks – Mr. Stefany, PASN(RD&A)

1315 – 1345: *[1]* SECNAV 45 Day Shipbuilding Study – ASN(RD&A) staff

1345 – 1415: *[2]* World-Class Ship Design Strategic Plan – Overview & Workforce Efforts – Tom Perotti, NAVSEA 05B

1415 – 1435: *[3]* CREATE Ships Project – Status – Jon Stergiou, NSWC-CD

1435 – 1455: *[4]* COLLECT Project – Status & Plans – Alan Shane, NAVSEA 05D

1455 – 1505: Break

1505 – 1535: *[5]* DDG(X) Ship Design Team Status – Chris Higgins, NAVSEA 05D

1535 – 1605: *[6]* SSN(X) Design Team Status & Plans – Dr. Morgan Parker, NAVSEA 05U

1605 – 1620: *[7]* Potential NSWC-CD Ship Design Facility – Adam Scales, NSWC-CD

1620 – 1650: Discussion on way forward / next efforts

1650 – 1700: Actions / Follow Ups

1700: Departure

UNCLASSIFIED

DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

IN REPLY REFER TO
4200
Ser SEA 21/066
1 May 24

From: Commander, Naval Sea Systems Command (SEA 21)

Subj: ACQUISITION AND CONTRACTING STRATEGY FLAG/SES OVERSIGHT BOARD AND EXECUTIVE WORKING GROUP

Ref: (a) SECNAVINST 5400.15D, Department of the Navy Research and Development, Acquisition, Associated Life-Cycle Management, and Sustainment Responsibilities and Accountability

Encl: (1) Acquisition and Contracting Strategy Flag/SES Oversight Board Membership
(2) Acquisition and Contracting Strategy Executive Working Group Membership

1. Per reference (a), this letter formalizes the purpose, responsibilities, and structure of the Acquisition and Contracting Strategy Flag/SES Oversight Board (FSOB) and Executive Working Group (EWG).

2. Reference (a) vests COMNAVSEA with oversight responsibility for the core process of in-service support for maintenance and modernization planning and execution for U.S. Navy ships. SEA 21 is assigned as the lead responsible for the planning and execution of all aspects of the non-nuclear Surface Fleet under the cognizance of COMNAVSEA.

3. This letter establishes the charter for the Acquisition and Contracting Strategy FSOB and EWG. The goal of the FSOB and EWG is to determine acquisition and contracting methods and tools to foster continuous contractor improvement and a strong ship repair industrial base. These goals are designed to enable on-time completion of non-nuclear surface ship availabilities. Responsibilities of both the FSOB and the EWG include but are not limited to:

a. Develop and improve upon acquisition and contracting methods and tools;

b. Drive approvals and authorities required to affect change;

c. Monitor the effectiveness of any authorized strategy changes and further modify as required.

4. The Acquisition and Contracting Strategy FSOB is a senior leadership team entrusted with the approval of recommendations, tools, and methods presented by the EWG and will meet quarterly (or otherwise, as required). The members of the FSOB have the responsibility to make decisions relative to acquisition and contracting strategy modifications to be presented and discussed with higher governance decision authority as necessary.

a. The FSOB will be chaired by SEA 21. SEA 21 will ensure FSOB approved changes are briefed or forwarded to COMNAVSEA and SURFPAC for information or concurrence, as required. The FSOB will include Flag Officer/SES representatives from FFC, SURFLANT, PACFLT, and SEA 02.

b. Advisors will include SES representatives from SEA 00L, SEA 21, CNRMC, DASN Ships, DASN Procurement, DASN Sustainment, DASN Legal (AGC), with a few selected subject matter experts that will straddle the EWG. Membership of the FSOB is attached as enclosure (1).

5. The Acquisition and Contracting Strategy EWG is an O6/GS 15 leadership team entrusted with the development of tools and methods relative to acquisition and contracting strategy modifications and will meet bi-weekly (or otherwise, as required). The EWG reports to the FSOB and will seek concurrence as required.

a. The EWG will be chaired by SEA 21C. The EWG will include O6/GS-15 representatives from FFC, SURFLANT, PACFLT, SURFPAC, SWRMC, MARMC, SERMC, CNRMC, SEA 21, and SEA 02.

b. Advisors will include representatives from SEA 00L, DASN Ships, DASN Procurement, DASN Sustainment, DASN Legal (AGC), and the same subject matter experts straddling the FSOB. Membership of the EWG is attached as enclosure (2).

6. The FSOB and EWG will execute the duties and responsibilities outlined in this letter until further notice.

7. My point of contact for this effort is Evan Littig, Director of Acquisition and Contracts (SEA 21C), 202-360-1339 or evan.l.littig.civ@us.navy.mil. Alternate points of contact will be selected if additional focus areas are identified.

William Greene

W. C. GREENE
By direction

Distribution:
COMNAVSEA
USFFC
COMPACFLT
COMNAVSURFPAC
COMNAVSURFLANT
DASN Ships
DASN Procurement
DASN Sustainment
DASN Legal

Subj: ACQUISITION AND CONTRACTING STRATEGY FLAG/SES OVERSIGHT BOARD AND EXECUTIVE WORKING GROUP

CNRMC
SWRMC
MARMC
SERMC
HRMC
NWRMC
SEA 02
SEA 00L

Acquisition and Contracting Strategy Flag/SES Oversight Board and Executive Working Group

Acquisition and Contracting Flag/SES Oversight Board (FSOB) Membership:

Organization	Member
SEA 21	RADM Greene
COMNAVSURFLANT	RADM Cahill
USFFC	RDML Wolfson
COMPACFLT	RDML(sel) Ettlich
SEA 02	Ms. Covalt

Advisors to Acquisition and Contracting Flag/SES Oversight Board:

Organization	Advisors
DASN Ships	Ms. Anderson
DASN Procurement	Mr. Nickle
DASN Sustainment	Ms. Plath
DASN Legal (AGC)	Mr. Berman
SEA 00L	Ms. Cressy
SEA 21	Ms. Bonacic
CNRMC	Mr. Lind
SME	Dave Gale
SME	Tom Violette
SME	Mike Tangora
SME	Kevin Terry (SCA)

Acquisition and Contracting Strategy Flag/SES Oversight Board and Executive Working Group

Acquisition and Contracting Executive Working Group Membership:

Organization	EWG Member
USFFC	Steve Stancy
COMPACFLT	Pat McDermott
COMNAVSURFPAC	CDR Tirey/Mark Darwin
COMNAVSURFLANT	CAPT Megan Thomas/CDR Oscar Marino
SEA 21	Evan Littig/Chris Pertl/Morgan Reese
SEA 02	Cathy Martindale/Jamillah Powell/Art Lopez
CNRMC	CAPT Miller/Morgan Myrick/Shaun Dennis/Aaron Simmons
SWRMC	CAPT Bauer/John Robinson/CAPT Saucedo/Derek Sopp/Katie Adkins
MARMC	CAPT Young/Dennis Bevington/Robert Yates/CDR DeVoe
SERMC	Nadia Tepper

Advisors to the Acquisition and Contracting Executive Working Group:

Organization	Advisors
DASN Ships	Katie Powers
DASN Procurement	Scott Wilkens/Kate Petti
DASN Sustainment	Eric Macfarlane
DASN Legal (AGC)	Michael Hedrick
SEA 00L	Alex Marin/Candace Shields/Robert Orozco
SME	Dave Gale
SME	Tom Violette
SME	Mike Tangora
SME	Kevin Terry (SCA)

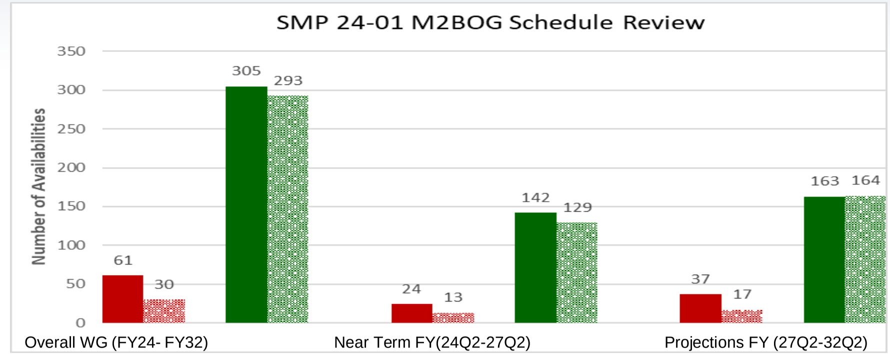
SMP 24-01
Industry Outbrief

June 2024

Controlled By: DON
Controlled By: SEA21
CUI Category(ies): Contract
Limited Dissemination Control: FEDCON
POC: Mr. Chris Pertl
(Email: christopher.l.pertl.civ@us.navy.mil)

M2BOG Overview

- **SMP 24-01 M2BOG conducted in person 8-12 Apr**
- **Reviewed FY24 – FY32 surface ship CNO maintenance availabilities**
- 500 avails reviewed with 254 recommended adjustments
    - ADS/P, port loading, dock capacities, cycle adjustments, OFRP adjustments, contracting
    - Reviewed industry concerns
  - 30 avails not aligned with ADS/P durations; Majority associated with FDNF/ISRA avails
  - 70 FY Shifts and 40 FY Funding Shifts
  - Reviewed industry recommendations and incorporated changes where possible
- **Challenges**
  - SLD alignment with maintenance, infrastructure and operational requirements
  - FDNF/ISRA maintenance strategy vs modernization
  - Balancing port/dock loading with OFRP
  - Optimizing contracting strategies ISO balancing competition and managing risk



Remaining Schedules Short of ADS/P

NDE Less than ADS/P		-1 to -6	-7 to -13	-14 to -29	-30 to -59	-60 to -89	< -90	Total
LANT	Near Term	0	1	1	4	3	1	10
	Projection	1	1	0	1	1	5	9
	Total	**0**	**2**	**1**	**5**	**4**	**6**	**19**
PAC	Near Term	1	2	0	0	0	0	3
	Projection	1	2	0	1	1	3	8
	Total	2	4	0	1	1	3	**11**
Grand Total		**2**	**6**	**1**	**6**	**5**	**9**	**30**

Availability FY Start Shifts

	Shifts	2024	2025	2026	2027	2028	2029	2030	2031	2032	>2033	Total
LANT	In to	0	0	1	6	5	7	5	8	1	6	39
	Out of	0	1	5	4	10	3	6	3	6	1	
PAC	In to	0	3	2	4	3	6	7	2	1	3	31
	Out of	1	3	4	1	7	6	4	3	2	0	
Grand Total	**In**	**0**	**3**	**3**	**10**	**8**	**13**	**12**	**10**	**2**	**9**	**70**
	Out	**1**	**4**	**9**	**5**	**17**	**9**	**10**	**6**	**8**	**1**	

