



# 2024 Spring General Membership Meeting





### SCHEDULE

TIME	EVENT
9:00 AM -10:30 AM	SCA Staff Presentations
10:30 AM-11:30 AM	DOL: OA & VETS Panel
11:30 AM - 11:45 AM	Congressman Jerry Carl (R-AL-01)
11:45 AM - 1:00 PM	Lunch
1:00 PM - 1:30 PM	Nickolas H. Guertin, Assistant Secretary of the Navy (RDA)
1:30 PM - 2:00 PM	Christopher Miller, Executive Director, NAVSEA
2:00 PM - 2:30 PM	Congressman Trent Kelly (R-MS-01)
2:30 PM - 3:00 PM	ABS Panel
3:00 PM - 3:30 PM	Congressman Chris Deluzio (D-PA-17)
3:30 PM - 4:30 PM	Congressional Research Service & Congressional Budget Office Panel
4:30 PM - 5:00 PM	Vice Admiral (ret.) William Galinis
5:00 PM - 5:15 PM	SCA Chairman's Report, Brad Moyer



# Special Thanks to SCA's Strategic Partners









# Additional Thanks to Our Meeting Sponsors





ADAMS AND REESE LLP



## SCA President's Report

# Wednesday Recap: Industry Partner & Board Sessions

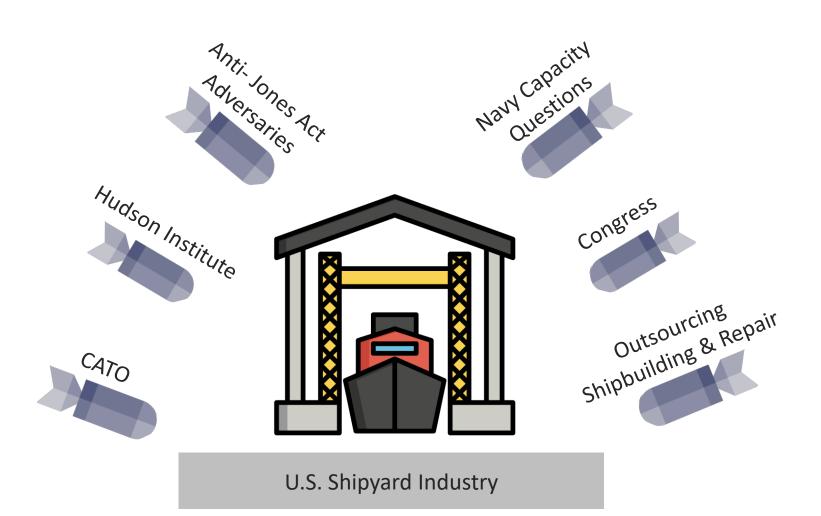
- Industry Partners Committee Report
- Board Meeting with Jay Stefany, Principal Civilian ASN (RDA)
- Recent Challenges to the Industry
- National Maritime Strategy



Correcting the Narrative on U.S. Shipyard Industrial Base & National Maritime Strategy Initiatives



### **Incoming Attacks on Industry**





#### **Anti-Jones Act Sentiments**

Increased maritime news (e.g. Baltimore Bridge collapse & Offshore Wind challenges) has enabled sustained attacks from traditional Jones Act adversaries



Protectionism Kills U.S.

Merchant Shipping The Heritage Foundation





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

Loren Thompson Senior Contributor ⊙

I write about national security, especially its business dimensions.

Follow



#### **SECNAV Comments @ SAS**



We build the most capable warships in the world in shipyards that are decades behind the global technological standard...

Our Korean and Japanese allies build high-quality ships... for a fraction of the cost that we do.

Secretary of the Navy Carlos Del Toro at Sea Air Space 2024



## SECNAV Testimony in Congress

We've -- <u>essentially have given up on</u> <u>commercial shipbuilding, and China</u> -- and thank God our allies in Japan and North -- in South Korea have also invested heavily in shipbuilding -- but we've lost that art here in the United States. <u>We can't even build our own LNG ships here in the United States, for example, when we should be building them...</u>



Our country doesn't have a commercial shipbuilding industry, either. That significantly hurts the status of naval shipbuilding in the country.



