

# SAC NEWSLETTER



9.29.2022

A monthly newsletter brought to you by The Strategic Affairs Committee of the PSDSRA

## Top stories in this newsletter (Helpful Hint: click the pictures to be taken to the articles/links)



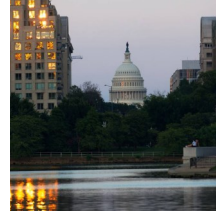
This week in Congress: Two weeks to negotiate a budget extension



Senate Republicans demand Schumer bring defense authorization bill to floor



CNO Gilday: Industrial Capacity Largest Barrier to Growing the Fleet

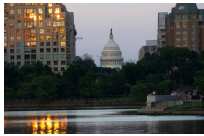


Defense industry to launch inflation relief push in Congress



Ship repair delays increased in 2022 due to labor, material challenges

## This week in Congress: Two weeks to negotiate a budget extension



The Capitol dome in Washington, D.C., is seen from the Tidal Basin at sunset on Aug. 2. (Colin Demarest/C4ISRNET)

“With little progress on advancing full year appropriations bills for federal agencies, lawmakers have just two weeks to negotiate a budget extension or risk a partial government shutdown at the start of October.

House and Senate leaders have said in recent days they are working on a short-term budget plan but have not yet released any details. The new fiscal year starts on Oct. 1, one day after both chambers are scheduled to begin a pre-election recess. Significant progress on a full year budget deal is not expected until after the midterm election, when voters will decide which party will hold control of the House and Senate for the next two years.

A partial government shutdown would not close Veterans Affairs hospitals or cancel major military activities, but could delay some training, programming and paychecks.”

## Senate Republicans demand Schumer bring defense authorization bill to floor



Majority Leader Charles Schumer (D-N.Y.) addresses reporters following the weekly policy luncheon on Tuesday, September 13, 2022. Schumer discussed Sen. Lindsey Graham's (R-S.C.) legislation for a 15-week abortion ban.

“Two dozen Republicans are pressing Senate Majority Leader Charles Schumer (D-N.Y.) to bring the fiscal 2023 National Defense Authorization Act to the floor for a vote before the September work period closes.

The Senate Armed Services Committee advanced its version of the annual defense policy bill in June by a bipartisan 23-3 vote, and the legislation now awaits consideration from the full upper chamber.

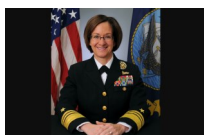
Sen. Jack Reed (D-R.I.), chairman of the Senate Armed Services Committee, said at the 2022 Defense News Conference that he's been working with Schumer to try to bring the bill to the floor before the Senate recesses for midterm elections.

However, he acknowledged that there were other things the upper chamber has to work on that take priority.

“We have to have a continuing resolution to keep the government operating, and there are other issues that are coming before us that we have to take up. But we're pushing very, very hard to get on the floor in September,” Reed said.

The Senate's version of the bill calls for a \$857 billion national defense top line, of which \$846 billion would be authorized for programs in the Department of Defense and Department of Energy.”

## Franchetti sworn in as vice chief of naval operations



Vice Adm. Lisa Franchetti has taken the reins as the Navy's vice chief of naval operations. (Navy)

““Adm. Franchetti is a true leader with unrelenting commitment to the Fleet,” Chief of Naval Operations Adm. Mike Gilday said, according to a press release announcing the event. “She demonstrates operational excellence, strong character, diverse perspectives and resilience in all she does — and I look forward to working together to ensure our Navy remains the world's premier maritime force.”

Previously, Franchetti served as director for strategy, plans and policy on the Joint Staff. Before that, she commanded U.S. 6th Fleet and U.S. Naval Forces Korea, among other flag assignments.”

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## CNO Gilday: Industrial Capacity Largest Barrier to Growing the Fleet



Navy Photo

“The biggest barrier to adding more ships to the Navy is industrial base capacity, Chief of Naval Operations Adm. Mike Gilday said Thursday.

The service’s top officer said shipbuilders need indicators from the service before they’re able to make the investments required to build, for example, three destroyers per year.

“We have an industrial capacity that’s limited. In other words, we can only get so many ships off the production line a year. My goal would be to optimize those production lines for destroyers, for frigates, for amphibious ships, for the light amphibious ships, for supply ships,” Gilday said at a Heritage Foundation event.

While Gilday has pointed to capacity as a hurdle to growing the fleet, two U.S. shipyards have already made significant infrastructure investments that could set them up to build more ships. Austal USA recently built a new steel line and is interested in the second line for the Constellation-class frigate. HII’s Ingalls Shipbuilding, which builds some of the destroyers, has spent nearly \$1 billion over the last five years to modernize its Pascagoula, Miss., yard, USNI News recently reported. Bath Iron Works, the other yard that builds the destroyers, is still facing a backlog of work that was exacerbated by the COVID-19 pandemic.

The article goes on to talk about Gilday’s Navigational Plan and the ship counts called for within. It also talks about how the Navy intends to fold in Unmanned vessels. However, the take away from this article is that the CNO’s statement on the DIB capacity limiting ship construction.”

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## Defense industry to launch inflation relief push in Congress



Navy Photo

“Defense industry associations are laying the groundwork for a lobbying blitz next week when Congress returns from its summer recess to seek relief for contractors from inflation.

The push will be focused on shaping the stopgap funding bill known as a continuing resolution that lawmakers are expected to use to keep the government functioning past September. A continuing resolution maintains government funding at current levels — often straining budgets even without record inflation — so trade groups hope to modify it.