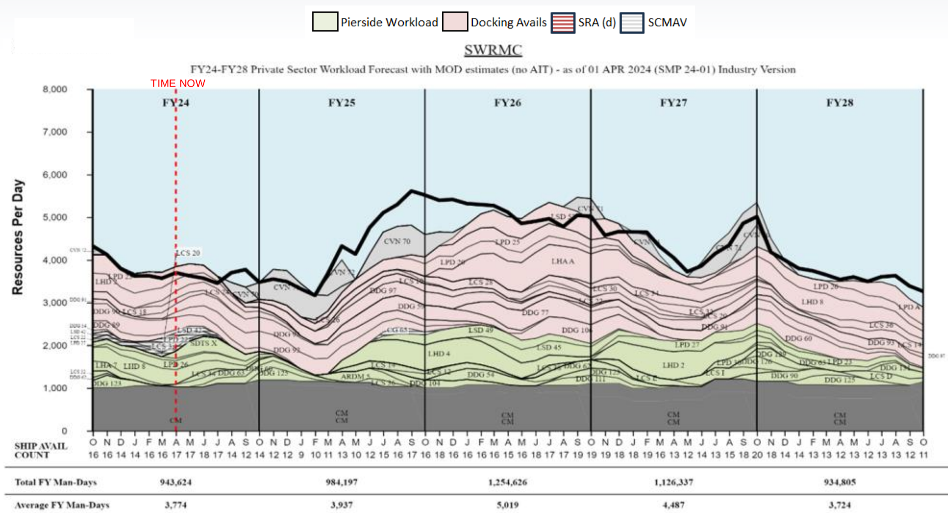
Availability FY Funding Shifts (at A-120)

	Shifts	2024	2025	2026	2027	2028	2029	2030	2031	2032	>2033	Total
LANT	In to	0	0	1	4	1	2	2	5	0	3	18
	Out of	0	1	4	1	2	1	2	2	5	0	
PAC	In to	0	1	1	3	2	4	2	6	2	1	22
	Out of	0	2	3	2	5	2	5	3	0	0	
Grand Total	**In**	**0**	**1**	**2**	**7**	**3**	**6**	**4**	**11**	**2**	**4**	**40**
	Out	**0**	**3**	**7**	**3**	**7**	**3**	**7**	**5**	**5**	**0**	

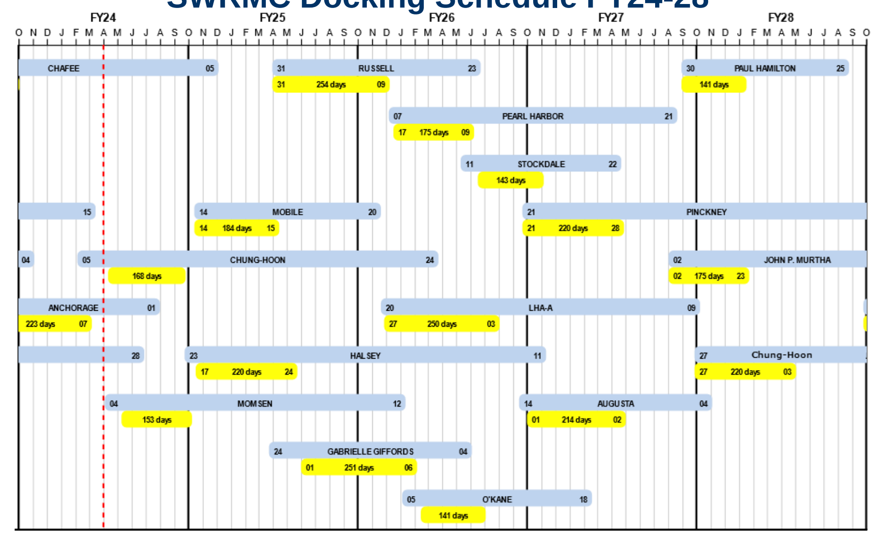
PAC FY24-FY28 Summary

- **OFRP**
  - All CSG/ARG/LCS requirements met
- **Port Loading Executable with:**
  - SWRMC remains high risk, slight improvements in FY25/26 *(Pre-SMP focus)*
  - HRMC FY29 maintenance schedule requires completion of B10-13 upgrade (RM19-1256)
- **Docking Schedule Executable with:**
  - Docking congestion at SWRMC
  - Delays to future SWRMC docking capability *(Pre-SMP focus)*
- **Ongoing Lines of Effort:**
  - Stability of NWRMC workload upon finalization of FFG delivery schedule *(Pre-SMP focus)*
  - Advocate for HRMC infrastructure requirements and alignment of surface maintenance schedules *(Pre-SMP focus)*

SWRMC Port Loading FY24-28



SWRMC Docking Schedule FY24-28



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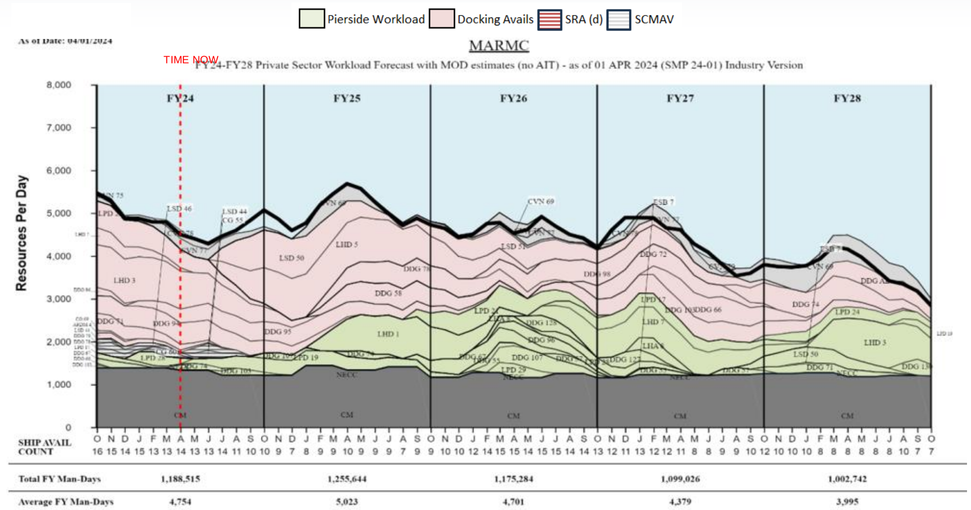
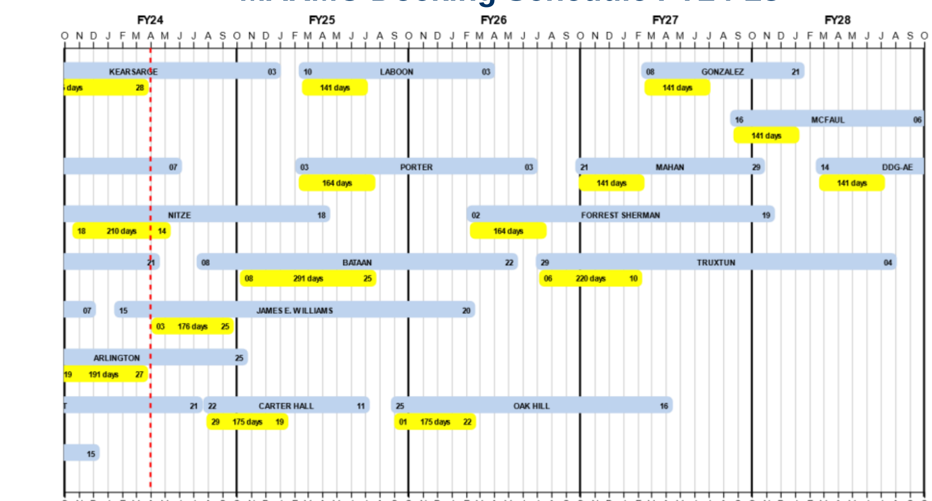
LANT FY24-FY28 Summary

- **OFRP**
  - All CSG/ARG requirements met
  - LCS projected to fulfill GFM presence requirements
- **Port Loading Executable with:**
  - Requires continued monitoring of topside/docking workload balance
  - Restored maintenance availabilities for retained LCS-1 warships *(Pre-SMP focus)*
- **Docking Schedule Executable**
  - Potential for increased coastwide bid pressure
- **Ongoing Lines of Effort:**
  - Norfolk outyear workload stability *(Pre-SMP focus)*
    - DDG Service life extension evaluation
    - ARG operational/maintenance schedules
  - SERMC FY25 workload *(Pre-SMP focus)*
    - Share additional NAVSEA opportunities
  - Assessing work packages that drive ADS/P durations exceeding TGG maintenance strategy

MARMC Port Loading FY24-28



MARMC Docking Schedule FY24-28



Industry Recommendations / Concerns

- Pre-SMP 24-01 industry feedback
  - Programmatic:
    - Expressed support of 6-year docking cycle
    - Expressed support of ISRA construct and impact to on-time delivery
    - Requested to increase HRMC CMAV workload screening to private sector
    - Interest in NAVSEA portfolio workload for Mayport (PTSV, LCS FMS, etc.)
  - Workload:
    - Requests for Mayport workload adjustments (ST LOUIS and new work)
    - Proposed shifts (left) of San Diego FY25 maintenance workload
    - Proposed schedules ISO upcoming PORTER/LABOON dockings
    - Proposed schedules ISO upcoming San Diego dockings (FY25/26)
    - Concern over Navy's planned docking durations, particularly for INDY LCS