# Korean & Japanese Shipyards Face Challenges

- Hanwha underperforms in 2023
  - Posted losses of nearly \$8 million for every containership built
- Big 3 shipyards operated for years at net deficits
- Need to hire 10,000 foreign workers from across Asia



Consolidation of shipyards
 & financial bailouts



## Allied Nations Incursion on U.S. Markets



Hyundai Heavy Industries (HHI) and Hanwha Ocean applied for Master Ship Repair Agreements (MSRA) to qualify to access the U.S. maintenance, repair and overhaul market segments following SECNAV's visit to their facilities.

BUSINESSKOREA

Korean Shipbuilders Set Their Sights on US Warship MRO Business



# Japanese Shipyard Repair Working Group

#### **THIS WEEK**

 Undersecretary of Defense for Acquisition and Sustainment, William LaPlante met with Japanese counterpart

- Ambassador Rahm Emmanuel
  - "Repairs on Navy ships can free up US industrial capacity to focus on building new ships"



### **Correcting the Narrative**



### **SCA Response**



- 2 Op-Eds from SCA to push back on outsourcing Navy shipbuilding and repair to counter narrative on U.S. shipyard capacity
- Engagement with key reporters to provide background briefings and data
- Social media engagement



#### **USTR** Petition

- Petition filed in March by U.S. Steelworkers Union to contest unfair Chinese trade practices in "maritime, global logistics and shipbuilding sectors"
  - Government had 45 days to hear concerns from interested parties – public hearings held 29 May
- Potential remedies include taxing Chinese ships at U.S. ports, increasing tariffs on steel & aluminum and other financial penalties



## Congressional Guidance for a National Maritime Strategy



# 10 Immediate Congressional Actions

#3 - grow domestic shipbuilding capacity

#9 – implement rules and policies to de-risk U.S. maritime from strategic competitors



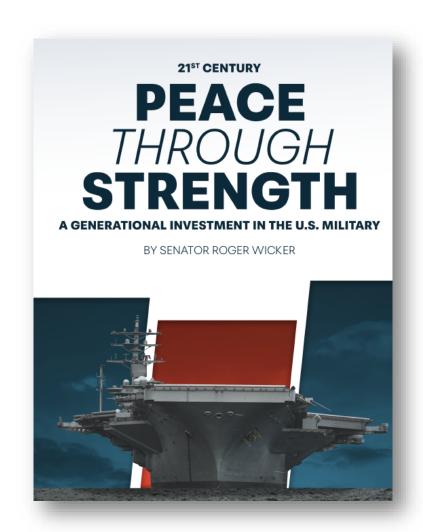
# Fox News Clip: Rep. Waltz & Sen. Kelly





### National Maritime Strategy: Legislative Action

- Initial draft of Kelly/Waltz bill out for input from industry
  - SCA inputs
- Senator Wicker: 21<sup>st</sup>
   Century Peace Through
   Strength
- NDAA language pulled from these discussions
  - Waltz Amendment No. 3837 on "De-Risking" maritime industry





#### **Additional SCA Initiatives**



### **SCA Engagement with Navy**

- SECNAV Roundtable with Surface Ship Repair Industry Partners (NSRIC)
- SECNAV & MARAD Maritime Statecraft Event
- Acquisition and Contracting Strategy
- NAVSEA Ship Design Summit
- Multi-Association Meetings



