

## Ship Clips - April 4, 2011

A compilation of  
articles concerning the Shipbuilding Industry

From the  
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Navy Looks To Replace Ageing Minesweeping  
Vessels

P.C.-Commissioned Ship Wins 'Green' Award

China Lays Out Vision For Military

Huntington Ingalls Chief Says Company 'Has  
Control Of Its Own Destiny

Austal Breaks Ground On Building Expansion  
At Mobile River Shipyard

Navy Looks To Replace Ageing Minesweeping  
Vessels

NEW DEHLI - In its quest to replace ageing minesweeping ships with it, the Navy has embarked on a two-pronged strategy - building a new fleet and considering the purchase of two decommissioned vessels from the United States. The

Navy is negotiating with Korean shipyard Kangnam Corporation Busan Shipyards for building two Mine Counter-Measures Vessels (MCMV) at the shipyard and the rest at home through technology transfer, sources in the Defense Ministry said.

The Navy now operates a dozen Pondicherry/Karwar class vessels - six each with the Western and the Eastern Fleet. These were built between 1970s and 1980s.

### Price Yet To Be Fixed

A Cost Negotiation Committee is yet

to fix a final price tag with the shipyard under the project that was cleared some six years ago, the sources said. It was then estimated to cost up to Rs. 4,500 crore, but the actual cost could be much less. The Navy is also considering acquiring from the U.S. two Osprey Class minesweepers. These vessels were decommissioned in 2007 and subsequently, the U.S. Congress cleared their sale to foreign countries. Plans to look to the U.S. for arms continue as highlighted by The Hindu based on WikiLeaks cables on how Washington views sale of military hardware to India as a key part of its strategic partnership with New Delhi.

The Comptroller and Auditor General of India had made observations on landing platform dock INS Jalashwa (USS Trenton), procured by the Navy. In 2009, it commented on the acquisition of 6 UH-3H helicopters for use on the ship.

### Purchase Defended

Recently, Defense Minister A.K.

Antony defended the purchase of these decommissioned helicopters at a price of Rs. 182 crore, stating that it was essential to procure them along with Jalashwa so as to avoid additional transportation costs and that these would meet the requirement of the vertical lift component of the ship. With the induction of helicopters, the ability to perform various roles like transportation of combat troops, vertical replenishment, and other roles to enhance the operational requirement of the ship was enhanced, Mr. Antony said, adding that procurement of new helicopters would have taken at least five years more and at higher costs.

(THE HINDU 03 APR 11)  
... K. V. Prasad

P.C.-Commissioned Ship Wins 'Green' Award- USS  
Momsen runs on 50 percent biofuel

PANAMA CITY - Battling pirates in  
the Arabian Sea and assisting allies in some of the most dangerous parts of the  
world is all part of the mission assigned to the USS Momsen.

The destroyer has also received accolades for its "green"  
energy after being awarded the "Environmental Quality, Small Ship" award. The ship runs on 50 percent biofuel and 50  
percent petroleum.

Secretary of the Navy (SECNAV) Ray  
Mabus announced the winners of the FY2010 Secretary of the Navy Environmental  
Awards in March. "Your impressive  
accomplishments and steadfast dedication to a greener future are exactly what's  
important in the Navy and Marine Corps leadership teams," Mabus wrote in a  
prepared statement.

SECNAV Environmental Awards Program  
recognizes Navy and Marine Corps individuals, teams, ships and installations  
for exceptional environmental stewardship.  
"I'm thoroughly impressed by the effort and professional expertise the  
Navy and Marine Corps personnel expend in their environmental improvement  
endeavors," said Len Mediavilla of Groton, Conn., a returning environmental  
awards judge. The USS Momsen is an  
"Arleigh Burke" class guided-missile destroyer and was commissioned on Aug. 28,  
2004, during a ceremony in Panama City.

The ship honors Vice Adm. Charles  
Bowers "Swede" Momsen (1896-1967), a 1919 graduate of the U.S. Naval Academy,  
who is considered the father of the U.S. Navy's diving programs.

In recognition of his many accomplishments, the Naval Diving  
and Salvage Training Center in Panama City, was named in his honor. Momsen is best known for inventing the Momsen  
Lung, an escape mechanism for submarines that the Navy still uses today, and  
the Momsen-McCann Diving Bell.