**Review of company specific feedback available upon request*

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BGOV OnPoint

Agencies Race to Finalize Rules Ahead of Election

Danielle Parnass, Deputy Team Lead
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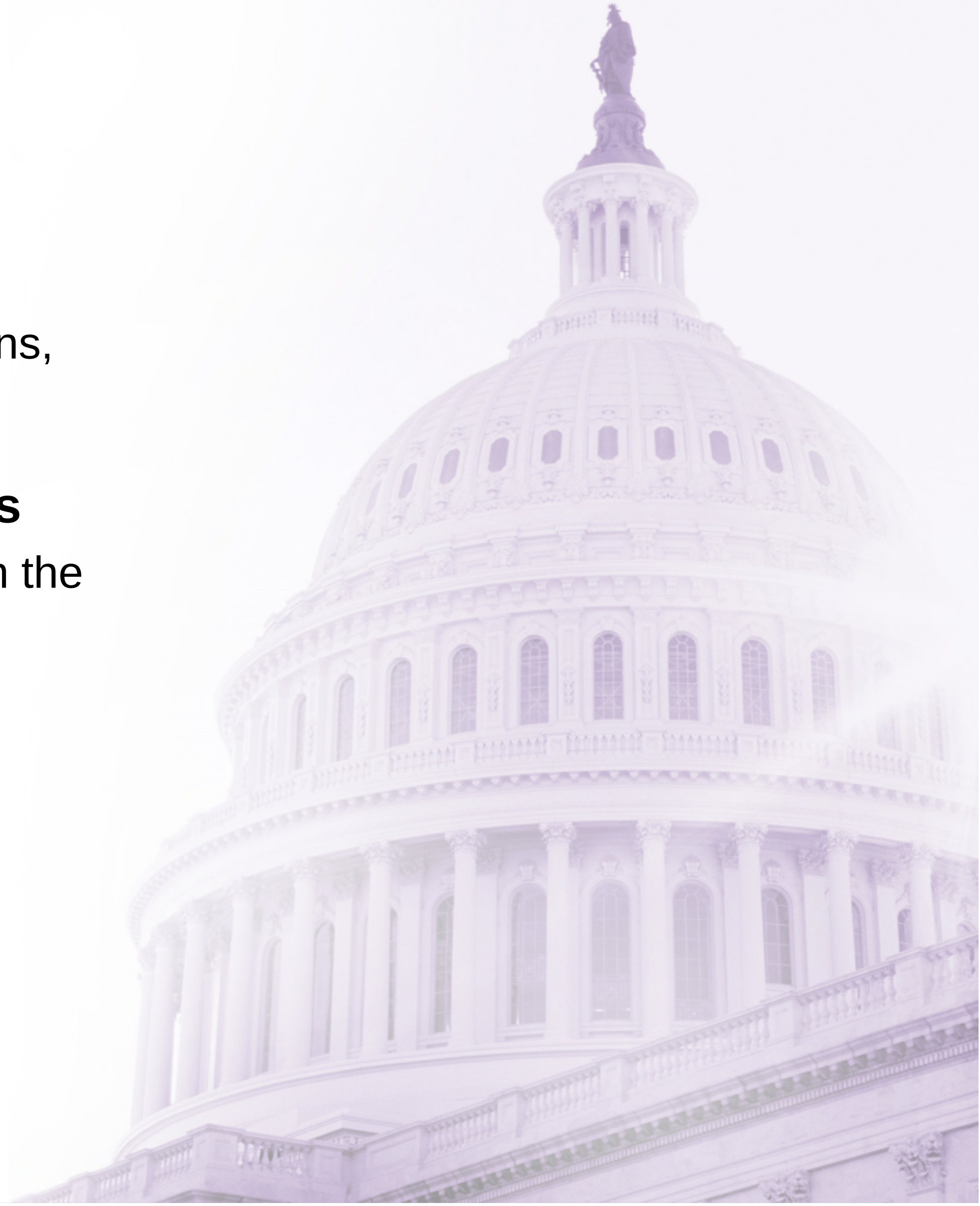
May 1, 2024

Bloomberg Government

About This OnPoint

- **Federal agencies are sprinting to lock in key Biden administration rules**
  - Congressional Review Act enables lawmakers to undo regulations, typically within 60 days of being finalized
- **CRA timelines, election heightening tension over policies**
  - A new Congress and administration can nix rules finalized late in the previous year
  - Deadline for CRA challenges can’t be determined until current session adjourns, and timeline can restart in new session
- **This OnPoint covers:**
  - CRA procedures
  - Potential “lookback” period to overturn rules
  - CRA resolutions this Congress
  - Upcoming rules that could be targeted



– With assistance from Brent Bierman, Jay-Anne B. Casuga, Maya Earls, Samantha Handler, Kellie Lunney, and Zachary Sherwood
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Congress Can Block Federal Agency Rules Via Legislation

- **CRA allows Congress to overturn rules by passing a joint resolution of disapproval in both chambers**
  - Resolutions are subject to presidential veto, so more likely to succeed when a new administration comes in and seeks to cancel its predecessor's regulations
  - Agencies can't issue a similar rule after successful CRA challenge unless lawmakers pass a separate law allowing it
- **Tool was rarely used since enacted in 1996 until former President Donald Trump took office**
  - One Clinton administration rule was struck down via CRA during the George W. Bush administration
  - Trump signed 16 resolutions overturning rules from the Obama administration
  - President Joe Biden has overturned three rules from Trump

CRA-Covered Rules

- CRA applies only to final rules, not proposals; doesn't permit modification of a rule or partial invalidation
- Can also apply to agency guidance documents and other actions not subject to traditional rulemaking process
- Excludes executive orders, rules relating to agency personnel management

Source: "The Congressional Review Act (CRA): Frequently Asked Questions," Congressional Research Service

Senate Has ‘Fast Track’ CRA Procedures

Agency Rule → **Introduction** → **Committee** → **Floor Action** → **President**

Agency Rule

Federal agencies must submit rules to Congress and GAO, and publish in the Federal Register

Introduction

Any lawmaker can introduce a joint resolution of disapproval within 60 “continuous session” days of Congress receiving a rule; includes all calendar days except when chamber adjourns for more than three days

Committee

Senate: Disapproval resolution can be removed from committee, or discharged, to the floor after 20 calendar days with petition signed by 30 senators

House: No explicit procedures for committee consideration

Floor Action

Senate: Any senator can force a vote on a discharged CRA resolution; would only need a simple majority for passage within 60 session days after receiving rule, later than that would require 60 votes to limit debate

House: No explicit procedures for initial floor consideration; can pass resolutions with a simple majority under terms set by Rules Committee at any time

President

The president can sign, veto, or take no action on a disapproval resolution

Two-thirds majority needed in both chambers to override a veto

Note: GAO – Government Accountability Office
Source: “[The Congressional Review Act (CRA): Frequently Asked Questions](),” CRS

‘Lookback’ Window Gives Congress More Time to Review Rules

Congress adjourns | **New session begins**

Calculation of period triggering lookback review	15 days pass	CRA review period restarts

Any rule finalized in the last 60 legislative days of a congressional session can be subject to review again in the next Congress

Estimates of when the final 60 days of a session will start are unofficial until adjournment; Senate and House parliamentarians make official determination of timeframe

Regulations finalized during the lookback period are treated as having been submitted on the 15th legislative day of the new session to restart the 60-day CRA review period

If control of the White House and both chambers shifts to one party—or the Senate margin is close enough to gain majority support—the previous administration’s rules could be overturned

Note: Days are determined based on legislative days in the House and session days in the Senate.
Source: CRS report on lookback period

Late Summer Lookback Date Possible, But Difficult to Predict

- **No set cut-off date yet for rules that won't trigger new administration CRA threat**
  - Current calendars plus estimated pro-forma sessions would put date around Aug. 9
  - Canceling any scheduled days would move the date earlier and adding days to calendar would make it later

House in session | Senate in session | Both in session | Anticipated pro-forma session

May

S	M	T	W	T	F	S
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

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23	24	25	26	27	28	29
30						

July

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August

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September

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15	16	17	18	19	20	21
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October

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November

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17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

S	M	T	W	T	F	S
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	

Notes: Lookback period starts from the earlier of 60 legislative days in the House or 60 session days in the Senate. Calculations assume adjournment is Jan. 3, 2025, as in recent years. Dates of pro-forma meetings, which must be held every three days, were estimated based on final 2023 House and Senate calendars.
Sources: Bloomberg Government analysis; CRS report on lookback period from 2023

Biden Has Vetoed Nine Republican-Led CRAs This Congress

- **Lawmakers didn't have enough votes to override president's vetoes, leaving rules intact**

Vetoed Resolution	Targeted Rule
H. J. Res. 30	Labor Department rule allowing employers to consider **ESG factors** when choosing investments for retirement plans
H. J. Res. 27	Environmental Protection Agency and Army Corps of Engineers rule expanding protection for **additional bodies of water**
H. J. Res. 39	Commerce Department rule suspending **tariffs on solar panels** from Southeast Asia for two years
H. J. Res. 45	Education Department student loan rule to cancel federal **student loan debt** for certain borrowers
S. J. Res. 11	EPA rule establishing new **emission standards** for heavy-duty engines and vehicles
S. J. Res. 9	Fish and Wildlife Service rule listing two populations of the **lesser prairie chicken** under the Endangered Species Act
S. J. Res. 24	FWS rule designating the **northern long-eared bat** as an endangered species
S. J. Res. 32	Consumer Financial Protection Bureau rule requiring lenders to **collect data** on small business loan applicants
S. J. Res. 38	Federal Highway Administration rule temporarily waiving Buy America rules for material used in **electric vehicle chargers**

Note: Data as of April 30.
Source: Bloomberg Government data and George Washington University Regulatory Studies Center

Bloomberg Government

Other CRAs to Overturn Biden Rules Have Received Votes

- **Several resolutions advanced, await further action**
  - EPA rule to broaden definition of "habitat" under Endangered Species Act (S. J. Res. 23) → *Senate passed 5/11/23*
  - Homeland Security Department rule stipulating immigrants can't be denied entry or status because they need public benefits (S. J. Res. 18) → *Senate passed 5/17/23*
  - Agriculture Department rule to allow imports of fresh beef from Paraguay into the US (S. J. Res. 62) → *Senate passed 3/21/24 with veto-proof majority*
  - FHWA rule requiring states to set goals to reduce tailpipe emissions (S. J. Res. 61) → *Senate passed 4/10/24*
  - National Labor Relations Board rule establishing a new standard to determine joint employer status (H. J. Res. 98) → *Both chambers passed, awaiting veto*

Some CRAs Blocked in Senate

- Veterans Affairs Department rule to provide abortion services for veterans (S. J. Res. 10)
- Bureau of Alcohol, Tobacco, Firearms and Explosives rule classifying pistols with "stabilizing braces" as short-barreled rifles subject to stricter rules (H. J. Res. 44)
- USDA rule to include gender identity and sexual orientation in prohibition on sex-based discrimination (S. J. Res. 42)
- Education Department rule altering income-driven repayment plans for federal student loans (S. J. Res. 43)

Notes: Data as of April 30. S. J. Res. 62 was the first CRA sponsored by a Democrat, Sen. Jon Tester (Mont.), targeting a Biden administration regulation to advance this Congress. The House passed its own version of the Education Department loan rule (H. J. Res. 88) after the Senate rejected its version (S. J. Res. 43).
Sources: Bloomberg Government data and George Washington University Regulatory Studies Center

Key Pending Rules Could Bump Up Against CRA Deadline

Environment

Lead pipes: EPA proposal to replace most lead drinking water pipes in the US within 10 years

Methane emissions: EPA proposal would impose fees on oil and gas operators for high methane emissions

Tax

Energy tax credits: IRS proposals on hydrogen, advanced manufacturing, and other tax credits from Democrats' 2022 tax-climate-health law

Health, Social

Birth control: HHS, DOL, IRS proposal would broaden access to birth control coverage under the Affordable Care Act

Disability bias: HHS proposal seeks to curb disability discrimination in government-funded programs

Labor

Chemical warning labels: Occupational Safety and Health Administration proposal to revise a standard for chemical warning labels on commercial products

Sources: "Republicans, Industry Brace for Next Surge of Biden Energy Rules," Bloomberg Government; "Abortion, Drug Pricing Top Biden List of 2024 Health Challenges," Bloomberg Law; "Punching In: Labor Agencies Race Against the Clock on Rulemaking," Bloomberg Law

Several Finance Rules Also Eyed in 2024

SEC Proposals

- **AI standards:** Require brokers and advisers to address conflicts of interest from AI use
- **Asset custody:** Overhaul custody rules, including expanding to cover assets such as crypto
- **Swing pricing:** Require mutual funds to allocate trade costs to initial investors and set hard daily deadline for orders
- **Market structure:** Overhaul equity market structure, including requirement for an open auction before executing equities orders

Banking Regulator, CFPB Proposals

- **Capital endgame:** Require banks with $100 billion to $250 billion in assets to meet tougher capital requirements as part of Basel III framework
- **Living wills:** Require banks with $100 billion or more in assets to file detailed resolution plans every two years
- **Interchange fees:** Reduce the maximum fee that banks can charge merchants for debit card transactions
- **Open banking:** Allow customers to more easily transfer financial data to third-party companies, including fintech startups

Sources: "Gensler Vows to Advance SEC's Rule Agenda as Election Looms," Bloomberg News; "Wall Street Braces for More SEC Scrutiny of AI, Private Funds," Bloomberg Law; "Banks Gear Up for Battle Over Capital Rules, Swipe Fees in 2024," Bloomberg Law; "Supreme Court Decisions Loom Over Consumer Watchdog's 2024 Plans," Bloomberg Law

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Biden Administration Defends Decades of OSHA Rulemaking Power

By Bruce Rolfsen | May 2, 2024 10:59AM ET

The US Supreme Court should skip a challenge to OSHA's decades-old authority to issue permanent workplace safety rules, the Justice Department argued in a new brief.

