

## Rising costs sock shipbuilding

by Steve Liewer

Bedeveled with cost overruns, the Navy's shipbuilding program is in danger of sinking under its own weight.

Navy leaders have struggled to upgrade an aging fleet of warships with next-generation aircraft carriers, destroyers, amphibious assault ships and submarines that cost billions more than the vessels they replace.

Seven new ships are budgeted for this year, barely a third of the number built annually during the peak Reagan-era defense buildup. Fifteen will be decommissioned, including the San Diego-based Ogden, Trenton and Dolphin.

The result is a fleet of 276, the lowest total in nine decades.

**SHIPBUILDING** - General Dynamic's NASSCO shipyard in San Diego may have to lay off workers if the Navy's pace of projects doesn't quicken. CNS Photo by Sean M. Haffey. "The number of ships we're producing is absolutely pathetic," said Winslow Wheeler, an analyst for the Washington, D.C.-based Center for Defense Information and a frequent critic of Pentagon priorities. "It's a system out of control."

Navy leaders and military analysts have warned that if Congress doesn't boost the Pentagon's shipbuilding budget - \$11.6 billion this fiscal year - the Navy won't be able to meet its growing list of commitments in Iraq, Afghanistan, Somalia, Latin America and the western Pacific.

They raised some of those concerns at West 2007, a large military conference held recently at the San Diego Convention Center.

The Navy's fleet is now less than one-fourth the size of the armada assembled for the battle of Okinawa in World War II, said retired Vice Adm. John Nyquist, who directed the Navy's surface warfare construction program in the 1980s.

"We certainly want to have enough ships to protect our country," Nyquist said.

To help pay for shipbuilding, the Navy has cut thousands of sailor billets from its rolls since 2003. It also has trimmed orders for new ships and stretched them out over more years.

Meanwhile, the nation's six shipyards fear they'll have to lay off more workers if the Navy's pace of new projects doesn't speed up. The lack of steady work also prompts highly trained employees who design and construct warships to find other careers.

"That's a skill that, once it's lost, it'll be very, very difficult to get back," said Fred Harris, president of General Dynamics NASSCO.

The problem isn't easy to fix. The parties most heavily involved in shipbuilding - Congress, the Navy and shipbuilders - all have incentives to add expensive, high-tech gadgets that pump up the capabilities and prices of new vessels.

Pentagon officials and shipbuilders trade jabs at conferences such as West 2007. The Navy blames shipbuilders for busting budgets, while shipbuilders point a finger at the Navy for frequent design changes and a lack of steady work that forces them to boost costs.

The Navy has tried to make changes. For example, it conceived the shallow-water, no-frills Littoral Combat Ship as the future backbone of its fleet. But that program, too, has recently run into financial trouble.

The Congressional Research Service has proposed shifting some Navy ships from nuclear to conventional propulsion, reducing each vessel's hull survivability from military to civilian commercial standards, and using the same hull design for different ship models.

In 1997, Navy officials had drawn a bright, red line at 300 ships for its fleet, a number below that then-Chief of Naval Operations Jay Johnson said would imperil the country's safety. That was the latest in a series of red lines drawn since 1988, when then-Navy Secretary Jim Webb resigned over the Reagan administration's wavering commitment to a 600-ship Navy. (Webb is now a Democratic senator from Virginia, elected in November.)

Last year, Adm. Michael Mullen, the current chief of naval operations, set a new goal of 313 ships by 2020. The goal will require an annual budget of \$14 billion to \$20 billion, said Norman Polmar, a well-known naval analyst in Washington, D.C.

Mullen also has prodded the Navy to quit emphasizing ship numbers. Such an approach, he said, made sense in the tit-for-tat competition with the Soviet Union during the Cold War but doesn't mean much now that

threats come from failed states or murky terrorist groups worldwide.

He urges defense experts to gauge the Navy's fleet by its collective strength, because modern communications allow battle groups and fleets to link up in a seamless network.

