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The 2018 Outlook for Navy Shipbuilding

Presentation at the Bank of America Merrill Lynch
Defense Outlook Forum

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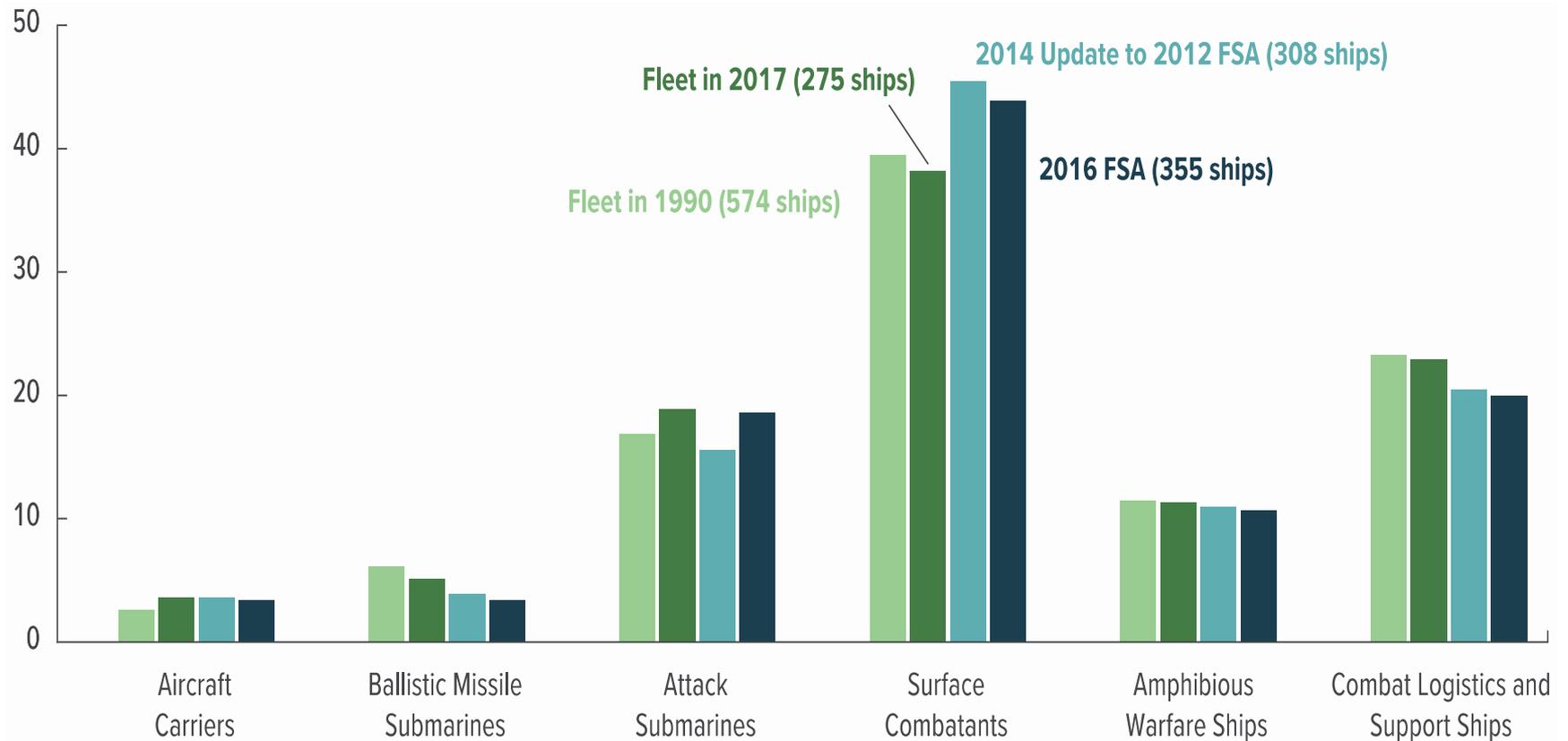
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Outline