#### **Offshore Wind:** First-in-Class Jones Act Vessels



Launched: Orsted SOV

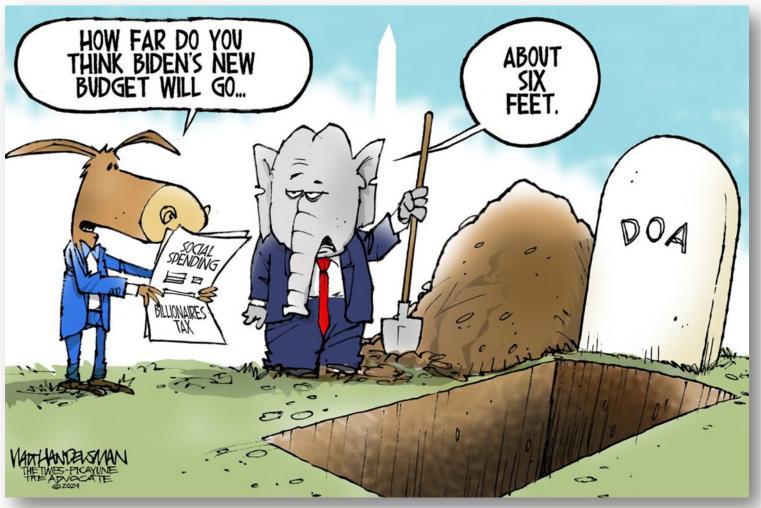


Launched: Dominion Energy's Charybdis WTIV



Planned: Kalypso Cable-Lay Vessel





**Government Report** 



### **FY24 Spending Agreement**

#### Navy

- \$33.6B for 8 Ships
  - 1 Columbia-Class Submarine
  - 2 Virginia-Class Submarines
  - 2 DDG-51
  - 2 Constellation-Class Frigates
  - 1 LHA Amphibious Assault Ship
- Maintenance & Repair
  - \$2.5B for OP,N Ship Maintenance, Repair & Modernization
  - \$11.1B for OM,N Ship Depot Maintenance



### **FY24 Spending Agreements**

#### Coast Guard

- \$1.1B in Procurement Funding
  - +2 Fast Response Cutters
  - 1 Commercial Icebreaker
- Other notes
  - Cut \$97million from Waterways Commerce Cutter
  - Cut \$170million from Polar Security Cutter

#### MARAD

 +\$12M for National Defense Reserve Fleet Recapitalization design work



### **FY25 Budget Request**



### FY25 Budget Request: Navy Shipbuilding

- \$32.3 billion for 6 ships
  - 1 Virginia-class submarine
  - 2 DDG 51 destroyers
  - 1 Constellation-class Frigate
  - 1 LPD 17
  - 1 Medium Landing Ship

FYDP New Construction Funding FY25-FY29										
	FY25	FY26	FY27	FY28	FY29	TOTAL				
# of Battle Force Ships	6	11	14	13	13	57				
\$ (\$ in Millions)	\$28.3	\$33.2	\$38.3	\$35	\$32.7	\$167.6				



### **PB25 SCN Request:**

#### **Prior Year Projection Comparison**

	2020	2021*	2022	2023	2024						
	(FY21 PB)	(FY22 PB)	(FY23 PB)	(FY24 PB)	(FY25 PB)						
NEW CONSTRUCTION_											
Virginia Class Submarine (SSN 774)	2		2	2	1						
Arleigh Burke Class Destroyer (DDG 51)	1		2	2	2						
Constellation Class Guided Missile Frigate (FFG 62)	3		1	1	1						
America Class Amphibious Assault Ship (LHA 6)											
San Antonio Class Amphib. Trans. Dock (LPD 17) (Flt II)	1				1						
Spearhead Class Expeditionary Fast Transport (EPF 1)											
Medium Landing Ship (LSM) 1			1	1	1						
John Lewis Class Fleet Replenishment Oiler (T-AO 205)	1		1								
Submarine Tender Replacement (AS(X))			1								
T-AGOS Surtass Ships	1		1	1							
New Construction Total (QTY)	9	0	9	7	6						
New Construction Total (\$B)	\$ 23.8		\$ 26.9	\$ 26.5	\$ 28.4						
OTHER CO	OTHER CONSTRUCTION										
LCAC SLEP	- ISTROCTIO	<u> </u>	3	3	3						
LCAC SLEP Ship to Shore Connector	5		3 2	3 2	3						
					3						
Ship to Shore Connector	5		2	2	2						
Ship to Shore Connector LCU 1700	5		2	2	-						
Ship to Shore Connector LCU 1700 Auxiliary Sealift (USED)	5 4		2 3 2	2 2 2	2						
Ship to Shore Connector LCU 1700 Auxiliary Sealift (USED) Nimitz Class Aircraft Carrier (CVN 68) RCOH	5 4 1		2 3 2 1	2 2 2 1	2						
Ship to Shore Connector LCU 1700 Auxiliary Sealift (USED) Nimitz Class Aircraft Carrier (CVN 68) RCOH Other Construction Total QTY Other Construction Total (\$B)	5 4 1 10		2 3 2 1 11	2 2 2 1 10	2 1 6						
Ship to Shore Connector LCU 1700 Auxiliary Sealift (USED) Nimitz Class Aircraft Carrier (CVN 68) RCOH Other Construction Total QTY Other Construction Total (\$B)	5 4 1 10 \$3.1		2 3 2 1 11	2 2 2 1 10	2 1 6						
Ship to Shore Connector LCU 1700 Auxiliary Sealift (USED) Nimitz Class Aircraft Carrier (CVN 68) RCOH Other Construction Total QTY Other Construction Total (\$B) UNM	5 4 1 10 \$3.1 ANNED		2 3 2 1 11 \$4.0	2 2 2 1 10 \$4.7	2 1 6						