Courts below correctly ruled that Congress validly granted rulemaking power to the Labor Secretary under the Occupational Safety and Health Act of 1970, the DOJ said Wednesday in urging the justices to deny Allstates Refractory Contractors LLC's petition for review.

The case is among a series of legal disputes seeking to weaken the power of administrative agencies, with the Supreme Court currently mulling whether to gut a doctrine on court deference to agency interpretations of ambiguous laws.

That OSH Act sets "meaningful guideposts" and "constraints" for when the DOL's Occupational Safety and Health Administration can issue permanent safety standards, the Justice Department said.

"Only by ignoring those provisions can petitioner assert that the Act lacks an intelligible principle or that it grants the Executive 'nearly unfettered discretion' to make whatever workplace safety rules it wants," it said.

Allstates, which serves the glass, metal, and petrochemical industries, launched a legal attack in 2021 on the Occupational Safety and Health Administration's power to issue permanent workplace safety standards. It sued OSHA about two years after it agreed to pay a roughly $6,000 penalty to settle agency safety citations.

The US District Court for the Northern District of Ohio and a split US Court of Appeals for Sixth Circuit sided with the government.

"So while Congress has conferred significant power to OSHA to oversee large sections of our economy, the discretion conferred by the OSH Act nowhere near approaches the line where the scope of its power is too great for the standard imposed," the Sixth Circuit majority said.

Judge John Nalbandian, appointed by President Donald Trump, wrote in dissent that it was time to rein in OSHA.

"In the Occupational Safety and Health Act ('OSHA'), Congress granted the Secretary of Labor nearly unfettered discretion in fashioning permanent occupational health and safety standards," Nalbandian said.

Allstates argued in its petition for high court review that the case is an “excellent vehicle” to further define the nondelegation doctrine, which forbids Congress from giving agencies or other entities its power to legislate.

“If there is any case in which the Court should stand up for the principle that Congress, not agencies, must write major rules affecting the American people, this is it,” Allstates said. “Congress has empowered OSHA not only to enact major occupational safety rules but also to enforce them against ‘practically every business in the United States.’”

The Justice Department countered that several appeals courts have previously rejected nondelegation challenges to the OSH Act, and that Allstates seeks to “invalidate a statutory provision that was enacted more than 50 years ago and has been the basis for the issuance of numerous safety standards that have greatly reduced occupational injuries and deaths over that time.”

The Justice Department represents the DOL and OSHA. Brett Shumate of Jones Day represents Allstates.

The case is *Allstates Refractory Contractors, LLC v. Su*, U.S., No. 23-0819, brief filed 5/1/24.

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BGOV OnPoint: Key Biden Rules Could Be Nixed By GOP, Trump

By Danielle Parnass | May 1, 2024 5:26AM ET

A legislative tool that makes it easier for Congress to overturn federal agency regulations has become a flashpoint this year as the Biden administration races to finalize key rules ahead of the elections.

The Congressional Review Act lets simple majorities of lawmakers in both chambers vote to undo regulations, subject to presidential veto. In a practical sense, opponents taking on a current administration's regulation need enough votes to override a veto.

CRA efforts are more likely to succeed after a new administration comes in and lawmakers back reversing a predecessor's policy.

The window to act under the CRA is typically within 60 legislative days of a regulation being finalized, but different rules around the end of a Congress give opponents more time to act.

That's added tension for an administration in its fourth or eighth year.

Download the BGOV OnPoint: Agencies Race to Finalize Rules Ahead of Election

Under the law's "lookback period," the window for Congress to disapprove of rules can restart at the beginning of a new congressional session for any regulation finalized in the last 60 legislative days of the last session.

That day could be around early August based on the current House and Senate schedules and anticipated pro-forma sessions during recesses. Any estimate is subject to change as Congress typically adds and removes planned working days throughout the year. An official count can't be determined until Congress adjourns and the parliamentarians weigh in.

The CRA window could affect key rules that are still pending from the administration—including on lead pipes, energy tax credits, and birth control coverage. A slate of finance regulations are also on tap this year, including asset custody rules, broker AI standards, and debt card interchange fees.

Former President Donald Trump and Republicans in Congress blocked 16 rules from the Obama administration using the CRA. It had been successfully used only once before that—when a Clinton administration rule was struck down during the George W. Bush administration. President Joe Biden and Democrats in Congress overturned three Trump administration rules in 2021.

The attached OnPoint covers CRA procedures, BGOV's estimated lookback date, CRA resolutions voted on this Congress, and upcoming rules that could be targeted.

Resolution to Block DOL Gig Worker Rule Advanced by House Panel

By Diego Areas Munhoz | March 21, 2024 1:27PM ET

House Republicans advanced legislation that would block a US Department of Labor rule that makes it harder for companies to classify workers as independent contractors.

The Committee on Education and the Workforce voted 21-13 Thursday on the measure brought under the Congressional Review Act, siding with business groups and gig employers that oppose the rule. The resolution now heads to the House floor, where it's expected to pass before it heads to the Democratic-controlled Senate.

Congressional Republicans and business groups have said the regulation—which took effect March 11—will dramatically impact the gig economy and threatens entrepreneurship. The rule changes how the DOL determines whether a worker is an employee or an independent contractor under the Fair Labor Standards Act, determining who qualifies for minimum wage and overtime pay protections, among other rights under federal labor laws.

"The fundamental right for workers to earn an honest living on their own terms is even at stake," the committee's chairwoman, Rep. Virginia Foxx (R-N.C.), said during Thursday's markup. "Allowing for entrepreneurship through pursuits such as independent contracting is how we will repair the American economy, not through bad government regulations that destroy the freedom to work independently."

The congressional challenge comes as businesses and freelancer groups wage a full-fledged campaign to block the regulation with multiple lawsuits in federal courts. But while Republicans on Capitol Hill overwhelmingly oppose the rule, Congress may not be the most effective avenue to bring down the DOL regulation.

The CRA allows lawmakers to overturn agency rulemaking through a resolution that can clear both chambers of Congress with simple majorities, including a fast-track process that allows the minority party in the Senate to circumvent Majority Leader Chuck Schumer's (D-N.Y.) capacity to block it.

However, President Joe Biden would have to sign the measure into law, but he's unlikely to approve legislation that would block his administration's own rulemaking. Biden vetoed a measure in 2023 that would have overturned a DOL sustainable investing rule, and has threatened to block a resolution seeking to undo the National Labor Relations Board's joint employment rule that is currently awaiting a vote in the Senate.

Democrats have defended the DOL's independent contractor rule, saying it seeks to curb the misclassification of workers. They have rejected the claim that it would hamper individuals who want to be in business for themselves, stressing that the regulation will only help crack down on employers that seek to avoid paying workers the benefits guaranteed to employees under law.

"For decades, unscrupulous employers have used misclassification as a strategy to cut down on labor costs and exploit both insufficient penalties and the limited capacity of underfunded enforcement agencies," Rep. Bobby Scott (D-Va.), the committee's ranking member, said during the markup. "Worker misclassification harms our economy by depriving our government of billions of dollars in badly needed tax revenue."

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May 14, 2024

10 Steps Employers Should Take to Protect Workers this Summer as Feds Prepare to Finalize Heat Rule

J. Micah Dickie, Robin Repass

Fisher Phillips

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Employers need to take action to protect workers from heat illnesses and injuries as temperatures begin to rise nationwide – not just because it's the right thing to do, but because federal workplace safety officials are finalizing a stringent new heat rule that would considerably raise the stakes for employers. The Occupational Safety and Health Administration (OSHA) just advanced one step closer to publishing a permanent standard that would address hazards stemming from heat hazards, sending a clear message to businesses from coast to coast. What's the latest on the developments – and what are the 10 things you can do now to protect your workers all summer long?

OSHA's Heat Hazard Rulemaking Takes Next Step

Just last week, the Advisory Committee on Construction Safety and Health unanimously recommended OSHA move forward with its Notice of Proposed Rulemaking for heat. The next step will see the agency publish a proposed rule, after which it will seek and consider input from a wide range of stakeholders and the public. You can expect twists and turns along the way, but it seems likely that the earliest we would see a finalized rule is by early 2025.

Employers In Federal OSHA States are Already Required to Address Heat Hazards

But don't let this timeframe fool you. While we await a formal heat-related or heat stress standard in place for states covered by Federal OSHA, federal OSHA already enforces heat-related hazards through its General Duty Clause. This standard requires employers to provide a work environment that is free from recognized hazards that are causing or are likely to cause death or serious physical harm to employees.

OSHA Uses Novel Mechanism to Turn Up the Heat

In fact, in the last two years alone, OSHA has conducted nearly 5,000 federal heat-related inspections – using its National Emphasis Program (NEP) related to heat illnesses and injuries for both outdoor and indoor workers. NEPs are temporary programs that focus OSHA's resources on particular hazards and high-hazard industries.

The heat NEP is effective until April 2025, and it will see OSHA target workplaces where heat-related injuries or illnesses are prevalent during high heat conditions. This includes outdoor workspaces in a local area experiencing a heat wave or working indoors near radiant heat sources (such as iron and steel mills and foundries).

If you want more detail about the NEP, including how employers will be selected for inspections, you can read our full Insight here.

What About States Not Covered by Federal OSHA?

If you do business in a state where a state agency rather than federal OSHA enforces the OSH Act (such as California, Kentucky, or elsewhere), emphasis programs in those states may differ.

- Nevada, for example, already has a heat NEP in place, and employers in that state may also soon face a permanent rule related to heat hazards.
- Employers in Oregon must comply with permanent safety standards on mitigating heat-related injuries and illnesses.
- California, which already had an outdoor heat illness rule, has taken steps to adopt an indoor heat illness rule. The proposed rule – which would create only the second indoor heat standard in the country after Oregon's – presents majors challenges for employers seeking to meet the compliance obligations.
- Other states like Washington are in the middle of rulemaking, similar to Federal OSHA, to issue final rules on heat-related hazards.