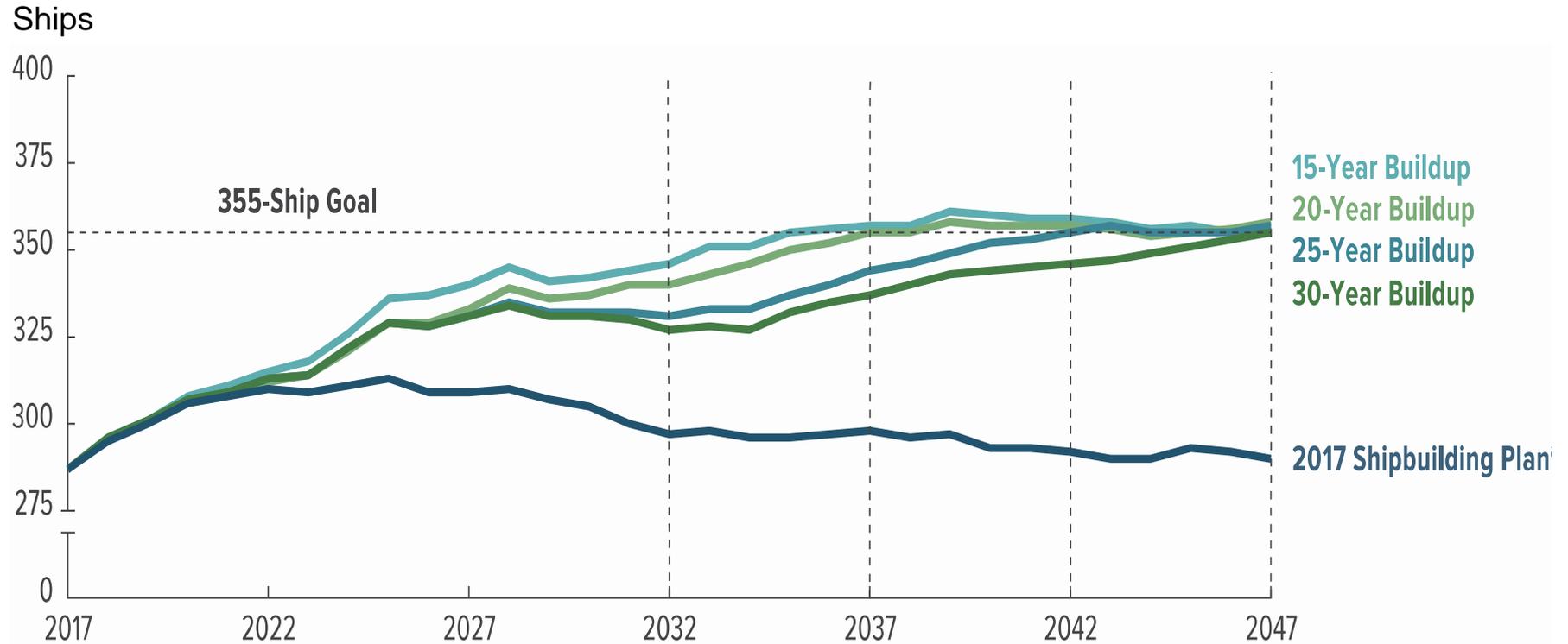
- Costs and effects of building a 355-ship navy
 - How fast can it be built with new construction?
 - How much will it cost to build?
 - How much will it cost to operate?
- Implications for the shipbuilding industrial base
- Recent shipbuilding budgets
- Can service life extensions or reactivating retired ships help?