### FY25 Budget Request: Navy Ship Repair

Proposal to decommission 19 ships (including 10 before the end of their service lives)

- \$12B in OMN Ship Depot Maintenance
- \$2.3B in OPN Ship Maintenance



## FY25 PB Request: Department of Navy

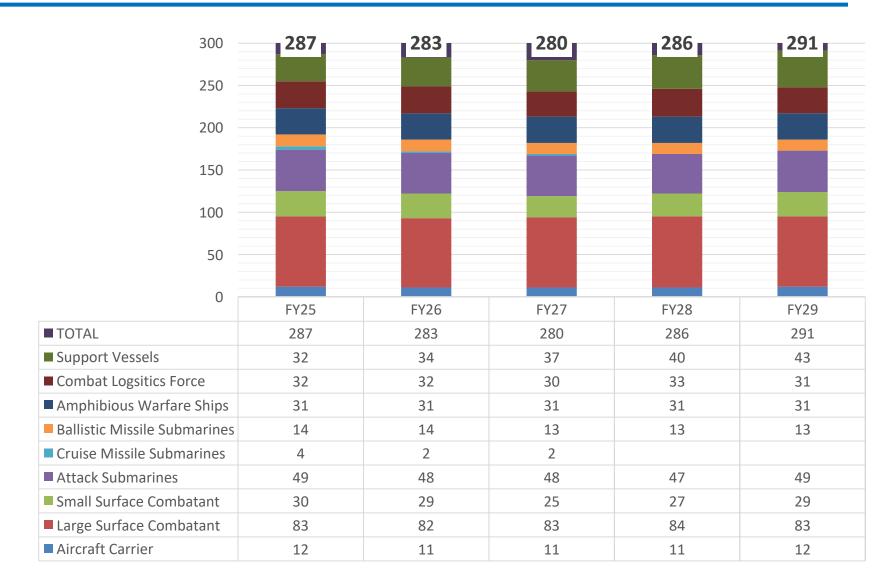
### Battle Force Ship Goal

- 381 manned ships
- 134 large unmanned surface and underwater vehicles





## **FY25 Budget Request FY25-FY29 Naval Force Inventory**





# Congressional (in)Action: FY25 NDAA & Appropriations



#### **FY25 NDAA**

#### **HOUSE**

#### **SENATE**



\$825B Topline



Wicker seeking to add \$55 billion to SASC bill



Advanced out of Committee on May 23



Bill being considered in mixed open/closed sessions this week



Authorizes \$31.5B for 6 ships

2 Virginia-class submarines

2 DDG 51

1 LPD Flight II

1 Medium Landing Ship



### **FY25 Appropriations**

#### **HOUSE**

#### **SENATE**



House moving on all 12 appropriations bills

\$833B Defense



Ongoing FY25
Posture hearings
No toplines set



Divergence from budget agreement



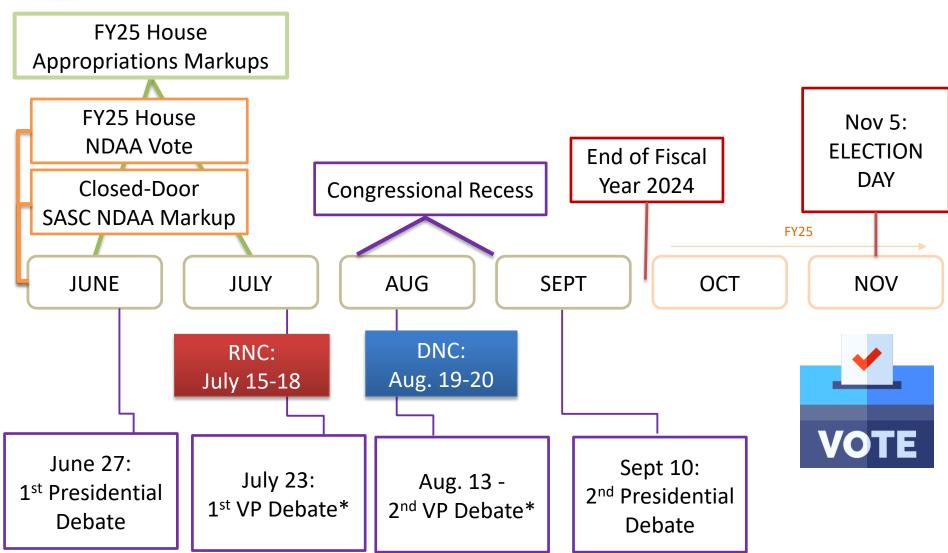
Unlikely to mark up individual bills ahead of election



