

# Builders, Suppliers of Navy Ships Facing Inflation Costs for Materials



USS Gerald R. Ford (CVN 78) transits the Atlantic Ocean, March 30, 2022. *U.S. NAVY / Mass Communication Specialist 3rd Class Jackson Adkins*

ARLINGTON, Va. – The price inflation hitting American consumers also is hitting the shipyards that builds ships for the U.S. Navy, which are facing increased costs for the materials used to build the ships and their components, said two executives who chair shipbuilder and supplier industrial base coalitions.

Suppliers who were not given advance funding especially are vulnerable to price inflation, which could have long-term effects in driving up the cost of the ships the Navy plans to procure. In addition, the shipbuilders are facing daunting

labor shortages in the current tight labor market.

David Forster, a retired Navy captain, Global Strategy Executive of Naval Services, Rolls-Royce North America Inc., and chairman of the Amphibious Warfare Industrial Base Coalition, and Rick Giannini, chairman of the Aircraft Carrier Industrial Base Coalition and CEO of Milwaukee Valve, described the industrial base challenges of the fiscal 23 budget and Future Years Defense Plan in an April 1 interview with *Seapower*.

Giannini said inflation is the top concern of the aircraft carrier industrial base, especially to those suppliers who did not receive advance funding during the COVID-19 pandemic. He said the block buy of CVNs 80 and 81 saved the taxpayers money because it allowed suppliers to order advance materials, which are now in hand and unaffected by the inflation now hitting the industry.

Giannini's company, Milwaukee Valve, uses a large amount of nickel and copper in its aircraft carrier components, which it ordered as soon as possible for two CVNs and was able to lock in the low costs before the current inflation. He said the prices of nickel have jumped and that suppliers that did not or could not order earlier were now facing the effects of inflation.

The ACIBC chairman said the CVN block buy is going well from his perspective and the ACIBC is working to show Congress the benefits of a two-CVN buy, including the advance procurement of materials that helps the suppliers to have the materials on hand when the builder needs them, making for a smooth build rate.

Forster said the Navy's efforts to award contracts early during the first two years of the COVID pandemic "saved a lot of jobs" and gave credit to James "Hondo" Geurts, then assistant secretary of the Navy for research, development and

acquisition, for his successful efforts to advance funding to shipbuilders and in turn to their suppliers.

Forster said the three to 3.5 year build cycle for amphibious assault ships was in place and good for the stability of the industrial base, but the Navy's 2023 budget plan to end procurement of the Flight II San Antonio-class amphibious transport dock ships after a "handshake deal" for a block buy was disappointing and illustrated the ambiguity of the plans, especially since Marine Corps Commandant Gen. David Berger supported a requirement of 31 large- and medium-size amphibious warfare ships. In concert with the 2023 budget calling for the decommissioning of four dock landing ships, the Navy's budget is at odds with its plans to build a force structure of 31 amphibious warfare ships.

Forster also noted the procurement of the light amphibious warship had slid until 2025, a further challenge to stability for the workforce.

He also advocates the Navy procure a replacement for the amphibious assault ship USS Bonhomme Richard, which was scrapped after a devastating fire in July 2020, having been modified for operation of the F-35B strike fighter.

Giannini said the second major concern of the shipbuilders and its supplier industrial base was the workforce, which is stressed by the difficulty of hiring skilled labor. He cited the increasing age of the workforce and the retirements earlier than planned as a consequence of the COVID-19 pandemic.

The Navy's shipbuilding and ship retirement plans for 2023 and the Future Years Defense Plan and are likely to face intense scrutiny from the armed services committees in Congress, who have pushed back against retirement plans for several ships in the recent past and have been critical of the Navy's "divest to invest" strategy.