Momsen is assigned to Destroyer  
Squadron 15, and patrols the U.S. 7th Fleet area of responsibility. Operating  
in the western Pacific and Indian oceans, the U.S. 7th Fleet is the largest of  
the forward-deployed U.S. fleets, with approximately 60 ships, 200 aircraft and  
40,000 Sailors and Marines at any given time.  
The class is named for Navy Admiral Arleigh Burke, an American destroyer

officer of World War II, and later Chief of Naval Operations.

(PANAMA CITY (FL) NEWS HERALD 31 MAR 11) ... Randal Yakey

### China Lays Out Vision For Military

BEIJING - The Chinese military said Thursday that while the security situation in Asia and the Pacific was generally stable, it was becoming "more intricate and volatile," with no clear solutions for tension points like the divided Korean Peninsula and with the United States increasing its involvement in regional issues.

The military's vision was laid out in a national defense white paper, a document published every two years since 1998. The paper tried to walk a line between trumpeting the modernization efforts of the Chinese military and assuaging the fears of foreign governments and analysts that the fast-growing People's Liberation Army would be used for expansionist purposes or regional dominance.

It stressed that China's military buildup was purely defensive, a position Chinese leaders have long taken. The paper had more detail than previous editions on China's efforts to establish confidence-building measures with foreign militaries. In the past year, perceptions by foreign countries of China's military growth and of a more assertive foreign policy have resulted in diplomatic discord and discomfort, particularly between China and the United States.

"China attaches importance to its military relationship with the United States and has made ongoing efforts towards building a sound military relationship," Senior Col. Geng Yansheng said at a news conference on Thursday. "The Chinese military is now taking steps to advance exchanges with the U.S. military this year."

But "there's no denying that in developing military relations, we still face difficulties and challenges," Colonel Geng added. The white paper observed that in the Asia-Pacific region, "relevant major powers are increasing their strategic investment." "The United States is reinforcing its regional military alliances, and increasing its involvement in regional security affairs," it added.

Colonel Geng said that the army's

chief of general staff, Gen. Chen Bingde, would visit the United States in May. Robert M. Gates, the United States defense secretary, flew to Beijing in January to smooth over military-to-military relations that had been frozen after the Obama administration announced arms sales to Taiwan in January 2010. In June, Mr. Gates got into a prickly dispute with Gen. Ma Xiaotian at a security meeting in Singapore, an episode that revealed the deep fissures in the military relationship.

Mr. Gates had to navigate yet another tricky diplomatic situation here when the Chinese military tested a J-20 stealth fighter jet in Sichuan Province while he met in the Chinese capital with President Hu Jintao.

In December, Adm. Robert F. Willard, the commander of United States Pacific Command, told a Japanese newspaper that China had a working design for an antiship ballistic missile that could strike aircraft carriers and could soon be ready for deployment. The missile, known as a "carrier killer," has become a symbol in Western military circles of the Chinese Army's technological advances.

The weapon "is not science fiction," Andrew S. Erickson, a professor at the United States Naval War College, said in an e-mail interview this year. "It is not a 'smoke and mirrors' bluff," he wrote. "It is not an aspirational capability that the U.S. can ignore until some point in the future." Of equal or greater import is China's plan to soon deploy an aircraft carrier known to be under construction. But the white paper, while ostensibly aimed at making China's military development more transparent, did not discuss the carrier project. Colonel Geng dodged a question about it at the news conference. The paper noted that China still faced challenges from "separatists." "Pressure builds up in preserving China's territorial integrity and maritime rights and interests," it said. "Nontraditional security concerns, such as existing terrorism threats, energy, resources, finance, information and natural disasters, are on the rise. Suspicion about China, interference and countering moves against China from the outside are on the increase."

China has announced that the military budget for 2011 is about \$92 billion, up 12.7 percent from 2010. The previous announced annual increase was 7.5 percent, the first time in years that the reported growth had dipped below double digits. "China pursues a national defense policy which is defensive in nature," the white paper said. "China will never seek hegemony, nor will it adopt the approach of military expansion now or in the future, no matter how its economy develops."

(NEW YORK TIMES 01 APR 11) ... Edward Wong and Jonathan Ansfield

Huntington Ingalls Chief Says Company 'Has Control Of Its Own Destiny'

NEWPORT NEWS - Flags were raised.  
Stock was distributed. The waiting ended.

The spinoff is complete.