Meanwhile, Florida – which falls under federal OSHA jurisdiction – recently blocked local governments from passing laws intended to mitigate heat injuries and illnesses. The new statute bans counties and municipalities from requiring private employers to offer heat safety protections to employees beyond what's required under the Occupational Health and Safety Act (OSH Act).

10 Steps to Take to Provide a Safe Workplace This Summer.

As you prepare for the summer months ahead, here are 10 steps you can take to protect your workers from heat-related injuries and illnesses – and avoid legal scrutiny.

1. **Plan ahead.** Draft a prevention program to mitigate against heat-related injuries and illnesses. Conduct a hazard analysis of all of your job duties or positions that could involve exposure to extreme heat, including an analysis of outdoor and indoor workspaces. If you are in a state OSHA plan location, review your heat illness prevention program plan against any state plan requirements.
2. **Train your workers.** Provide training to all of your workers on how to prevent heat illnesses, and make sure managers know to take the lead when it comes to spotting potential problems and ensuring compliance.
3. **Don't take risks.** Provide medical screening for all workers who will work in high-heat settings.
4. **Keep an eye out.** Designate someone at each worksite to monitor worker health and conditions on days of extreme heat. You may also consider requiring a buddy system on hot days and enforcing a procedure for employees to report heat stress symptoms.
5. **Let them rest.** Provide unscheduled rest breaks and require work/rest periods. It's difficult to quantify specific breaks for specific scenarios in states covered by federal OSHA, so a best practice is requiring rest breaks of up to five minutes in shade every hour, or 10 minutes every two hours, when temperatures are above 87.8°F.
6. **Provide water.** Provide unlimited, easy access to cool water. OSHA has indicated that employees should drink 4 to 6 ounces every 15 to 20 minutes, but no more than 1 quart/hour and 12 quarts/24 hours.
7. **Offer cover.** Provide access to shaded areas and cooling fans. Provide hats for outdoor workers in the sun.
8. **Be flexible.** Consider changing start times and days during a project to avoid high-heat hours. Or consider rotating crews of workers to minimize work during the hottest hours.
9. **Get your workers ready.** Require an acclimatization period for workers not used to working in the heat. This not only includes new employees but existing workers returning to heat exposure or those working during seasonal changes as the weather gets warmer. OSHA provides a full list of detailed recommendations that you should implement for a one-to-two-week period, including guidance on work periods, rest breaks, job tasks, and more.

10. **Be prepared for the worst-case scenario.** Ensure access to first aid and prompt medical attention for symptomatic employees.

Conclusion

While we provided lots of information in this Insight, remember these three words for your employees: **Rest, Water, Shade**. You should take action now as temperatures rise, particularly where you have employees engaged in outdoor work, wearing heavy or bulky equipment or personal protective equipment, or where workers are performing strenuous work such as intense arm and back/lifting work, carrying, shoveling, manual sawing, pushing, and pulling heavy loads, and walking at a fast pace in humid and hot conditions.

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OSHA advisory committee gives proposed heat rule a thumbs-up

May 8, 2024

No Comments

ADVISORY COMMITTEE ON CONSTRUCTION SAFETY AND HEALTH HEAT HEAT ILLNESS HEAT PROTECTION HEAT STRESS HEAT STROKE HEAT-RELATED ILLNESSES OSHA OSHA ADVISORY COMMITTEES

Photo: Virginia Department of Transportation/Flickr

Washington — OSHA's Advisory Committee on Construction Safety and Health has unanimously recommended that the agency move forward with its proposed standard on protecting workers from excessive heat.

A notice of proposed rulemaking could appear sometime before Oct. 1, acting Labor Secretary Julie Su said during a May 1 House Education and the Workforce Committee hearing.

"As part of the rulemaking process, the agency will seek and consider input from a wide range of stakeholders and the public at-large as it works to propose and finalize its rule," OSHA says in a May 8 press release.

Until a standard is finalized, the agency can cite employers under the General Duty Clause, although proving violations of the clause requires a four-part test. OSHA is also continuing its National Emphasis Program for outdoor and indoor heat-related hazards, which began in 2022.

"Workers at risk of heat illness need a new rule to protect workers from heat hazards," OSHA administrator Doug Parker said. "OSHA is working aggressively to develop a new regulation that keeps workers safe from the dangers of heat.

"As we move through the required regulatory process for creating these protections, OSHA will use all of its existing tools to hold employers responsible when they fail to protect workers from known hazards such as heat, including our authority to stop employers from exposing workers to conditions which pose an imminent danger."

The agency says it's prioritizing inspections for agricultural employers who have temporary, nonimmigrant H-2A workers for seasonal labor.

"These workers face unique vulnerabilities, including potential language barriers, less control over their living and working conditions, and possible lack of acclimatization, and are at high risk of hazardous heat exposure," the release states.

The agency reminds employers that they need a heat safety and health plan, which should include provisions for acclimatization, water, rest and shade.

"Employees who are new or returning to a high heat workplace should be allowed time to gradually get used to working in hot temperatures," OSHA says. "Workers and managers should also be trained so they can identify and help prevent heat illness themselves."

Bloomberg
GOVERNMENT

OSHA Officials Avoid Specifics on Timing of Heat Stress Rule

By Bruce Rolfsen | March 6, 2024 4:01PM ET

Federal worker safety officials are working on a national heat stress rule but are offering no deadlines or milestones for when it might emerge.

"We're working expeditiously," Occupational Safety and Health Administration head Doug Parker said Wednesday at an American Bar Association conference in San Juan, P.R., focused on occupational safety.

OSHA's proposed rule (RIN:1218-AD39), which would set requirements for protecting both indoor and outdoor workers, remains in the development phase. OSHA first proposed the rule in October 2021.

Officials speaking at the conference Wednesday offered no date for when OSHA will formally issue its notice of proposed rulemaking. The notice will start what's likely to be a lengthy public comment and review period that will eventually lead to enactment of a final rule.

The rule's potential requirements include setting 80 degrees as a trigger temperature for when employers would need to institute heat protection measures such as providing workers with cool water and rest breaks in the shade.

Meanwhile in California, state workplace safety regulators are poised to approve the state's indoor heat rule on March 21. The proposed rule sets 82 degrees as the temperature where employers would have to begin heat stress mitigation measures.

The state already has requirements to mitigate the affects of heat on outdoor workers.

Focus on Enforcement

With no national heat rule on the horizon, OSHA officials promised Wednesday to boost heat protection enforcement by using a national emphasis program.

Dionne Williams, deputy director of OSHA's enforcement directorate, said at least 4,200 inspections have been conducted since the heat emphasis program began in April 2022.

Because OSHA doesn't have a heat-specific rule, it often uses a law—the general duty clause—to cite employers for failing to provide employees with a workplace free of severe hazards that can be feasibly corrected.

As of Feb. 25, OSHA had issued 53 general duty citations and sent 637 hazard alert letters to employers, Williams said. While the general duty clause citations come with fines, hazard alert letters don't include penalties.

To bolster its heat enforcement program, OSHA is looking to shorten the time between an inspection and issuing a citation, Williams said.

Following an inspection, OSHA has up to six months cite an employer. That means a citation from a heat inspection during the summer may not be issued until the following winter, reducing the inspection’s effectiveness and delaying a mandate for the employer to improve heat protection.

“Getting abatement is one of the issues we’re trying to address,” Williams said.

General duty clause citations can be difficult to issue because the agency must explain how the employer would fix the hazard, and the citation usually must be reviewed by US Department of Labor attorneys.

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Bloomberg GOVERNMENT

Proposed Trigger Point for OSHA Heat Stress Rule Gets Hotter

By Bruce Rolfsen | April 25, 2024 2:00PM ET

Planned federal mandates to protect indoor and outdoor workers from heat stress would kick in any time the heat index reaches 80 degrees Fahrenheit, four degrees higher than a prior proposal, according to an update from OSHA officials.

That possible threshold would apply to employers that depend on weather reports for determining their workplace's temperature, said Stephen Schayer, director of the Occupational Safety and Health Administration's Office of Physical Hazards.

Schayer announced the proposed threshold at Wednesday's meeting of OSHA's Advisory Committee on Construction Safety and Health. The agency has been working on a national heat stress standard (RIN:1218-AD39) since 2021 amid rising global temperatures that have led to some of the hottest summers on record.

OSHA has yet to set a time frame for issuing a formal proposed rule, but acting Secretary of Labor Julie Su told Bloomberg Law in March that the agency likely won't have the time to finalize the heat regulation during the Biden administration's first term.

Employer Requirements

Employers that take their own work-site measurements would have to use a wet bulb globe device that factors in humidity, sun exposure, and other factors to determine their site's equivalent temperature, Schayer said.

That reading then would have to be compared to a chart from the National Institute for Occupational Safety and Health to determine if the employer needs to take protective measures.

Indoor workplaces with temperatures below 80 degrees would be exempt under the proposal.

On days that trigger OSHA requirements, employers would be expected to provide 15-minute rest breaks at least every two hours, Schayer said. He added that an unpaid mid-day lunch break would count as a heat break.

Employers would also have to provide water and cool or shaded rest areas, as well as training for workers and supervisors on the symptoms of heat stress and how to treat an ill worker.

Schayer said the agency continues to consider requirements for acclimatization of new or returning workers, but he didn't offer what requirements the agency may propose.

Bloomberg GOVERNMENT

At each worksite, employers would be expected to have a supervisor ensure compliance with the rule, Schayer said.

Unanswered Questions

Committee members were concerned with rule provisions specific to the building trades. For example, they asked at what construction phase does a building or a floor of a high-rise under construction transition from being outdoors to indoors as walls and windows are added?

They added: would one building site need to have multiple temperature readings to take into account different shade and airflow conditions?

OSHA officials didn't offer answers, but said they would take the concerns into consideration as a notice of proposed rulemaking is prepared for release.

Without a federal heat standard, OSHA depends on a mix of regulations—such as a mandate to train construction workers about work-site hazards—and a law that calls for employers, if feasible, to mitigate potentially fatal hazards.

A few states, including California, Minnesota, Oregon, and Washington, have enacted their own rules. Maryland is drafting a regulation.

Florida and Texas have banned their local governments from enforcing their own heat regulations.

If OSHA does approve a national measure, state programs with heat regulations would need to have rules that at the least matched the federal mandate. OSHA would also enforce its requirements in other states, even those with local government prohibitions.

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Business Groups File First Challenge to OSHA Inspection Rule (1)

By Bruce Rolfsen | May 21, 2024 5:25PM ET

A federal court should prevent OSHA's "walkaround" inspection rule from taking affect May 31, the US Chamber of Commerce and other business groups said in a lawsuit filed Tuesday.