Leaders from the National Defense Industrial Association, the Aerospace Industries Association and the Professional Services Council have been strategizing behind the scenes in recent weeks, and on Aug. 26, they met with Pentagon Comptroller Mike McCord and Undersecretary for Acquisition and Sustainment Bill LaPlante at the Pentagon to preview the proposal.

Industry hopes to revisit Pentagon guidance issued to contracting officers in late May that was intended to limit inflationary increases to contracts. In that memo, John Tenaglia, the principal director for defense pricing and contracting, said “economic price adjustment” clauses can be used in contracts to share the risk of inflation, but urged limited use. If a vendor has a firm-fixed price contracts without such clauses, the contracting officer should not grant an adjustment, the memo said.

Calling the memo “out of sync with reality,” Punaro argued the Pentagon should be allowing adjustments along a broader range of defense contracts, akin to the budgetary tweaks it’s making to address rising fuel costs and cost of living increases for troops. He stressed that industry wants to work with the Pentagon and White House budget office on a fix.

Without greater latitude in defense contracting, “elements of the industry are at risk of going under,” David Berteau (the president and chief executive of the Professional Services Council) said, adding that the Pentagon could take a page from the General Services Administration, which has been more open to inflation adjustments. “You have governing bodies saying do what you can and others saying don’t do much at all. We need a consistent government approach.”

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## Quick Link Resources Included for the Benefit of the Members



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Information on  
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SECNAV 5512/1 and  
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19 Guidance and  
Resources

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## Austal USA Inks Deal with Sairdrones to Build Wind-powered Drones as USV Work Expands



Sairdrone Photo

“By the end of the year, Austal USA’s yard will start producing sail-powered, unmanned surface vessels for the Navy and other customers, the company announced this week.

Starting in October, the Mobile, Ala., shipyard will start building the 65-foot aluminum Sairdrone Surveyor drones in its modular manufacturing facility for use by the U.S. Navy.

Powered by wind and solar power, Sairdrones are designed for high endurance voyages, originally for maritime research applications. But the Navy has been using them as surveillance platforms in U.S. Central Command since late last year as part of U.S. 5th Fleet’s Combined Task Force 59.

The Navy announced earlier this year it had a notional plan to acquire 150 USVs in its latest long-range fleet structure. Yards like Austal and smaller shipbuilders in the Gulf Coast are looking to the smaller ships as part of the growth of the service’s unmanned fleet.”

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### About the SAC:

The Strategic Affairs Committee’s charter is to monitor current events and news relevant to the Ship Repair Industry and provide the Association’s board of directors with items of interest that may affect the industry and / or the membership. The information includes but is not limited to current events, geopolitical information, budget news, political information and upcoming legislation.



The PSDSRA’s Facebook page is regularly updated with news, which is focused on, timely and relevant information of value to our members in the Maritime Industry. To view, like, and/or follow the PSDSRA’s page, click the Facebook logo.

The SAC meets on the 3rd Tuesday of every month.

To join the Committee - Email [KWilkinson@delphinus.com](mailto:KWilkinson@delphinus.com) and you’ll be added to the committee distributions and meeting invitations.

Current Active Committee Members include: Kyle Wilkinson, Derry Pence, Terry Buis, Marcel Becker, Kyle Clapp, Kelvan Hall, Michael Curtain, Michael Bice, Ed Zajonc, Morgan Miller, Lorenzo Ramirez, Patrick Mooney, Ross Shook, Desiree Waldon, David Widener, Chris Hill, and Dan Cummins.

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## Ship repair delays increased in 2022 due to labor, material challenges



(Hendrick Dickson/U.S. Navy)

“More ship maintenance availabilities are running long this year due largely to labor challenges and material issues, the fleet maintenance officer for U.S. Fleet Forces Command said Tuesday.

This comes despite a pair of Navy-run efforts to tackle barriers to on-time maintenance.

Rear Adm. Bill Greene said the service currently has 41 surface ships in a major maintenance period, with more than 100 additional in planning.

“For surface ships, we expect to finish 36% on time in [fiscal 2022], there’s just a few days left in the year. And this is versus 44% for last year. So we are going in the wrong direction with regard to on-time delivery,” the admiral said at the American Society of Naval Engineers’ annual Fleet Maintenance and Modernization Symposium.

However, he said, the ships coming out of maintenance late have lost fewer days of operational time. “The cumulative days of maintenance delay, which we also track, have consistently gone down,” Greene said. “In FY20, an 18% reduction, and in ‘21, an 8% reduction. So we are, in a way to say, less late on those late deliveries.”

Greene cited record attrition and said the shipyards are well behind in their hiring plans.

At both the private and public shipyards, “we have really faced some unprecedented headwinds in the past few years, and so I think if we weren’t doing P2P and NSS we would be in a lot worse shape,” Greene said.

The admiral also noted that materials are taking longer to show up to yards, and that a single missing part can delay an entire maintenance availability. He said this is becoming more problematic during the Navy’s continuous maintenance availabilities, or smaller pier-side work periods outside of a major maintenance availability. When these continuous maintenance availabilities can’t be completed in full due to missing material, that work then gets bumped to the ship’s next yard period, which adds more pressure to that schedule and makes the ship more likely to face delays.

A big barrier to predictable workloads, Greene said, has concerned the decommissioning schedule of ships. Ideally, he explained, the Navy would know two years out when it would decommission a ship and could therefore stop planning to set aside maintenance dollars for that ship.”

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### Prepared By:

Kyle Wilkinson—SAC Committee Chair

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