Huntington Ingalls Industries Inc. became a reality on Thursday. The nation's largest military shipbuilder officially separated from defense giant Northrop Grumman Corp. when the bell rung at the New York Stock Exchange at 9:30 Thursday morning.

Northrop Grumman stockholders received one share of Huntington Ingalls for every six they owned in Northrop. Shares of Huntington Ingalls, traded under the symbol HII, opened trading at \$38.20 per share.

The 125-year-old, 19,000-employee Newport News shipyard is now the base of operations of a Fortune 500 company that had \$6.7 billion in sales in 2010.

"It's an exciting morning," said Huntington's president and CEO, Mike Petters, from the floor of the stock exchange in New York City. "I'm not sure that this has sunk in or if it ever will." "More than anything else, I'm particularly proud today to be a shipbuilder and to share this day with our thousands of shipbuilders across the country," he said. "Now we want to make sure that our shipyards have their best chance to their best work. I have a great team around me, and we're ready to take on the next chapter and go do what we have to go do."

The separation ends the Los Angeles-based Northrop's nearly 10-year reign in Newport News, a decade that included the re-start of a submarine building program and the design and start of construction on the newest class of the Navy's aircraft carriers.

Northrop had owned and operated the Newport News shipyard since 2001, when it beat out rival General Dynamics Corp. to purchase Newport News Shipbuilding for \$2.6 billion. "Today's completion of the separation of Huntington Ingalls from Northrop Grumman is an important milestone benefitting both companies," said Wes Bush, Northrop Grumman chief executive officer and president, in a statement. "We thank HII for their many contributions to our company and the defense of our nation, and wish them the best as an independent company."

The new firm employs about 38,000 workers, primarily at shipyards in Newport News and on the Gulf Coast. The enterprise also includes Virginia Beach-based AMSEC LLC, a marine engineering and design firm, and Continental Maritime of San Diego, a ship repair company. Huntington is the nation's lone builder of nuclear-powered aircraft carriers and one of two companies to build nuclear-powered submarines. It also builds destroyers, transport dock and assault ships for the Navy and cutters for the U.S. Coast Guard.

Huntington Ingalls is a nod to the Newport News shipyard's founder, Collis P. Huntington, and the founder of the former Ingalls Shipbuilding in Pascagoula, Miss., Robert I. Ingalls Sr.

Its logo, a golden "I" bisecting a navy blue "H" is reminiscent of the color scheme used by the Naval Academy, Petters' alma mater. "That institution in Annapolis is a fine, fine institution," he joked.

In Newport News the yard once again will be known as Newport News Shipbuilding; the Gulf Coast operations will be called Ingalls Shipbuilding.

The spinoff comes about eight months after Northrop announced it was exploring a sale or spin-off of its shipbuilding unit, citing little synergy with the company's other businesses.

Over that time, the company has had to work to convince the Pentagon that the new stand-alone unit would have the financial might to survive on its own. Earlier this month, the Navy granted Northrop its support of the spinoff, and expressed confidence in Huntington Ingalls for the future.

Sean J. Stackley, the Navy's acquisition chief, said on March 15 that Northrop made "appropriate adjustments" to its spinoff plan. With those changes "we have been able to resolve our concerns about the risk involved to this important segment of our shipbuilding industrial base." Under terms of the transaction, Huntington transferred \$1.43 billion to its former parent, which was financed in large part through the issuance of \$1.2 billion in debt. As a result, the new company will start with roughly \$1.58 billion in net debt.

While the nation's three major credit ratings agencies have rated Huntington's debt as non-investment grade, a classification known colloquially as "junk," Petters expressed confidence in the company's financial stability. "We think the balance we have between our credit side, equity side and our liquidity puts us in a very strong place," he said. "We have a very balanced structure that's going to support us for the future."

Petters' initial focus will be on returning profitability to its Gulf Coast operations, which have been saddled with long-term problems due to a series of underperforming shipbuilding contracts and the lasting effects of Hurricane Katrina.

Petters and his team have been working for three years to turn around the Gulf Coast business, a painful process that is expected to result in the closure of a 4,600-worker shipyard in Avondale, La., by 2013.

The major portion of the problematic contracts on the Gulf

will be off the books within the next "couple of years," making it easier for Huntington to grow its bottom line, Petters said. "The things we have put in place (on the Gulf) are taking hold," he said. "We expect to do very well."