The Chamber and several other business groups are asking the US District Court for the Western District of Texas to postpone enforcement of the walkaround rule and vacate the regulation, arguing it exceeds the agency's authority and isn't aligned with what Congress intended in the Occupational Safety and Health Act.

"OSHA claims this rule is about workplace safety, but as some union organizers have publicly admitted this rule is about gaining access to non-unionized workplaces to advance their organizing campaigns," Marc Freedman, vice president of the Chamber Employment Policy Division, said in a statement.

An OSHA spokesperson said the agency declined to comment on the lawsuit.

The rule, released March 29, allows US Occupational Safety and Health Administration inspectors to be accompanied on the walkaround portion of an inspection by worker representatives who aren't employees of the company if the inspector believes the representatives will aid the inspection.

While unions and worker advocates support the rule, employers believe the measure will enable outside union activists to join inspectors at non-union workplaces and encourage workers to organize.

Prior to the current rule, an employee representative who worked at the inspection site could accompany the OSHA inspector. At unionized sites, that often could be someone from a plant safety committee or a union officer. The inspector could invite an outside participant if the person had a specialized skill, such as being an occupational safety professional.

Conflicts sometimes arose when a union wanted a safety expert who wasn't an employee to accompany an inspector and the company objected to the non-employee's presence.

Round Two

The Chamber-led lawsuit is the second time employer groups have challenged OSHA's ability to have non-employee worker representatives join inspections.

The Obama administration enacted a similar policy in 2013 by issuing an in-house interpretation letter, not a formal rule as OSHA did this year.

That policy was questioned by a federal judge in 2017, who said the change should have been made through notice-and-comment rulemaking. The Trump administration revoked the policy later that year and the case was dismissed.

The new lawsuit acknowledges that OSHA has followed the proper rulemaking procedure for issuing notice and accepting public comments. But the employer groups found other problems with the regulation that they say make it legally deficient.

The “Walkaround Rule exceeds OSHA’s statutory authority, effects takings of employers’ property rights protected by the Fifth Amendment, and was promulgated in violation of the Administrative Procedure Act (APA) and the Regulatory Flexibility Act,” the complaint said.

“In its haste to deliver on the President’s pro-union agenda, OSHA repeatedly violated the APA’s command that agencies ‘engage in reasoned decision making,’” the lawsuit said.

The agency didn’t perform a proper cost-benefit analysis, failed to consider how employers’ trade secrets wouldn’t be revealed to outside participants, and didn’t explain the how the agency would determine the maximum number of third-party representatives who could accompany an inspector, the business groups said.

When the Obama administration policy was in place in 2013 and 2014, OSHA inspectors at Professional Janitorial Services Inc. work sites in Texas were joined by two or three union representatives on four separate occasions, the lawsuit said.

“The Union representatives did not appear to have any specialized training or knowledge of industrial hygiene or safety engineering,” it said.

New Guidance

In preparation for allowing outside participants, OSHA May 10 issued new guidance to inspectors for determining if a third-party representative was needed and if the selected representative is qualified.

According to that guidance, the inspector must believe that “good cause has been shown why the third party is reasonably necessary to an effective and thorough physical inspection” before that person can join the inspection.

The inspector “may consider a variety of factors, including any relevant knowledge, skills, and experience of the representative, including whether they have relevant language or communication skills that would facilitate communication with workers,” it said.

The directive doesn’t set limit on the number of outside participants.

The employer groups are represented by Jones Day.

The case is *Chamber of Commerce v. OSHA* , W.D. Tex., No. 24-cv-00271, complaint filed 5/21/24.

May 31, 2024

U.S. Chamber of Commerce Sues OSHA to Block Union Walkaround Rule

James Curtis, Craig Simonsen, Adam Young

Seyfarth Shaw LLP

+ Follow Contact

***Seyfarth Synopsis**: Numerous business groups led by the U.S. Chamber of Commerce sued the Occupational Safety and Health Administration over the Agency's new walkaround rule. The suit, Civil Action No. 24-271, was filed last week in federal court in the Western District of Texas, challenging the legality of the recent regulation that expanded workers' rights to bring in outside representatives during OSHA safety and health inspections.*

The new OSHA walkaround rule expands the scope of who may lawfully participate in an OSHA walkaround inspection at a private employer. We previously blogged on the new rule here. Under existing law, employees can designate authorized representatives to join OSHA inspections. The general rule is that those representatives "shall be an employee of the employer." Existing regulations provide for exceptions where the presence and assistance of the third party is "reasonably necessary" to conduct an effective inspection, with examples of an "industrial hygienist or a safety engineer."

By contrast, the new rule taking effect May 31, 2024 would change the default to allow employees *and* third parties representatives not affiliated with the employer, such as non-employee union organizers. The new rule further expands who may qualify as "reasonably necessary" to assist the OSHA inspection, expanding the scope to include individuals with skills and knowledge who are *not* safety professionals. Critics of the new rule argue that it is intended to allow unions access to non-union workplaces for the purpose of union organizing activities. The presence of third parties on site may also jeopardize the confidentiality of trade secrets and commercial information.

This new OSHA walkaround rule reflects a long-standing effort to allow more third parties into OSHA inspections. The Courts struck down a prior attempt to permit more third party walkarounds. In *NFIB v. Dougherty*, No. 3:16-CV-2568-D, 2017 WL 1194666 (N.D. Tex. Feb. 3, 2017), a Texas federal court blocked the Obama-era regulation on procedural grounds, for failure to fulfill notice and comment requirements. Though the new Biden-era rule went through a notice and comment period, the Chamber's Complaint for Declaratory and Injunctive Relief argues that the new rule violates the Administrative Procedures Act, as well as the Fifth Amendment, Regulatory Flexibility Act, and the limitations of OSHA's statutory authority under the OSH Act.

As the new rule is scheduled to take effect May 31, 2024, we are closely watching the litigation and tracking whether the new rule will been enjoined.

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Employer coalition supports effort to repeal OSHA’s walkaround rule

May 30, 2024

No Comments
OSHA OSHA FINAL RULES OSHA INSPECTIONS

Washington — A coalition of nearly 60 employer groups is urging members of the House to support a resolution intended to repeal OSHA’s final rule on worker walkaround representation.

The Congressional Review Act resolution (H.J. Res. 147), sponsored by Rep. Mary Miller (R-IL), was introduced May 16 and referred to the House Education and the Workforce Committee.

OSHA published its final rule on April 1. The rule, set to go into effect May 31, will allow workers to designate someone who doesn’t work for their employer – including a labor union member – to represent them during the “walkaround” part of an OSHA inspection.

In a May 17 letter addressed to the lawmakers, the coalition contends the rule “would allow third parties looking to harm employers to accompany OSHA safety and health officers during facility inspections.” The letter's 59 signees include the American Trucking Associations, Associated General Contractors of America and the National Retail Federation.

The letter continues: “The resolution would nullify this inappropriate rulemaking and prevent the agency from issuing a substantially similar rule in the future. Passing the resolution is critical to safeguarding OSHA’s mission of providing safe and healthy workplaces across the country, preventing OSHA officers from being put in the middle of labor disputes between employers and unions, defending employers’ property rights, and defending workers’ right to choose representation through the appropriate process.”

The coalition points out that although OSHA regulations have long permitted an employee to accompany an agency inspector – also known as a compliance safety and health officer – during the walkaround portion of an inspection, "third parties have only been allowed to participate when the individual 'is reasonably necessary to the conduct of an effective and thorough physical inspection of the workplace.'" It adds that the policy enabled OSHA to balance the need for outside expertise when necessary and employer property rights.

"OSHA's final rule, however, abandons this balance with no justification and no explanation as to how the change would increase workplace safety," the group writes. "It contradicts the plain language of OSHA's governing regulations, long-standing agency guidance, and past interpretations of the Occupational Safety and Health (OSH) Act and could very likely result in unmanageable OSHA inspections."

The coalition also contends the rule doesn't limit the third-party representatives who may be present for an inspection or include guidance on how OSHA inspectors should prioritize, approve or manage these requests.

Under OSHA 1903.8, a walkaround representative "shall be an employee(s) of the employer." However, the regulation also allows an OSHA inspector to make a judgment call on whether a third party can participate in the walkaround.

An agency press release states: "For a nonemployee representative to accompany the compliance officer in a workplace, they must be reasonably necessary to conduct an effective and thorough inspection."

A nonemployee representative, the final rule clarifies, could be "reasonably necessary" based on skills, knowledge or experience.

"This experience may include knowledge or experience with hazards or conditions in the workplace or similar workplaces, or language or communication skills to ensure an effective and thorough inspection," the release adds. "These revisions better align OSHA's regulation with the OSH Act and enable the agency to conduct more effective inspections. OSHA regulations require no specific qualifications for employer representatives or for employee representatives who are employed by the employer."

New law keeps safety agencies’ FY 2024 budgets steady

March 28, 2024

No Comments
BUDGET BUDGET CUTS MINE SAFETY AND HEALTH ADMINISTRATION NIOSH OSHA

Washington — OSHA’s budget will remain unchanged in fiscal year 2024, under new legislation signed into law March 23.

The Further Consolidated Appropriations Act of 2024 (H.R. 2882) allocates around $632.3 million to the agency. In a recent blog post, former OSHA Deputy Assistant Secretary Jordan Barab contends that, after factoring in inflation and a 5.2% federal pay raise for employees, it’s essentially a budget cut.

“This is bad, but certainly not as bad as it could have been,” he adds.

The allocation is still more than what was initially proposed by both the Senate ($628.5 million) and House ($536.9 million). The Biden administration, in its budget proposal released in March 2023, sought $738.7 million for the agency for FY 2024, which concludes Sept. 30.

“The fiscal year 2024 process has not been easy,” Sen. Susan Collins (R-ME), vice chair of the Senate Appropriations Committee, said in a press release, “but I am proud of the legislation this hardworking committee has produced – two packages of 12 total individual bills that will fund important government programs, agencies and departments through the end of the fiscal year.”

The Mine Safety and Health Administration will receive $387.8 million in FY 2024 – unchanged from FY 2023. That matches the Senate’s proposed funding amount in its budget bill, while the House bill allocated around $325 million – a decrease of nearly $63 million, or about 16.2%. The White House proposed $437.8 million for the agency.

NIOSH will receive $362.8 million in FY 2024, the same amount it received in FY 2023. Again, that's the amount the Senate proposed in its budget bill, while the House bill allocated $247.7 million – a 31.8% budget cut. The White House requested $362.8 million for the agency.

"When Democrats and Republicans work together, we can move America forward and invest in the programs that keep us safe and healthy," Rep. Rosa DeLauro (D-CT), ranking member of the House Appropriations Committee, said in a press release. "We must not repeat this year's chaos in the 2025 funding process."