Composition of the Fleet by Ship Type, Historically and Under Recent Force Structure Assessments

Percent

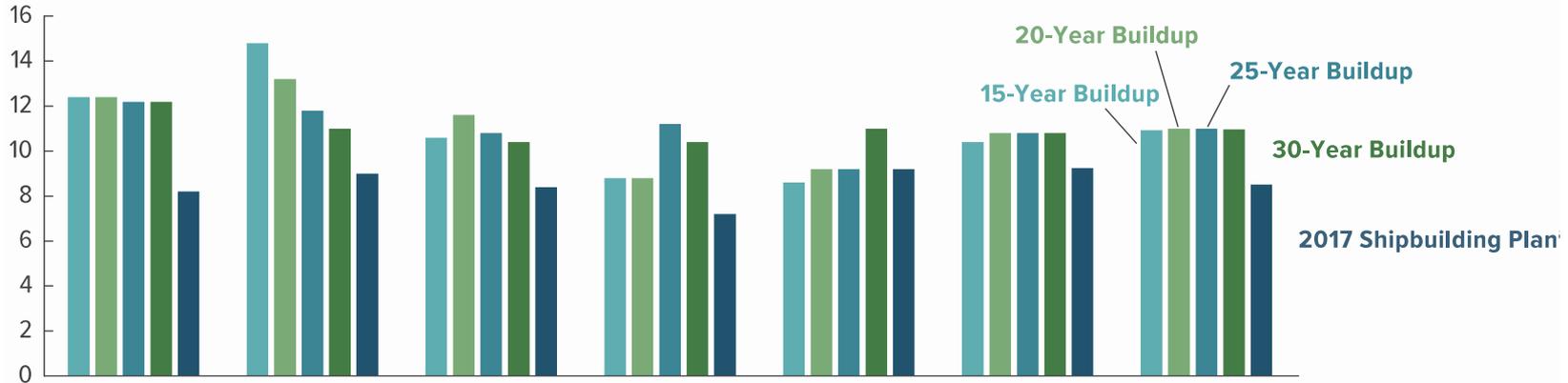


Annual Inventory of Battle Force Ships Under Different Timelines

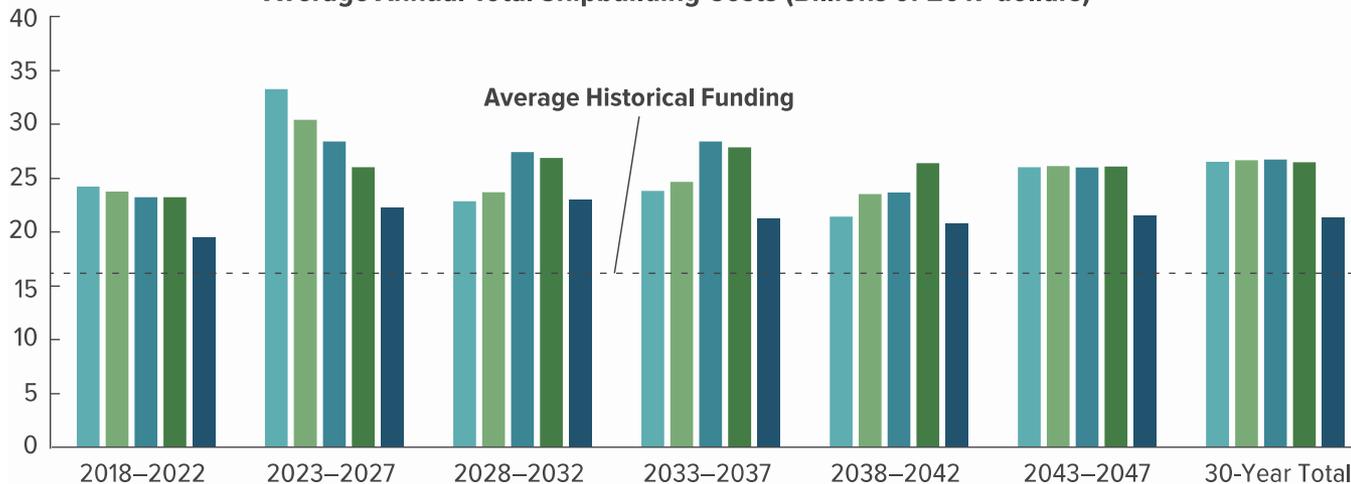


Average Annual Ship Purchases and Shipbuilding Costs Under Different Timelines

Average Annual Ship Purchases



Average Annual Total Shipbuilding Costs (Billions of 2017 dollars)

