

## **ACIBC Action Days 2007 Media Coverage**

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**HEADLINE:** Aircraft Carrier Supplier Base Needs Steady Shipbuilding Plan, Official Says

**BYLINE:** Geoff Fein

#### **BODY:**

The aircraft carrier industrial base needs a steady shipbuilding plan, which includes commitments on numbers of ships to be built and how often, according to the co-chair of the Aircraft Carrier Industrial Base Coalition (**ACIBC**).

To keep a healthy, strong industrial base, suppliers need commitments on how many carriers the Navy will build and how often, Rick Giannini, president and CEO of Milwaukee Valve Co. and co-chair of **ACIBC**, told Defense Daily in a recent phone interview.

"The president's plan, which is the Navy's 30-year shipbuilding plan, does call for a carrier every four years starting in '08," he said. "That would be a tremendous help to the industry."

However, even though the Navy's shipbuilding plan calls for building the next generation of aircraft carriers (CVN-21) beginning in 2008 with follow-on ships in 2012 and 2016, Giannini points out that the number of active carriers will fall to 10 ( in FY '13 and FY '14).

"From a national defense standpoint, dropping below 11 would be a very difficult thing for our country to manage. Taking the supplier side, which is the side I am on, we haven't had a carrier in seven years and our work force is down probably 30 to 40 percent from where it was just a few years ago," he explained.

Should Congress or the Navy move acquisition of a new carrier further to the right, it will create additional strain on the supplier base, Giannini added.

"Our company in particular, there are 15,000 valves that we supply on one carrier. When that business is gone, it puts a huge strain on [us]. Like every other business, you have to find ways to stay in business and utilize your equipment and people or you can't keep the people. It's very difficult. The vendor base is getting strained more and more every year," he said.

That's why Giannini says getting funding in the budget for construction of a new carrier every four years is one thing; actually getting it built is what really matters.

"It seems like the president's budget and the defense budget, in particular, with the ship building plan, looks pretty good, at least from early indications. We are very pleased about that," Giannini added. "But we also know when things get tight and funds get tight, something's [got to] give."

**ACIBC** held its second industry day breakfast last month in hopes of getting members to visit their congressional delegation to spread the word on the importance of building naval ships, Giannini said.

The Navy has a good plan and the attention shipbuilding is receiving helps, too, he added.

"[The Navy is] very supportive of the 11-carrier fleet and getting the submarines back up, and in general getting the overall ship numbers back up," Giannini said. "It does appear that the shipbuilding industry, as part of defense, is getting a little more attention than it has in the last several [years] and from our perspective, rightfully so, because the industrial base, the vendor base, has really taken a hit over the last 10 years."

While the number of vendors has been dwindling, Giannini said it necessarily isn't a bad thing unless the nation starts to lose critical mass.

"If you lose certain technologies, you can always get them back, the world is pretty resilient. But when they come back they usually take more time, they take more money and there is usually more R&D (research and development) involved in getting them back up and running and somebody has to pay for it," he said.

Early indications are that there is good support for shipbuilding, Giannini said. "Right now there are a lot of things going on in the world that make it important for America to build ships and not let its fleet decrease."

One example is an effort by China to build up its military.

"It's important that we don't show [China] we are abandoning our navy shipbuilding. They are watching and they are building," he added.

Another issue industry and the Navy must contend with is how to lower the cost of building ships. Giannini believes that knowing when new ships are going to come, timing of orders and perhaps grouping orders together so that suppliers can order materials ahead of time, will all help work toward lowering costs.

Another issue is that there is a lot of "specification work that gets written at a high level," Giannini said. And as it filters down each step, more restrictions are written in.

"By the time it gets down to us, to supply the parts, so much more testing needs to be done, new materials need to be used, special tools need to be made to make things. As a supplier we look at it and say 'what are you guys doing? We can supply you with something that will do the job for a lot less,'" he said. "We've been having a lot more conversations like that with Northrop Grumman and with the Navy standards people to try and find ways to utilize what suppliers know."

Northrop Grumman [NOC] is the sole builder of aircraft carriers for the Navy.

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### **Shipbuilding Advocates Seek Stable Aircraft Carrier Funds**

By Rebecca Christie

Of DOW JONES NEWSWIRES

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WASHINGTON (Dow Jones)--U.S. shipbuilders and their Capitol Hill supporters gathered Thursday in a call for secure, long-term funding for aircraft carrier construction.

The U.S. has 11 aircraft carriers in service now, down from 12 after the USS John F. Kennedy's retirement last month. Another carrier, the USS Kitty Hawk, also is slated for retirement soon, due to be replaced by a new carrier named after former president George H.W. Bush.

U.S. Rep. Thelma Drake, R-Va., acknowledged that the Navy may have to make do with 10 carriers for a while. She endorsed efforts to move back toward a 12-carrier fleet, perhaps by spreading funding out over four years instead of the current two-year practice.

Aircraft carriers are very expensive, however, leading some observers to suggest that there could be more fleet cuts to come. Ships cost \$6 billion to \$14 billion each, depending on what costs are included. Northrop Grumman Newport News President Mike Petters, who leads a Northrop Grumman Corp. (NOC) unit that is the only active

shipyard for new carriers, cited \$8 billion per ship as a reference point for actual construction costs.

A new Congressional Research Service study says current Navy funding plans lay out nine years for the first next-generation carrier, with the bulk of the funding in a two-year period. If Congress elects to move to a four-year cycle for split funding, it would take 11 years to pay for each new ship and could also set new precedent for incremental funding, the April 10 report said, warning that this could weaken efforts to require full funding for new defense projects in any given budget cycle.

New design and manufacturing technology will bring down some of the costs and also lower the future maintenance bill, Petters said. Heavy construction will start this year on a ship named for former President Gerald Ford, the first in a new class of aircraft carriers.

"We've been working on this ship now for six or seven years from a design standpoint," Petters told Dow Jones Newswires. "We've been focused on how do we drive the costs down."

Petters acknowledged cost challenges on the George H.W. Bush, but said these issues haven't been as serious as they were portrayed. The ship's progress has been "characterized unfortunately," but it will deliver as promised at the end of next year, he said.

"There was a point in time where the Navy took a view that we were going to blow past the ceiling on the contract. Our view was we were never going to do that. In fact we haven't done that," Petters said.

Congress and the Navy need to find a stable shipbuilding strategy that doesn't rely on big spikes from one year to the next, Petters said. He said lawmakers who support extra ships need to balance their concern for the fleet with a concern for the Navy's long-term shipbuilding plan.

Key Democrats, like Rep. John Murtha, D-Pa., and Rep. Gene Taylor, D-Miss., have said they will seek to add ships to the Navy's budget in 2008. The Navy has responded cautiously, saying such efforts could hurt shipbuilding stability if they are not thought through.

Aircraft carriers are in line for a big slice of the 2008 defense budget, now making its way through the authorization committees. The new Ford-class carrier is slated for about \$2.7 billion, and the Pentagon's request also are advance funds for other ships. The **Aircraft Carrier Industrial Base Coalition**, which sponsored Thursday's event, urged Congress to maintain and support this request.

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