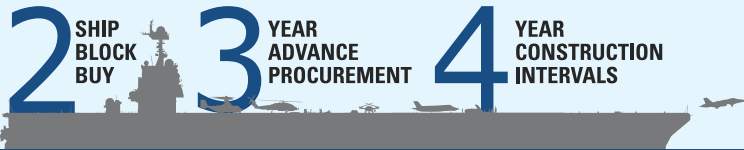


A CRITICAL MOMENT FOR THE SHIPBUILDING INDUSTRY

An industrial base assessment from the Aircraft Carrier Industrial Base Coalition



The Aircraft Carrier Industrial Base Coalition (ACIBC) recently performed an analysis on the health, capacity, and future of the nuclear-powered U.S. Navy aircraft carrier industrial base.

Comprised of supply-chain companies across the nation, these companies provide parts and services for the construction and maintenance of U.S. Navy aircraft carriers. This report focuses on the challenges to the industrial base, and how to sustain and maintain the shipbuilding base, which is a national security imperative. This is the first report with a second, more comprehensive report to be released in March 2024¹

THE INDUSTRIAL BASE'S IMPACT²

\$9.4 Billion
WORTH OF WORK

44 States
ARE HOME TO 2,000+
INDUSTRIAL BASE COMPANIES



AIRCRAFT CARRIER SUPPLIERS FACE CHALLENGES TO THE HEALTH AND STRENGTH OF THE INDUSTRIAL BASE

Inflation

Challenge: **95%** have faced challenges due to rising costs from inflation

Impact: **79%** have experienced raw material cost increases of at least 7%

Resolution: **91%** regard multi-ship "block buys" critical to offsetting inflation and contributing to the health and future of their company

Supply Chain Disruptions

Challenge: **91%** have faced challenges as a result of material availability/delivery

Impact: **76%** have experienced an increase in the amount of time it takes to build and deliver their products

Resolution: **64%** regard earlier advanced funding critical to addressing increased material lead-times and meeting required in-yard dates

Workforce Issues

Challenge: **85%** have faced challenges hiring, training, and retaining their workforce

Impact: **32%** believe workforce-related challenges have had a detrimental impact on their ability to fulfill contracts

Resolution: **76%** believe 3- or 4-year centers are optimal build intervals with 60% saying operating under four-year construction intervals will enable the hiring, retention and training of a workforce



¹ACIBC administered a survey to 150 suppliers across the nation between October 30 – November 10, 2023.

²Data reflects CVN spending between 2018-2022



ANY DELAY TO CVN 82 FURTHER EXACERBATES SUPPLIER CONCERNS AND MAY CAUSE IRREVERSIBLE HARM TO THE INDUSTRIAL BASE

- ★ CVN 82 is forecast to be 6+ years after CVN 81 based on the President's Budget 2024 projections (procurement in 2028); based on that timeline, **nearly 50% of AP suppliers are already expected to have already stopped continuous production (i.e. "go cold") for their respective CVN material/equipment by then.**³
- ★ The impact will be exacerbated if CVN 82 is delayed beyond 2028, with **40% of suppliers saying they will need to lay off workers and/or deprioritize military shipbuilding and explore more commercial options.**
- ★ If *Ford*-class intervals remain at 6 or more years beyond CVN 82, **71% of suppliers regard this as negative to their business**, potentially leading to a significant cost increase in products/services, reduction in workforce, and/or exploring alternative business opportunities.

THE IMPACT IS POTENTIALLY BOTH FAR-REACHING AND LONG-LASTING ACROSS THE ENTIRE NUCLEAR SHIPBUILDING INDUSTRIAL BASE

More than 50% of suppliers provide parts and services for both the aircraft carrier and submarine programs. Of those joint CVN/submarine suppliers, at least 60% state that a stable, consistent and predictable CVN procurement strategy is critical to their overall production efforts, to include submarines. There is a strong interdependence across the nuclear industrial base:

- ★ **Encourages investments** to optimize quality and delivery timelines;
- ★ **Enhances workforce** hiring, retention, and training initiatives for both submarines and aircraft carriers production lines.

More than 50% of respondents provide sole-source/single-source material—underscoring the fragility of the industrial base. If impacted, it would take years to qualify new suppliers depending on the complexity of the system/equipment.

CONSISTENCY, PREDICTABILITY AND STABILITY IS VITAL TO CVN SUPPLIERS

The data from the coalition's analysis determines this is the optimal course for CVN construction:

- ★ **2-Ship Buy:** Procure CVN 82 & CVN 83 under one contract, starting CVN 82 in FY 2028
- ★ **Sufficient Early Funding:** Provide enough funding early enough to account for longer material lead times
- ★ **Consistent build intervals:** Build aircraft carriers—current and future—on 4-year centers

The Aircraft Carrier Industrial Base Coalition (ACIBC) represents the more than 2,000 businesses from 44 states that supply parts, equipment and services for the construction and maintenance of U.S. Navy aircraft carriers. Established in 2004, ACIBC seeks to preserve the strength of the aircraft carrier force and promote the value of the aircraft carrier industrial base as a vital part of the nation's overall defense structure.

³Newport News Shipbuilding data