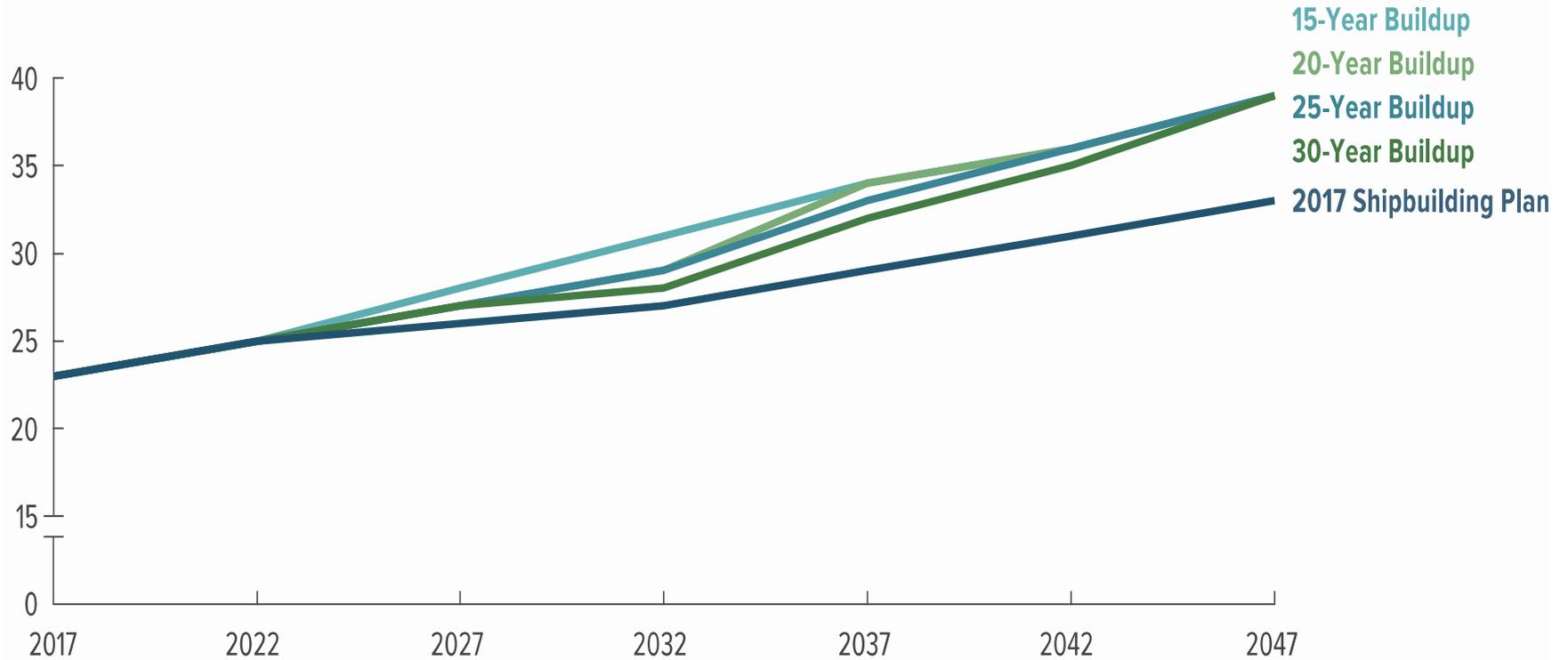


Number of Sailors Required to Crew a 355-Ship Fleet



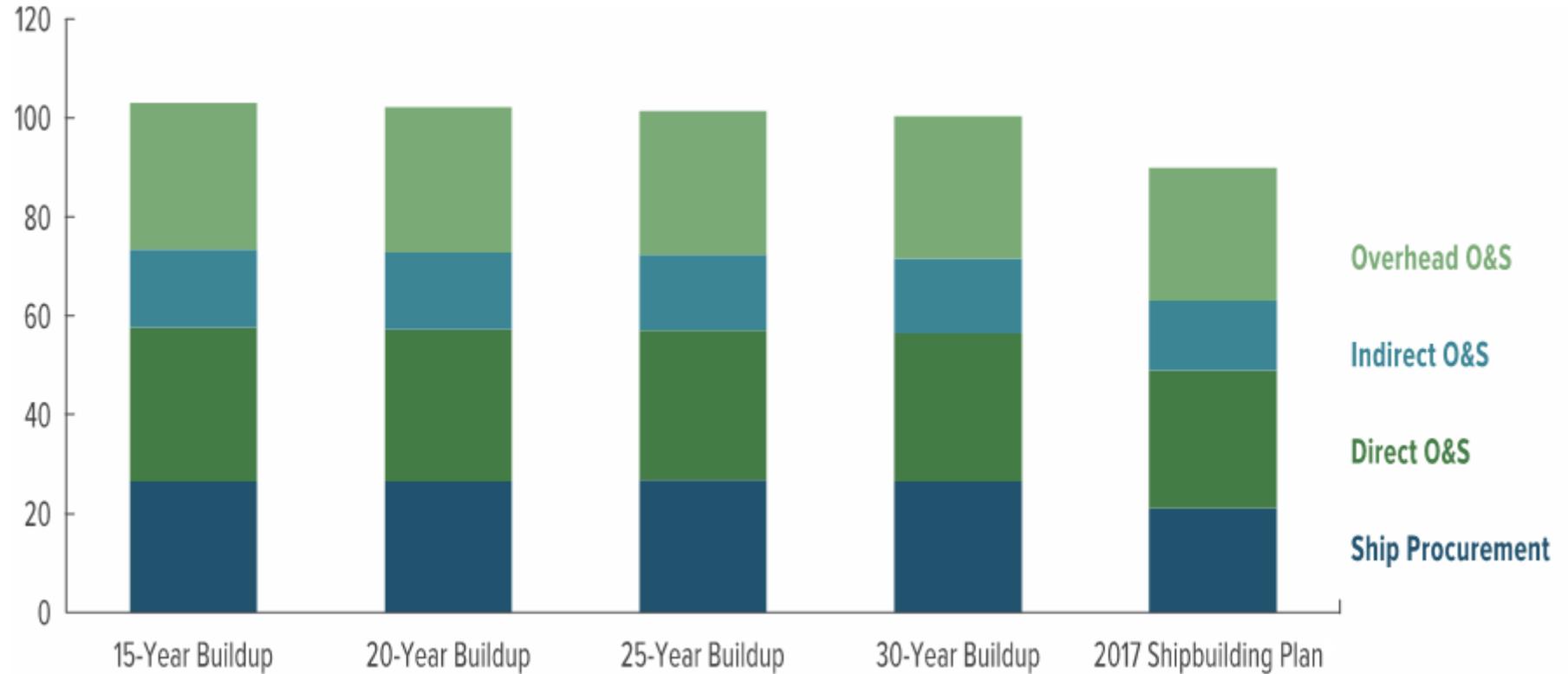
Annual Direct Operating Costs of a 355-Ship Fleet

Annual Direct Operating Costs (Billions of 2017 dollars)



Average Annual Total Costs for a 355-Ship Fleet

Billions of dollars



Implications for the Shipbuilding Industrial Base

- Seven shipyards
 - Bath Iron Works
 - NASSCO
 - Electric Boat
 - Newport News
 - Ingalls Shipbuilding
 - Austal USA
 - Fincantieri Marinette Marine

