Costs snag new Naval combat ship

by UPI

SAN DIEGO - The Navy's new class of Littoral Combat Ships hasn't reached San Diego, and already the fleet is shrinking.

Last year, Navy officials announced plans to berth the first four of these small, speedy, shallow-water vessels at San Diego Naval Base at 32nd Street starting this summer. The service intended to acquire 55 of the ships in all.

Galloping cost overruns, though, prompted Navy Secretary Donald Winter to cancel the construction contract for one of the San Diego ships. His decision came April 12 - after three months of budget negotiations with the contractor, Lockheed Martin.

For its part, Lockheed resisted pressure from the Navy to accept a fixed price for each of the ships, whose cost has ballooned from an estimated $220 million in 2005 to as much as $400 million today, according to the nonpartisan Congressional Research Service.

Fixed pricing would shift the tab for any unexpected construction costs from the Pentagon to the shipbuilder, even if the military requested changes to a vessel. Wall Street analysts have praised Lockheed for refusing the Pentagon's demands.

"It seems like both sides have said, 'Enough already,' " said retired Vice Adm. John Nyquist of Coronado, who served as assistant chief of naval operations for surface warfare during President Reagan's era. "It's like nothing that I have seen before in my career."

The clash has stirred up a cloud over a shipbuilding program the Navy considers essential to boosting its fleet from 268 to a desired 313.

"The only way the U.S. Navy is going to have a 300-ship fleet is if it makes the Littoral Combat Ship work," said Loren Thompson, chief operating officer of the Lexington Institute, a free-market-oriented think tank in Arlington, Va. "This is a ship that, first and foremost, must remain cheap."

One thing is certain: San Diegans must wait awhile for their first glimpse of either of the two Littoral prototypes.

The region was originally scheduled to get its first pair of these prototypes by year's end. Now the delivery dates have been pushed back until sometime in 2008, said Lt. Cmdr. John Schofield, a spokesman for the assistant Navy secretary of research, development and acquisition.

But the current turmoil is so stunning, no one knows for sure what will happen with the Littoral program.

"It's a very sticky issue," Schofield said. "You have uncharted territory here."

The Littoral concept emerged from an idea for a small, fast and versatile ship called "Streetfighter," which was hatched in the late 1990s by Adm. Arthur Cebrowski, a former commander of the aircraft carrier Midway.

Littoral Combat Ships would operate in shallow coastal waters, a zone the Navy had largely abandoned since scrapping its Vietnam War-era Swift boats. Interchangeable, "plug-and-fight" modules for missions such as anti-submarine warfare and mine warfare would piggyback onto the ships' multipurpose platform.

Most importantly, the Littoral would be cheap - the kind of ship a budget-minded Navy could afford to build a fleet around.

Then-Defense Secretary Donald Rumsfeld seized on the concept as part of his bid to transform the military into a lighter, more mobile force. In 2005, the Navy selected two Littoral prototype designs: Lockheed Martin's steel monohull, which resembles other warships, and General Dynamics' radical aluminum trimaran.

Congress agreed to spend $992 million to build the first four ships and later funded two more at $260 million each, according to analyst Ronald O'Rourke of the Congressional Research Service.

Navy officials brought the Littoral program from concept into production mode within five years, lightning fast compared with the Pentagon's typical pace. They did it largely by pushing ahead without regard to cost, naval analysts said.

But by early this year, the political landscape in Washington looked a lot different than it had a few months earlier. Rumsfeld was no longer the defense secretary. A new Democratic Party majority arrived in Congress,

eager to exert oversight on military budget issues.

Winter, the Navy secretary, has been warning defense contractors to rein in costs.

In January, he suspended the contract for Lockheed Martin's second Littoral ship, the Courage, for 90 days. In March, he announced plans to scrub the fifth and sixth Littoral vessels to pay for cost overruns on the first four. Then in April, he canceled the Courage contract after the failed negotiations with Lockheed.

Schofield said the three Littoral ships still under contract will be assigned to San Diego after their scheduled completion in 2008 and 2009. Testing of these prototypes will take place in the region, and the Navy expects to choose a final design in 2010.

There's speculation that General Dynamics, like Lockheed, could face trouble if it doesn't accept a fixed-priced contract for the Littoral ships. That's partly because Winter has promised to continue to his hard line against ballooning expenses for shipbuilding. He blames contractors for lowballing costs, then passing along extra bills to the Pentagon later.

"These problems are long-standing ... and seemingly resistant to the many efforts that have been made to overcome them. This must change," Winter said in an April speech to executives of defense firms.

Some analysts don't understand why Winter is taking a hard stand on the Littoral program, which represents a new shipbuilding concept, so early in its life cycle.

"The people who started this program, they never would have done what he is doing," said the Lexington Institute's Thompson. "In the end, his pronouncements will just lead to more volatility. The system will just bounce back."

But Winter apparently believes he must try for an overhaul.

"It is not my intention to be unduly harsh," he said during the April speech. "I realize that some in industry and in the Navy may find my message to be disturbing, and may even take umbrage at my candor. But I hope you will recognize that this is a genuine case of tough love."

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