Messaging & Political bills



### FY24 Congressional Calendar





# **Ship Repair**



# Recent Significant Surface Navy Engagements

Date	Event
February 22	Maintenance & Modernization Summit (MMS) w/COMMNAVSEA and COMMNAVSURFOR
March 18-22	National Ship Repair Industry Conference (NSRIC)
March 26	Pre-Surface Maintenance Plan (SMP) with Industry
May 7-9	Surface Team One Maintenance & Modernization Performance Review (MMPR)
May 14	Kick-off Acquisition & Contracting Working Group
May 20	San Diego Drydock FY24 NDAA Section 126 discussions
June 3	Surface Maintenance Plan (SMP) w/Industry



# 22 FEB Maintenance & Modernization Summit

- All SRA President's and SCA invited to attend and discuss current ship repair issues; both globally and regionally
- Led by VADM McLane (CNSP/CNSF) and VADM Downey (COMNAVSEA)
- Good discussions included:
  - Concerns for overseas ship repair
  - Current workload instability
  - Industry's commitment to support On-Time Delivery
  - Cumbersome 8010 Rev. 1 requirements impacts to OTD and cost

# SCA

## NSRIC24

- 115 Industry representatives and 50 Government partners
- First NSRIC for RADM Bill Greene (SEA21/CNRMC) and VADM Jim Downey (COMNAVSEA)
- Other VIPs included:
  - USCG Chief Engineer, RDML Grable
  - MSC Commander, RDML Philip Sobeck
  - PCD to ASN(RDA), Jay Stefany
  - FFC N43, RDML Dianna Wolfson
  - SECNAV's Small Business Director, Ms. Arveice Washington
- SECNAV roundtable with select industry leaders day prior
- Industry Navy Discussion Panel (INDP) had multiple briefings and discussions with both the Suppliers/Subcontracting companies and the Facilitized Shipyards (LMAs)



# 7-9 May Maintenance & Modernization Program Review

- A requirement of the Joint Fleet Maintenance Manual for Surface Team One (ST1) to conduct two semi-annual MMPRs
- All of Industry was invited to attend (3<sup>rd</sup> time)
- SRAs/SCA also invited to attend the planning availability reviews (1st time)
- 12 planning and execution availabilities were reviewed with detailed metrics and lessons learned



# Other Ship Repair Initiatives

- Active Navy / Industry Working Groups
  - 8010 Rév A & Firé Safety
  - AIT Modernization
  - Weld Procedure Improvements
  - Drydock
- Standardization of nationwide "Green Card" worker authorization
- Industry SMEs assisting in the ongoing Amphibious Ship Maintenance Performance Review (VCNO letter of 4/1)
- Invited to be an "advisor" on the NAVSEA/SEA21 "Acquisition and Contracting Strategy Oversight Board and Working Group" (Charter of 5/1)



