

Congress of the United States
Washington, DC 20515

September 30, 2022

The Honorable Alejandro Mayorkas
Secretary
United States Department of Homeland Security
2703 Martin Luther King Jr Avenue, SE
Washington, D.C. 20593

The Honorable Carlos Del Toro
Secretary
United States Navy
Pentagon
Washington, D.C. 20301

Secretaries Mayorkas & Del Toro,

Thank you for your continued support and cooperation with Louisiana and Florida shipbuilders. These shipyards have a long-standing and proven record of performing for the United States military across many different types of amphibious platforms.

Two of these shipbuilders, SwiftShips LLC of Morgan City, Louisiana, and Eastern Shipbuilding Group Inc. (ESG) of Panama City, Florida, have each had a military contract pulled and re-awarded to Austal USA of Mobile, Alabama. Both contracts provided for the construction and delivery of up to a combined 41 steel crafts at a total of more than \$3.4 billion.

In 2018, SwiftShips was awarded a contract with the U.S. Navy for the construction and delivery of up to 32 Landing Craft Utility (LCU) 1700 crafts. In addition to delays caused by the COVID-19 pandemic, SwiftShips notified Congress regarding unnecessary complications with the Navy's handling of the LCU-1700 contract. These complications include four program manager transitions since the signing of the contract, needless stop work orders, delayed payments to SwiftShips and material vendors, and serious design delays. SwiftShips has continuously struggled with the acquisition of materials due to the Navy ceding its contractual obligation to pay material vendors.

In 2016, Eastern Shipbuilding Group was awarded a contract with the U.S. Coast Guard for the construction and delivery of up to nine Offshore Patrol Cutters (OPC). Despite a category 5 hurricane, worldwide pandemic, and resulting supply chain issues, ESG has kept the OPC program on schedule and on budget. On June 30, 2022, Austal USA was awarded the United States Coast Guard (USCG) Offshore Patrol Cutter (OPC) Stage 2 contract, valued at \$3.3 billion.¹ This is the largest shipbuilding contract ever awarded by the Coast Guard and requires Austal USA to build up to eleven patrol cutters.²

¹ Press Release, Austal Limited, Austal USA Awarded Up to US\$3.3 Billion Contract for 11 United States Coast Guard Offshore Patrol Cutters. FY2022 EBIT to be Revised Upwards (Jul. 1, 2022), <https://investor.austal.com/static-files/9f7ae8b0-db0d-4034-be50-15eb8b5c19c0>.

² *Id.*

It has come to our attention that an increasing number of U.S. military contracts are being handed to Austal USA in Mobile, Alabama.

As I am sure you are aware, the U.S. House of Representatives voted on H.Amdt. 256³, to H.R. 7900, the *National Defense Authorization Act for Fiscal Year 2023*, in July. This amendment, introduced by Chairman Smith of the House Armed Services Committee, would have allowed the U.S. Navy to follow through with its desire to decommission nine LCS', some of which are only two years old. I believe that it is indicative of the failures of the LCS program that the Navy is asking Congress to decommission brand new crafts that have been plagued by delays, cost overruns, and structural issues.⁴ This is a concern that rises to the level of systemic failure.

We are concerned that the shipyard that oversaw the failed Littoral Combat Ship (LCS) program under the command of Rear Admiral Thomas J. Anderson, is now responsible for the Navy's LCU-1700. Further, we are concerned with the apparent conflict of interest after Anderson's time spent as the Littoral Combat Ship Shipbuilding program manager (PMS 501), and now his tremendous authority as PEO of Ships, sending Navy contracts back to Austal USA.

Despite the failures of LCS production at Austal USA, the Department of Defense (DoD) announced an investment of \$50 million in the shipbuilder to establish a steel production facility. Austal USA later announced the beginning of construction on its very first steel ship, the T-ATS 11, in July of this year.⁵

In recent correspondence with Congress, the Navy has justified its decision to move the LCU-1700 contract, without re-competing, to Austal USA in April under the authorities provided through title 10 U.S.C. 2304 which states that "it is necessary to award the contract to a particular source or sources in order (A) to maintain a facility, producer, manufacturer, or other supplier available for furnishing property or services in case of a national emergency or to achieve industrial mobilization."⁶

We believe that it should be called into question why the Navy unilaterally sought a second source on the LCU-1700 contract in April, prior to Austal USA beginning construction on its first steel-hulled craft in July. Further, it is also concerning that the Navy would misuse title 10 authority to justify "maintaining" a defense industrial base that the DoD was clearly first establishing.

There are significant differences between aluminum and steel shipbuilding. Especially for a company that has never engaged in steel shipbuilding. While Austal's aluminum shipbuilding expertise provides some carry-over efficiencies, it is unreasonable to assume that Austal USA was able to accurately account for the scheduling, cost, and technical elements inherent in steel

³ <https://www.congress.gov/amendment/117th-congress/house-amendment/256>

⁴ Government Accountability Office, *Littoral Combat Ship Actions Needed to Address Significant Operational Challenges and Implement Planned Sustainment Approach*, GAO-22-105387, February 2022, <https://www.gao.gov/assets/gao-22-105387.pdf>

⁵ <https://www.austal.com/news/austal-usa-opens-us-100-million-steel-shipbuilding-facility-mobile-alabama>

⁶ <https://www.govinfo.gov/content/pkg/USCODE-2020-title10/html/USCODE-2020-title10-subtitleA-partIV-chap137-sec2304.htm>

shipbuilding. Further, Austal USA's new steel facility was not even completed at the time the USCG OPC Stage 2 bid submissions were due in June of 2021.

We are concerned that the Coast Guard and Navy failed to consider the substantial risks apparent in Austal USA's lack of experience in steel shipbuilding. This error should be thoroughly reviewed to avoid another failed billion-dollar program carried out by Austal USA resulting in costly consequences for the American taxpayer.

With decades of combined experience constructing quality steel hull amphibious platforms for the U.S. Government, it is difficult to surmise why both the Navy and the Coast Guard would move such high-valued contracts to a shipbuilder that, until July of this year, had zero experience in steel hull construction.

We respectfully request that your offices intercede and investigate the significant increase in U.S. military contracts being awarded to Austal USA in Mobile, Alabama. Eastern Shipbuilding and SwiftShips have a long-established relationship with the U.S. Navy and U.S. Coast Guard. These shipyards have been trusted and reliable suppliers.

We look forward to our continued working relationship regarding shipbuilding in Louisiana and Florida. Please do not hesitate to contact our offices should ever be of assistance.

Respectfully,



Clay Higgins
Member of Congress



Neal P. Dunn, M.D.
Member of Congress

cc:

The Honorable Lloyd J. Austin III, Secretary of Defense, United States Department of Defense
Admiral Linda Fagan, Commandant, United States Coast Guard