(Amounts in thousands)

	FY 2023 Enacted	FY 2024 Request	Final Bill	Final Bill vs Enacted	Final Bill vs Request
OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)					
Salaries and Expenses					
Safety and Health Standards	21,000	31,214	21,000	---	-10,214
Federal Enforcement	243,000	286,429	243,000	---	-43,429
Whistleblower enforcement	22,500	29,158	22,500	---	-6,658
State Programs	120,000	127,115	120,000	---	-7,115
Technical Support	26,000	30,623	26,000	---	-4,623
Compliance Assistance:					
Federal Assistance	78,262	101,073	78,262	---	-22,811
State Consultation Grants	63,160	64,160	63,160	---	-1,000
Training Grants	12,787	13,787	12,787	---	-1,000
Subtotal, Compliance Assistance	154,209	179,020	154,209	---	-24,811
Safety and Health Statistics	35,500	43,896	35,500	---	-8,396
Executive Direction and Administration	10,100	11,213	10,100	---	-1,113
Total, Occupational Safety and Health Administration	632,309	738,668	632,309	---	-106,359
MINE SAFETY AND HEALTH ADMINISTRATION					
Salaries and Expenses					
Mine Safety and Health Enforcement	265,774	301,528	265,774	---	-35,754
Standards Development	5,000	5,583	5,000	---	-583

Biden administration seeking a 3.7% budget increase for OSHA

March 12, 2024

One Comment

BIDEN ADMINISTRATION BUDGET BUDGET CUTS DEPARTMENT OF LABOR JOE BIDEN MINE SAFETY AND HEALTH ADMINISTRATION NIOSH NIOSH BUDGET OSHA

Photo: lucky-photographer/iStockphoto

Washington — The White House is proposing a relatively modest budget increase for OSHA under the Department of Labor's fiscal year 2025 budget request, released March 11.

The Biden administration is requesting a little more than $655 million for the agency. That would represent a roughly $23 million increase, or 3.7%, over the current continuing appropriations for FY 2024. Those figures could change if Congress passes DOL's budget for FY 2024, which began Oct. 1.

Much of that proposed increase – around $18.6 million – would go toward enforcement and the addition of 14 inspectors. In contrast, the administration had requested a $106.3 million budget increase – $40 million for enforcement and 142 new inspectors – for FY 2024.

For FY 2024, the administration had sought to add 432 full-time equivalent employees, including 250 to "rebuild and strengthen OSHA's enforcement program." The FY 2025 request is for 18 new FTE employees.

For the Mine Safety and Health Administration, the White House is seeking a 4.8% budget increase, or nearly $19 million more than current funding levels (around $387.8 million). That proposed increase – to $406.5 million – includes $14.1 million more for enforcement and 13 new FTE employees.

The Biden administration wanted a $50.2 million budget increase, or 13%, for MSHA in FY 2024, to approximately $438 million.

According to the Department of Health and Human Services' budget in brief, the administration is seeking to keep NIOSH's budget at $363 million.

DOL wants increased penalties for violators

In its budget in brief, DOL is seeking to "meaningfully [increase] penalties at the department for employers that violate workplace safety, health, wage and hour, and child labor laws."

However, the budget documents don't provide details such as proposed percentage increases for OSHA or MSHA. A virtually insurmountable hurdle: DOL would have to convince a divided Congress to change the statutes governing those penalties.

OSHA and MSHA penalties are adjusted for inflation each year, by law.

OSHA proposed rules expected in FY 2025

OSHA's congressional budget justification states that the agency expects to publish three proposed rules in FY 2025. Those proposed rules will cover workplace violence, infectious diseases and tree care.

OSHA National News Release

U.S. Department of Labor

May 8, 2024

Department of Labor plans to restructure workplace safety, health regional operations strategically to protect workers

OSHA creates two regions to reflect changing demographics, population, areas of need

WASHINGTON – The Department of Labor today announced strategic changes to the structure of its Occupational Safety and Health Administration's regional operations designed to direct its resources effectively and make the agency more resilient.

The changes include the creation of a new OSHA regional office in Birmingham, Alabama, overseeing agency operations in the state, and those in Arkansas, Kentucky, Louisiana, Mississippi and Tennessee as well as the Florida Panhandle. The Birmingham Region will address the area's growing worker population and the hazardous work done by people employed in food processing, construction, heavy manufacturing and chemical processing.

OSHA is also planning to merge Regions 9 and 10 into a new San Francisco Region to improve operations and reduce operating costs.

As part of the changes, the agency will also rename its regions to associate them by geography, rather than its current practice of assigning numbers to regions. As such, the area OSHA calls Region 4 will be renamed the Atlanta Region with jurisdiction over Florida, excluding the Panhandle; Georgia, North Carolina and South Carolina. The current Region 6 will be renamed the Dallas Region and have jurisdiction over workplace safety issues in New Mexico, Oklahoma and Texas.

The composition of OSHA's other regions will remain the same. When completed, the agency's regions will be renamed as follows:

Current regional assignment	New regional designation
Region 1	Boston Region
Region 2	New York City Region
Region 3	Philadelphia Region
Region 4	Atlanta Region
Region 5	Chicago Region
Region 6	Dallas Region
Region 7	Kansas City Region
Region 8	Denver Region
Regions 9 and 10	San Francisco Region
	Birmingham Region

View a map of OSHA's new regional structure and boundaries.

"The changes reflect the nation's demographic and industrial changes since the passage of the OSH Act and will allow our professionals to better respond to the needs of all workers, including those historically underserved," explained Assistant Secretary for Occupational Safety and Health Doug Parker. "With a stronger enforcement presence in the South and more consolidated state oversight and whistleblower presence in the West — an area dominated by states that operate their OSHA programs — we can direct our resources where they're needed most."

OSHA plans to fully transition to its new regional structure later in fiscal year 2024. Once implemented, the agency's regional maps and contact information online will be updated publicly.

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Release Number: 24-876-NAT

Southern Industry Growth Prompts Increased OSHA Safety Oversight

By Bruce Rolfsen | May 8, 2024 2:36PM ET

OSHA is reorganizing its workplace safety enforcement operations by creating a new regional office in Birmingham, Ala., and merging its two West Coast regions.

The changes should be completed by October, the US Occupational Safety and Health Administration said Wednesday in a statement. Regional offices oversee area offices that have direct control of inspections and educational activities.

Now, the South will be split between three regions instead of two. The reorganization for the southern states is driven by the region's expanding workforce and industrial base. For example, Tesla Inc. opened a car manufacturing plant in Texas; SK Battery America now manufactures lithium-ion batteries in Georgia; and Toyota Motor Corp. expanded its Alabama engine plant.

"The changes reflect the nation's demographic and industrial changes since the passage of the Occupational Safety and Health Act [of 1970] and will allow our professionals to better respond to the needs of all workers, including those historically underserved," said OSHA's assistant labor secretary, Doug Parker.

The new Birmingham office will cover Alabama, Mississippi, Northwestern Florida, Tennessee, and Kentucky—all states currently under OSHA's Atlanta regional office. In addition, the Birmingham regional office will oversee OSHA operations in Arkansas and Louisiana—states that now answer to the Dallas regional office.

The Atlanta office will continue to oversee enforcement in Georgia, North Carolina, South Carolina, and East and South Florida. The Dallas office will retain management of area offices in Texas, New Mexico, and Oklahoma.

The Pacific Coast merger is a cost-savings measure since most of the covered states operate their own state worker safety programs and there is a smaller presence of federal inspectors, OSHA said.

The merger was proposed during the Obama administration but never carried out.

The new West Coast region, headquartered in San Francisco, will include Alaska, Arizona, California, Hawaii, Idaho, Oregon, Nevada, Washington, and US territories in the Pacific such as Guam and American Samoa. The Seattle regional office will close.

Also, as part of the reorganization, OSHA will stop designating the 10 regions by numbers and refer to each region based on the city or state the regional office is located. For example, Region 7 covering Rocky Mountain states will become the Denver Region and Region 5 overseeing the Upper Midwest will become the Chicago Region.

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Acting Labor Secretary Julie Su vows to remain in job even as confirmation prospects remain dim — "The Takeout"

Acting Labor Secretary Julie Su is still waiting to be confirmed as labor secretary over a year after President Joe Biden first nominated her, and she remains hopeful that she'll be confirmed, despite opposition that shows no sign of softening.

On "The Takeout" podcast this week, Su told chief Washington correspondent Major Garrett she has no plans to withdraw and remains "really honored by his support."

"When I went through the nomination, the confirmation process, I met with a lot of senators and … I have great respect for the process, for their role." She added, "We'll continue to remain hopeful while also remaining focused on the job that needs to be done."

"I'm going to do this job for as long as the president wants me to do it and as long as the American people need somebody who's going to fight for working people," Su said.

Su, who was previously deputy labor secretary, was tapped for the top job after Secretary Marty Walsh stepped down to head the NHL Player Association. Her nomination was advanced by the Senate Health, Education, Labor and Pensions Committee but was unable to muster the votes to pass the full Senate, so she remained acting secretary. In 2022, Su was confirmed as deputy labor secretary in a close vote.

Senate Republicans and West Virginia Democratic Sen. Joe Manchin say they'll continue to oppose her nomination for a couple of reasons, but the most prominent one is that when she was California's labor commissioner, she oversaw the payment of $31 billion in fraudulent unemployment claims during the pandemic.

Su said Covid exposed flaws within California's unemployment insurance system.

"The U.I. (unemployment insurance) system was like a house with a leaky roof," Su said. "In good times, you could put a couple buckets under it and mostly ignore it. But in a storm…all of its weaknesses get revealed."

Other opponents of Su's nomination, particularly business groups, have pointed to her embrace of California legislation that limited independent contracting and extended certain protections to gig workers — including minimum wage, overtime, and healthcare.

"I do not apologize for making sure that employees who deserve protections and the right to organize [are] covered under employee status," Su told Garrett.

But Su's advocates counter that she has helped resolve sticky labor issues, including averting an economically debilitating freight rail strike in 2022 and negotiating a major deal between West Coast dockworkers and shippers this past June.

"It has been a privilege to see the kinds of win-win solutions that can come through collective bargaining," said Su.

Though there's been no sign that any of those opposing her have changed their minds, she told chief Washington correspondent Major Garrett that she remains hopeful she'll be confirmed and appreciates the support she's received from "a lot" of senators.

Asked by Garrett if she's made any headway with Manchin, Su said that she said "hi" to him at the State of the Union address last week, but that was about all she had time for. The West Virginia senator, who is retiring at the end of his term early next year, said last summer that he would still vote against Su.

"I think the American people need a strong labor secretary, and I plan on continuing to do that for as long as I can," Su said.

In her interview with "The Takeout," Su also touted the job numbers during the Biden administration, pointing to the 14.9 million jobs created since Mr. Biden took office, as well as an unemployment rate of under 4% for the past two years. Economic analysts predictions of an impending recession during the last couple of years have not come to pass, and Su credits the Biden administration for this.

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Department of Labor releases 2023 injury, illness data

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U.S. Department of Labor
Occupational Safety and Health Administration
Office of Communications
Washington, D.C.
www.osha.gov

For Immediate Release
April 18, 2024
Contact: Office of Communications
Phone: 202-693-1999

Department of Labor releases 2023 injury, illness data

Agency continues effort to increase employer compliance

WASHINGTON - The U.S. Department of Labor's Occupational Safety and Health Administration has released 2023 injury and illness data collected under the agency's new Improve Tracking of Workplace Injuries and Illnesses regulation published July 2023.