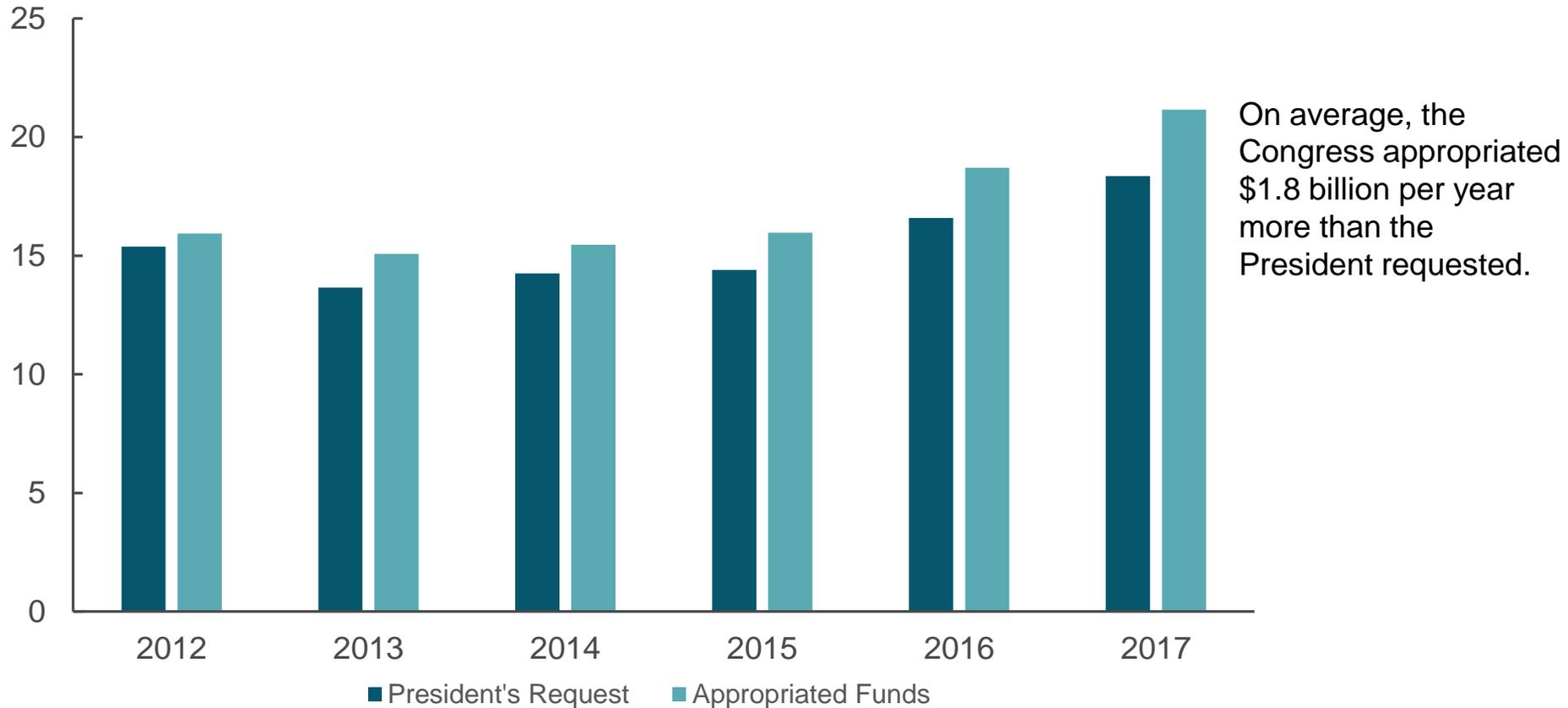
- Shipbuilding rates are projected to increase from 8.3 per year over the past decade to 12 to 15 per year over the next 10 years

- That would increase the workforce 40 percent across the yards over the next 5 to 10 years under the most demanding timelines

- Up to \$4 billion in infrastructure would be invested

Requested and Appropriated Shipbuilding Budgets, 2012 to 2017

Billions of Dollars



Can the Navy Get 355 Ships Faster?

- Relax force structure requirements
- Use Service Life Extension Programs (SLEPs) for some cruisers, destroyers, amphibious warfare ships, and logistics ships
 - Improve hull, mechanical, and electrical systems for additional service life of five to ten years
 - Upgrade combat systems—particularly for cruisers and destroyers—to be effective in future combat environments
- No reactivations of retired ships

Annual Inventory of Battle Force Ships With SLEP Alternative

