

# OMB's Vought: Industry Must Share Blame for Shipbuilding Woes



OMB Director Russell Vought discusses shipbuilding investment in the closing keynote of Sea-Air-Space. *Photo credit: Laura Hatcher*

The shipbuilding industry must share the blame for delays in shipbuilding and the Trump administration is willing to look beyond the traditional industry if it can't produce products on time and within budget, OMB Director Russell Vought said at the closing keynote of Sea-Air-Space 2026.

Vought – who also served in his role in the first Trump administration – said, “during the first term, I came to believe that we had a demand signal problem. My view was that we, the government, we the customer, had failed to deliver a consistent demand signal to industry over successive

appropriation cycles, and it was because of this inconsistency that production rates could not be more ambitious. I no longer believe that, because if you look back over the last administration, Congress provided sustained resources for shipbuilding but productivity went down, not up.”

Vought said the problem has been a long time coming and has two major sources.

“First was the now legendary ‘last supper’ meeting in which Bill Clinton’s secretary and deputy secretary of defense convened the CEOs of America’s largest defense companies and told them essentially to merge or die,” Vought said. “This decision, based on an end-of-history mindset, represents a strategic mistake of staggering proportions that it resulted in 105 large defense firm being reduced down to essentially seven major primes, with a resultant loss in capacity and competition.”

The second major influence that exerted what Vought called a major negative impact on the operations of large defense firms in the 1990s was the transition from “founder engineers” in the C suite, “men who understood the founding culture of their organizations,” with executives who were “heavily influenced by the philosophies coming out of consulting firms that placed an absolute priority upon ownership, interest in stock prices and dividends to the detriment of both the customer, which is to say the government, and the workforce.”

The latter reason is why President Trump signed an order prohibiting companies from paying dividends or conducting stock buybacks “until such time as they are able to provide a superior product on time and on budget.”

The administration is also willing to look overseas and to non-traditional shipbuilding yards for ships, Vought said, citing an agreement with Finland for 11 new icebreakers that would include four built in Finland and the rest built in U.S.

shipyards after they modernize their facilities.

“This overall effort will not only produce ships for our Coast Guard but also result in American shipyards with more heavy industrial capacity into the future. These icebreakers will help to put the heavy back into America’s heavy industry, but they will also result in shipyards that can compete for other programs to include surface combatants into the future,” Vought said.

The new defense budget includes sizable investments for buying new ships – 18 battle force ships and 16 support ships for the Navy, more for the Coast Guard and Army and other agencies – but Vought warned traditional shipbuilders to step up or they may be procured elsewhere.

“Most of these ships can be built to commercial standards in a number of our nation’s shipyards that are not already tasked and behind schedule with Navy contracts,” Vought said. “Some of these ships need to be bought in large numbers and could attract direct foreign investment that will meet the president’s goal of both adding capacity and competition to the U.S. shipbuilding sector.

“To be clear, we need more ships and we need them right now. We hope this year’s budget on top of the 82 ships we already received in [fiscal] ‘26 in the one Big Beautiful Bill convey that sense of urgency on the part of President Trump and his administration. If we cannot get the ships we need from traditional sources at cost and on time, we will get them from other shipyards.”