The data include specific information submitted by more than 375,000 establishments on OSHA Form 300A Summary of Work-Related Injuries and Illnesses. It also includes individual injuries and illnesses for employers with 100 or more employees in select high-hazard industries.

In addition, OSHA has posted partial data from more than 850,000 OSHA Form 300 Log of Work-Related Injuries and Illnesses and Form 301 Injury and Illness Incident Report records.

Providing access to injury and illness data will help identify unsafe conditions and workplace hazards that may cause occupational injuries and illnesses. Recognizing these hazards will help identify ways to control or prevent them and reduce injuries and illnesses. This information will improve research on the occurrence, prevention and control of workplace hazards, injuries and illness types.

Over the last year, OSHA conducted extensive outreach through webinars, educational videos, social media, and monthly stakeholder emails to help employers understand their obligations and to properly submit 2023 data. The agency will continue its recordkeeping enforcement efforts by identifying establishments that failed to submit the required data.

OSHA is taking additional steps to protect worker privacy by reviewing the remaining data for certain personally identifiable information and will make additional data publicly available following this review.

Learn more about OSHA's injury and illness recordkeeping and reporting requirements.

Questions? Contact Us

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Fact Sheet

Shipyard Employment

Fall Protection

Work in shipyards and onboard vessels can present numerous hazards, with falls being a leading cause of fatalities and injuries. An average of 141 shipyard workers are injured each year from falls to a lower level.[1] To prevent falls from occurring, employers must assess work activities to determine where fall hazards exist and implement protective measures.

Work Practices on Vessels that Commonly Require Fall Protection

- Painting vessel exteriors
- Welding on the outside of a vessel's hull
- Work on gantries or masts
- Working near edges and openings

Fall Protection and Prevention

Fall protection is required when working more than 5 feet above a solid surface or any distance above water (29 CFR 1915.71(j) and 1915.77(c)). For example, when working on scaffolding, staging, runways, or working platforms that are at a height of 5 feet or more, edges must be guarded with guardrails, chains, or ropes. These must be between 42 to 45 inches high and have a midrail located halfway between the upper rail and the working surface (29 CFR 1915.71(j)(1)). When guardrails, chains, and ropes cannot be used, a fall restraint or fall arrest system must be used. Safety belts and body belts are not allowed to be used as part of a fall arrest system (29 CFR 1915.159).

Fall Restraint System

A fall restraint system is recommended when guardrails or personnel lift devices cannot be used. When properly used, a fall restraint system positions the worker a safe distance from the fall hazard and prevents them from falling off an edge. Lanyards must be of fixed length to prevent the worker from reaching an area where they could fall.

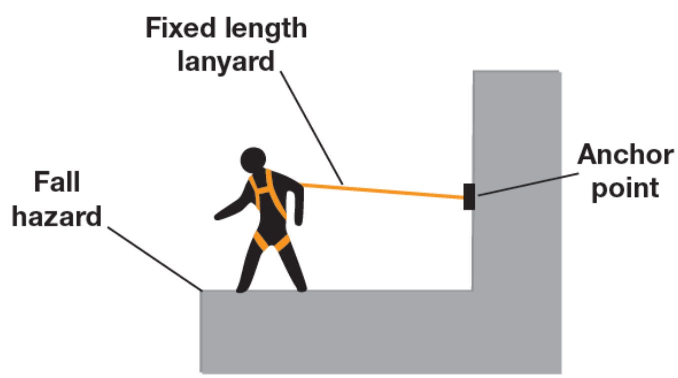
Fall Arrest System

When a fall restraint system cannot be installed, a fall arrest system must be used (29 CFR 1915.71(j)(3) and 1915.77(c)). A fall arrest system does not prevent a fall, but instead is designed to catch the worker with minimal injury.

The components of a fall arrest system are:

- Connecting means (e.g., locking snaphooks)
- Shock-absorbing lanyard, self-retracting lanyards and lifelines
- Full body harness
- Anchor point (e.g., fixed railing, ship's mast) capable of supporting at least 5,000 pounds per worker

See 29 CFR 1915.159 and 1915.160 for all fall arrest and positioning system requirements.



"Fall Restraint System"

To prevent falls, employers must:

- Provide and ensure appropriate fall protection is used where necessary, such as when using half-circle (half-moon) steps in bulkheads of tanks (29 CFR 1915.152). The use of body belts or ropes tied around the waist is prohibited (29 CFR 1915.159).
- Identify all fall hazards and, where possible, use guardrails, chains, and ropes to protect against hazards such as unprotected deck openings/edges and stairwells to eliminate fall hazards (29 CFR 1915.73(d)).
- Establish a proper gangway or ladder to board vessels (29 CFR 1915.74(a)).

1. Bureau of Labor Statistics data, nonfatal occupational injuries associated with falls to a lower level resulting in days away from work for the shipyard industry (NAICS 336611), 2011-2020.

- Practice good housekeeping. Keep cords, tools, and other equipment out of walkways and work areas. (29 CFR 1915.81)
- Ensure cargo spaces contain at least one safe and accessible ladder (29 CFR 1915.76(a)).
- Inspect fall protection equipment for damage or wear before and after each use. If any damage is found, replace the damaged equipment (29 CFR 1915.152(c)).
- When tying off, ensure that the structure used for support can hold a minimum load of 5,000 pounds (29 CFR 1915.159(a)(9)).
- Be sure to rig fall arrest equipment so that workers cannot free fall more than 6 feet or contact the surface below (29 CFR 1915.159(b)(7)).

Protection from Exposed Edges and Openings

Edges of decks, platforms, flats, scaffolding, staging, runways, and similar flat surfaces that are more than 5 feet above a solid surface must be guarded with guardrails that meet the requirements of 29 CFR 1915.71(j)(1) and (2), unless the work being done or physical conditions prevent this (29 CFR 1915.73(d)).

Image shows use of a guardrail at the deck's edge to prevent workers from falling to a lower level.

Openings are hazardous when not protected. Hatches or other large openings that are not protected by coamings to a height of 24 inches, must be covered or guarded (e.g., guardrails) to a height of 36 to 42 inches (29 CFR 1915.73(c)). Flush manholes and other small openings must be covered or guarded at a height of 30 inches or more (29 CFR 1915.73(b)). Ensure that where covers are used, they are of suitable material, strength, and size to prevent workers from falling through the opening. It is also important that covers can't be unintentionally moved, such as through the use of cleats, or other methods.

(Left) Image shows a hatch cover with adequate covering. (Right) Image shows appropriate use of a "U" bar to temporarily guard flush manholes during shipbuilding and ship repair operations.

How to Contact OSHA

Under the Occupational Safety and Health Act of 1970, employers are responsible for providing safe and healthful workplaces for their employees. OSHA's role is to help ensure these conditions for America's workers by setting and enforcing standards, and providing training, education and assistance. For more information, visit www.osha.gov or call OSHA at 1-800-321-OSHA (6742), TTY 1-877-889-5627.

OSHA® Occupational Safety and Health Administration

DSG FS-4421 04/2024

Safe Use of Small Boats in Shipyard Employment

Small boats (motorboats), such as rigid-hulled inflatable vessels, are used in shipyard employment to reach work areas that would otherwise be inaccessible. These vessels are also used during diving or other activities associated with the repair, maintenance, and construction of maritime vessels. Using small boats can expose workers to serious hazards. Employers need to be aware of these potential hazards so they can take steps to address and prevent them.

The U.S. Coast Guard (USCG) primarily regulates these vessels. However, during boarding, disembarking, or working from small boats, OSHA requires that, to protect workers from drowning, employers provide and ensure workers wear a USCG-approved personal flotation device (PFD) (29 CFR 1915.77(e) and 1915.158(a)). Boats should also be examined regularly before use to ensure overall seaworthiness and proper functioning of equipment, as well as compliance with applicable federal and state equipage requirements.

In accord with USCG safety requirements for uninspected vessels, employers operating small boats must also:

- Equip boats with fire extinguishing equipment when required (46 CFR 25.30). Boats should also have other emergency equipment deemed necessary on board, such as distress signals, radio communication, and first aid supplies.
- Provide USCG-approved wearable personal flotation devices (PFDs) for each employee and a throwable flotation device on board (46 CFR 25.25-5).

It is important to ensure operators have received the appropriate training, such as the USCG Auxiliary Boating Skills and Seamanship or Boat America Safety Course, and are qualified to safely operate the boat. Training topics typically covered for the safe operation of small boats include:

- Boating equipment and troubleshooting
- Abiding by manufacturer weight limits and number of passengers on board
- Boat handling
- Signage and navigation aids

Photo: iStock

Example of a rigid-hulled inflatable vessel.

- Rules of boating traffic
- Weather and water considerations
- Use of radio communication
- Dangers of drugs or alcohol for safe boat operation
- Rescue procedures
- First aid, cardiopulmonary resuscitation (CPR), and automated external defibrillator (AED) training

Depending on the types of activities taking place, more advanced training may be appropriate. The sample Activity Hazard Analysis, developed by the Army Corps of Engineers, is a tool that can be used to determine the necessary training, proficiencies, and risks associated with tasks performed using small boats. Also, each state has a minimum equipment list depending on boat size, which could include equipment such as sound signaling devices (horn, whistle, bell) and other safety appliances.

Workers' Rights

Under the OSH Act workers have the right to:

- Working conditions that do not pose a risk of serious harm or violate OSHA standards.
- Receive information and training (in a language and vocabulary the worker understands) about workplace hazards, methods to prevent them, and the OSHA standards that apply to their workplace.
- Review records of work-related injuries and illnesses.
- File a complaint asking OSHA to inspect their workplace if they believe there is a serious hazard or that their employer is not following OSHA's rules. OSHA will keep all identities confidential.
- Exercise their rights under the law without retaliation, including reporting an injury or raising health and safety concerns with their employer or OSHA. If a worker has been retaliated against for using their rights, they must file a complaint with OSHA as soon as possible, but no later than 30 days after learning of the adverse action.

For additional information, see OSHA's Workers page (www.osha.gov/workers).

How to Contact OSHA

Under the Occupational Safety and Health Act of 1970, employers are responsible for providing safe and healthful workplaces for their employees. OSHA's role is to help ensure these conditions for America's workers by setting and enforcing standards, and providing training, education and assistance. For more information, visit www.osha.gov or call OSHA at 1-800-321-OSHA (6742), TTY 1-877-889-5627.

Occupational Safety and Health Administration

This is one in a series of informational fact sheets highlighting OSHA programs, policies or standards. It does not impose any new compliance requirements. For a comprehensive list of compliance requirements of OSHA standards or regulations, refer to Title 29 of the Code of Federal Regulations. This information will be made available to sensory-impaired individuals upon request. The voice phone is (202) 693-1999; teletypewriter (TTY) number: 1-877-889-5627.

DSG FS-4411 03/2024