# Regulatory Report

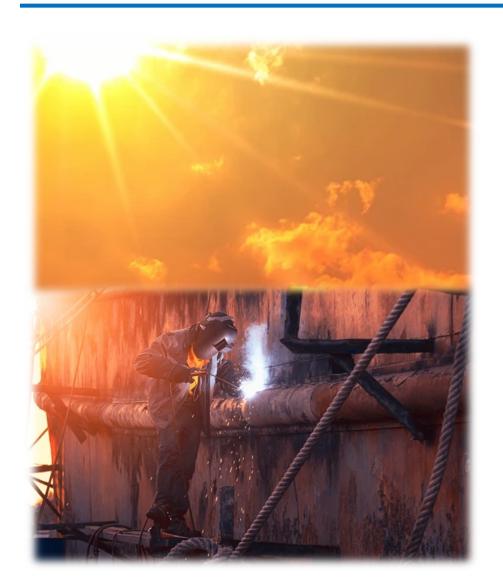


# **Greenhouse Gas Emissions Disclosure**

- Sec. 318 of FY24 NDAA prohibited the required disclosure of GHG emissions by DoD contractors for one year
  - Traditional defense contractors
    - Exempt until December 22, 2024
  - Non-traditional defense contractors
    - Exempt indefinitely
- <u>Feb 25, 2024</u>: DoD issued class deviation to prohibit DoD contracting officers from considering GHG emissions as condition of award
- FAR Council still reviewing comments from November 2022 proposed rule (37,0000+ comments)



## **OSHA National Heat Stress Rule**



YESTERDAY: Proposed rule sent to OIRA for final review

- OSHA Advisory
   Committee on
   Construction Safety &
   Health unanimously
   recommended OSHA
   move forward
- OSHA continuing with NEP on heat related hazards



# OSHA "Walkaround" Inspection Rule

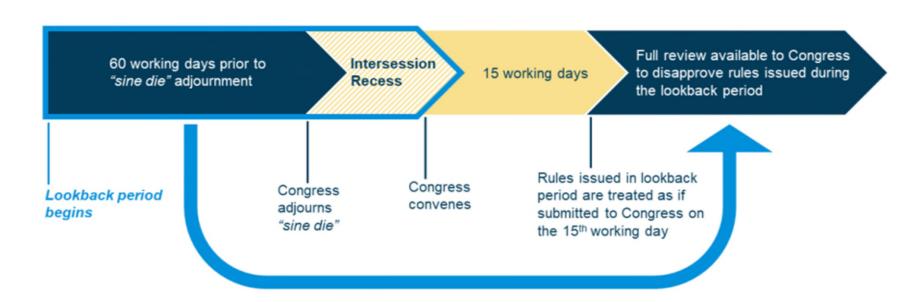


- Allows workers to designate a "third party" to represent them during "walkaround" part of inspection
  - Including labor union member
- US Chamber leading lawsuit to repeal rule
- Coalition of 60 business groups urging lawmakers to pass CRA resolution of disapproval



## **Congressional Review Act**

## Congressional Review Act Lookback Provision





# DOL Restructuring of OSHA Regional Operations

- OSHA reorganizing enforcement operations by creating new regional office
- New regional office will be located in Birmingham, Alabama
- Split the South into 3 regions instead of 2
- New Birmingham office will cover:
  - Alabama
  - Mississippi
  - Northwest Florida
  - Tennessee
  - Kentucky
  - Arkansas
  - Louisiana
- West Coast regional office merger



## **New OSHA Fact Sheets**



## Safe Use of Small Boats in **Shipyard Employment**

Small boats (motorboats), such as rigid-hulled inflatable vessels, are used in shipvard employment reach work areas that would otherwise be inaccessible. These vessels are also used during diving activities associated with the repair, maintenance, and construction of maritime vessels. Using sm can expose workers to serious hazards. Employers need to be aware of these potential hazards so can take steps to address and prevent them.

The U.S. Coast Guard (USCG) primarily regulates these vessels. However, during hoarding, disembarking, or working from small. hoats. 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 (PEDs) 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

- · Boating equipment and troubleshooting
- · Abiding by manufacturer weight limits and number of passengers on board
- Boat handling
- · Signage and navigation aids



Example of a rigid-hulled inflatable vesse

- · Rules of boating traffic
- · Weather and water considerations
- · Use of radio communication
- . Dangers of drugs or alcohol for safe boat operation

U.S. Department of Labor ♦ www.osha.gov ♦ (800) 321-0SHA (6742)

 Rescue procedures · First aid, cardiopulmonary resuscitation (CPR), and a external defibrillator (AED) training

Depending on the types of activities taking place, more training may be appropriate. The sample Activity Haza developed by the Army Corps of Engineers, is a tool that used to determine the necessary training, proficiencies, a

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.

## Shipyard **OSHA Fact Sheet**

#### **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 shipvard 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.