Among the first items of business for Huntington is finalizing a handful of new Navy contracts for ships to be built in Mississippi, a process held up by the spinoff. Now that the spinoff is final, both Northrop and Huntington can move forward on separate paths, ending months of uncertainty and distraction.

"Today we have control of our own destiny," Petters said. "To the extent that we are successful, we will be securing our future."

(NEWPORT NEWS DAILY PRESS 01 APR 11) ... Peter Frost

#### Austal Breaks Ground On Building Expansion At Mobile River Shipyard

MOBILE, Ala. -- Austal USA officials and elected leaders broke ground Thursday on a \$116 million project to build three new facilities at the shipbuilder's Mobile River complex. The construction should be finished within 15 months, and will enable the Australia-based shipbuilder to hire another 2,000 workers and complete contracts to build both joint high-speed vessels and littoral combat ships for the U.S. military, Austal USA President and Chief Operating Officer Joe Rella said. Austal currently employs about 2,000 people, with that number expected to rise to at least 3,800 over the next few years.

Alabama Gov. Robert Bentley keyed in on that employment increase in a speech he gave before the groundbreaking. "Once we get people working again, many problems we face will be solved," Bentley said.

Bentley and others spoke in front of a massive sand sculpture depicting the new buildings and the two ships that Austal is building. The project includes a \$17 million office complex that will house about 400 administrative workers. Currently those employees are spread between Austal's administration building, two trailers and two off-site locations. The company will also build a \$22 million assembly bay, the third one large enough to house the military vessels.

Austal will also spend \$77 million

to double the size of its Module Manufacturing Facility. Austal builds sections of its ships assembly line-style at the MMF and then puts the sections together in assembly bays.

The approach is far different than any other military shipbuilder, and has won the company accolades from several shipbuilding analysts.

Birmingham-based Gray Construction will be the prime contractor on the MMF and the office complex, while Mobile-based Thompson Engineering will lead the construction of the assembly bay. Austal has a \$1.6 billion, 10-ship contract for joint high-speed vessels, with five each going to the Army and Navy. The lightly armed ships can transport troops and equipment and will replace smaller, slower transport ships for both branches of the military.

The Army has plans to build 12 of the ships, and the Navy's long-term shipbuilding plan lists 41 of them. In December, Austal added a \$3.8 billion, 10-vessel deal to build littoral combat ships for the Navy.

Littoral combat ships are meant for minesweeping, submarine-hunting, anti-piracy efforts and special forces operations. The small, speedy ships also are meant to be cheap -- at least in relative terms -- allowing the Navy to get from its current 287 ships to a goal of 313.

Broadcast Clip - Austal Announces \$116M Expansion - (WALA FOX MOBILE 31 MAR 11) Hal Scheurich Thursday was another big day for Austal USA. With the turn of a shovel, Austal officials along with local and state leaders broke ground on the site of a \$116 million expansion to their ship building facility.

Construction will soon begin on phase two of the Modular Manufacturing Facility (MMF), a new three story office building and a new assembly bay. Austal USA President and COO, Joe Rella said the expansion is crucial in fulfilling two new US Navy contracts announced last week.

The three buildings will take 12 to 15 months to complete. The combined city, county and state funding for the expansion totals \$28 million with Austal shareholders and the US Navy picking up the rest.

Broadcast Clip - Austal Expands - Local leaders celebrate Austal USA doubling its workforce in Mobile. (WKRG CBS MOBILE 31 MAR 11) Rose Ann Haven MOBILE, Alabama - State, County, and City leaders participated in a groundbreaking at Austal USA today. Austal is building two manufacturing facilities and an office complex to build Navy Littoral Combat ships and high speed vessels. Mobile City Council President Reggie Copeland says of Austal, "A wonderful company...we're just proud that they're located in our city and our port and it's a golden opportunity not only for the city and the county and Baldwin county but for the state of Alabama".

The growth will bring sixty to one hundred Navy personnel to Mobile, and add thousands of jobs to the Gulf Coast, directly and indirectly. "By the time it's all said and done we're looking at nearly 4 thousand jobs that will be provided..just direct jobs. And of course there's the suppliers and the other companies that will come and will locate also..add additional jobs. It's just..you know it's a domino affect", said Mobile County Commissioner Connie Hudson.

(MOBILE PRESS-REGISTER 31 MAR 11) ... Dan Murtaugh