At the same time, Mullen has promoted a concept he calls the "1,000-ship Navy," drawing on alliances with foreign navies and coast guards.

"It's really about a global navy network," said Vice Adm. John G. Morgan Jr., the Navy's chief of plans, information and strategy, during a West 2007 panel on shipbuilding. "When you realize you can't do it all, you've got to look at other ways."

As the Iraq war nears its fourth anniversary, the Navy must compete for funds with the Army and Marine Corps, who get top priority because their personnel and equipment have been stretched thin.

The Navy is as busy as ever, its carriers launching air strikes in Afghanistan and Iraq, its destroyers chasing pirates off the Horn of Africa, its frigates halting suspected drug runners in Latin American waters, its amphibious assault ships ferrying Marines and Special Forces to the Middle East and elsewhere.

"You don't see it or hear about it, because the focus is on boots on the ground - and rightly so," said Cynthia Brown, president of the American Shipbuilding Association, the industry's lobby group. "(But) any time you talk about a global war, you can't be there, you can't get there without ships."

Sky-high shipbuilding costs are by no means new.

A 2006 study by the RAND Corp., a Santa Monica, Calif.-based defense consultant, showed shipbuilding costs over a 40-year period had risen 7 percent to 11 percent a year, far outpacing the rate of inflation.

But cost overruns are sucking up more dollars than ever, even as shipbuilding budgets have stayed steady or shrunk. The Navy is replacing an unusual number of ship classes with modern upgrades: attack submarines, aircraft carriers, amphibious assault ships, destroyers, and the Lewis-and-Clark-class supply ships made by NASSCO.

The Navy's biggest cost headache is the still-unbuilt DDG-1000 destroyer. The ship was conceived a decade ago as a \$750 million replacement for the Spruance and, eventually, the Arleigh Burke-class destroyers that now form the backbone of the surface fleet.

Technologically, the sleek DDG-1000 is loaded: It will boast advanced radar, vertical-launch cells for Tomahawk and Sea Sparrow missiles, 155-mm guns with long-range, precision-guided projectiles and a super-efficient electrical generation system - all packed into a stealthy hull inspired by the Air Force's B-2 bomber.

But with a cost that has swelled to \$3.6 billion, the ship keeps accountants awake nights. The Navy has cut its planned purchase of the ship from 30 to seven. Some defense analysts predict the Pentagon ultimately will buy only two or three.

"Cramming that much capability onto one ship is ludicrous," said Bob Work, a defense analyst for the nonpartisan Center for Strategic and Budgetary Assessments in Washington, D.C. "Everybody outside the Navy looked at it and said, 'You're crazy.'"

As an alternative to souped-up ships such as the DDG-1000, the Navy in the late 1990s hatched the bare-bones Littoral Combat Ship.

Small enough to operate in the near-shore seas and estuaries that Navy officials call "brown water," the littoral hull was designed without weapons systems. Instead, warfighting modules for functions such as antisubmarine or countermine warfare could be designed separately and loaded onto the ships as needed.

The no-frills design would allow the mass production of at least 55 littoral ships, at a cost of no more than \$220 million apiece. It is the key to Mullen's 313-ship blueprint.

The first four littoral ships, all under construction, were bound for San Diego. Then last month, Navy auditors discovered that costs had nearly doubled on the third ship, which Lockheed Martin is building. The Navy ordered the contract suspended for 90 days while it investigates.

Despite the program's troubles, even some critics of the Pentagon think the strategy of introducing more streamlined and smaller ships will offer the Navy its best chance of forming a sufficient fleet in an era of crushing technology costs.

"What you really want to do is mass-produce," said Chris Hellman, a military analyst with the Washington D.C.-based Center for Arms Control and Non-Proliferation. "We're already operating the best Navy in the world. ... Our edge is so vast, we don't really need a huge technological upgrade."

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