The components of a fall arrest system are:

· Full body harness

positioning system requirements.

Fixed length

lanyard

· Connecting means (e.g., locking snaphooks)

· Shock-absorbing lanyard, self-retracting lanyards and lifelines

"Fall Restraint System"

· Provide and ensure appropriate fall protection is used where

necessary, such as when using half-circle (half-moon) steps in

rones 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

bulkheads of tanks (29 CFR 1915.152). The use of body belts or

unprotected deck openings/edges and stainwells to eliminate fall

To prevent falls, employers must:

· Anchor point (e.g., fixed railing, ship's mast) capable of

See 29 CFR 1915.159 and 1915.160 for all fall arrest and

supporting at least 5,000 pounds per worker

#### 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(i)(1)). When guardrails, chains, and ropes cannot be used, a fall restraint or fall arrest system must be used. Safety helts and hody helts are not allowed to be used as part of a fall arrest system (29 CER 1915 159)

#### **Fall Restraint System**

A fall restraint system is recommended when quardrails 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. Lanvards 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(i)(3) and 1915.77(ci), A fall arrest system does not prevent a fall, but instead is designed to catch the worker with minimal injury.

. Establish a proper gangway or ladder to board vessels (29 CFR

hazards (29 CFR 1915.73(d))

1. Bureau of Labor Statistics data, nontatal occupational injuries associated with falls to a lower level resulting in days away from work for the shipyard industry (NAICS 336611), 2011-2020.

U.S. Department of Labor ♦ www.osha.gov ♦ (800) 321-OSHA (6742)

Anchor

### **OSHA On-Site Consultation Program**

pational Safety and Health Administration's (OSHA) On-Site Consultation offers no-cost and confidential occupational safety and health services to d medium-sized businesses.

#### rs can use Consultation

about potential hazards at their ices and how to fix them: vice for complying with OSHA or State andarde their occupational safety and health

**SHA Fact** Sheet

ing and education for employees

on services are provided by highly fety and health professionals called ts, with priority given to highorksites. Consultants work in On-Site on programs located within state or universities in all 50 states, the Columbia, and several U.S. territories. on services are separate from OSHA lan enforcement, However, employers e to correct any serious or imminent zards identified by consultants in a

sultation is a voluntary activity. ion services can only be provided at st of the employer. To make a request, ur state's Consultation program. The nt will discuss your specific needs with set up a consultation visit based on our availability, and the preparation ded to assist you. We recommend an ent of your entire workplace, but you the visit to one or more specific safety

## explain their role as well as employer's rights and obligations, confirm the scope of the visit,

and gather other important information such as injury and illness records.

#### Step 2: Walkthrough

Together, the employer or an authorized representative, employee representative(s), and consultant will examine conditions in your workplace. We strongly encourage maximum employee participation in the walkthrough. Well informed employees can more easily work with you to find and fix potential hazards in your workplace, Also, talking with employees during the walkthrough will help the consultant identify and assess the nature and extent of any hazards.

The consultant will assess your entire workplace or the specific areas you've requested help with and discuss any hazards and applicable OSHA or State Plan standards with you. The consultant will also point out any safety or health risks that might not be covered by OSHA or State Plan. standards and discuss actions to protect your employees. Employees may receive safety and health training during the visit, and schedule a formal training session after the visit. The consultant will discuss their observations of your workplace safety and health program and how to

#### What Happens During an On-Site Consultation Visit?

#### Step 1: Opening Conference

When the consultant arrives at your workplace for the scheduled visit, they will be joined by you, management, and the employee representative(s) in an opening conference.

Fact sheets located at the end of the notebook



# **SCA Safety Awards**

## **2023 SCA Award for Excellence in Safety**

### **CRITERIA**

- 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 Systems 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



# **SCA Safety Awards**

## **2023 SCA Award for Improvement in Safety**

### **CRITERIA**

- Companies that have a recordable fatality are ineligible to receive the SCA award for improvement in safety for that year.
- Individual companies that reduce their TRIR by 10% or more year-onyear 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 Systems 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



## **SCA Safety Awards**

# **2023 SCA Award for Significant Safety Achievement**

## **CRITERIA**

- 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.

### RECIPIENTS

- Fincantieri Ace Marine
- Southwest Shipyard L.P.

# 2024 SCA Spring Membership Meeting

