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Navy Needs a Strategic Approach for Private Sector
Industrial Base Investments**

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Shipbuilding and Repair: Navy Needs a Strategic Approach for Private Sector Industrial Base Investments

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Abstract

The Navy relies on private companies in the defense industrial base to build—and in many cases—repair its ships. In an era of strategic competition with adversary nations, performance in both shipbuilding and ship repair is critical to achieving the Navy’s desired future fleet. However, GAO’s recent work has shown that the Navy continues to fall short of its goals in these areas. To achieve its goals for the future fleet, the Navy—in partnership with the ship industrial base—will need to reverse these trends. For its current report, anticipated to be published in January 2025, GAO examined the ship industrial base’s ability to meet the Navy’s shipbuilding and ship repair goals, including by conducting 50 interviews with government offices and private companies.

Background

The Navy plans for a larger, more capable fleet of ships to counter evolving threats. However, by fiscal year 2026, the Navy expects to have no more ships than it did when it released its first 30-year shipbuilding plan in 2003. This is due to a combination of slower than expected new ship construction and the decommissioning of older ships. Its performance in shipbuilding and ship repair is critical to achieving the desired future fleet.

The private companies that the Navy contracts with to build vessels and repair surface ships are key components of the Navy’s ship industrial base. These private companies augment the repair work conducted at the Navy’s public shipyards.

Ship Industrial Base Struggles to Meet the Navy’s Goals

The shipbuilding industrial base has not met the Navy’s goals in recent history. Our prior work has shown that Navy shipbuilding has regularly fallen short of schedule and cost goals, and current performance is consistent with these trends.

Schedule. The Navy’s 45-day review of its shipbuilding programs, completed in early 2024, states that its major shipbuilding programs continue to struggle with schedule delays. Our analysis found that schedule delays continue for most ships currently under construction, in addition to the number of ship delays reported in the 45-day review

Cost. Cost increases erode the Navy’s buying power to execute its shipbuilding plan, particularly because the plan assumes that ships will be delivered in alignment with cost targets. Yet we found that many shipbuilding programs face cost overruns.

The Navy would need to deliver more ships at a quicker rate to meet its goals. Yet, the Navy continues to base its goals on an assumption that the industrial base will perform better on cost and schedule than it has historically.

The shipbuilders have infrastructure and workforce challenges that have made the Navy’s goals difficult to accomplish. For example, our analysis found that shipbuilders have insufficient or aging infrastructure and struggle to hire and retain an appropriately trained workforce, which will make such improvements to performance difficult to accomplish.



Similarly, the Navy has historically not met its ship repair schedule goals, though it has achieved some improvements since 2019. The industrial base has grown since then, and representatives from some companies that GAO spoke with stated they often had more capacity than the Navy used. The Navy attributes some of these improvements to a change it made to its contracting strategy in 2015, which it stated has increased competition in the ship repair industrial base. Unlike in shipbuilding, in ship repair, there are often enough companies with capacity that there may be multiple companies able to compete for repair periods.

But companies may not be able to take on unplanned work due to infrastructure or workforce limitations. We found, however, that there is not always sufficient infrastructure capacity available to manage unplanned repair work, such as growth work or emergent repairs. Growth work refers to additional tasks identified during performance that is related to a work item already specified on the original contract, some of which may be identified after a repair period has begun. For example, a dry dock of the right size may not be empty when needed.

Department of Defense Invests Billions to Support the Shipbuilding Industrial Base

The Department of Defense (DoD)—specifically the Navy and Office of the Secretary of Defense (OSD)—spent billions to support the shipbuilding industrial base. This included funding for infrastructure and workforce improvements for shipbuilders and their suppliers. But it has yet to fully determine the effectiveness of that support (i.e., its return on investment), though it has taken steps to do so. More specifically, the DoD spent more than \$5.8 billion on the shipbuilding industrial base from fiscal years 2014 through 2023. It plans to spend an additional \$12.6 billion through fiscal year 2028. The DoD spent this funding on contract incentives and direct investments.

However, the Navy and OSD are not fully coordinating their shipbuilding investments to prevent duplication or overlap in spending. For example, the Navy and OSD do not coordinate across all investment efforts—such as between submarines and surface ships—though they both make related investments in workforce and infrastructure for these ship categories. Further, the Navy has yet to fully establish performance metrics, such as measurable targets that link to the agency's goals that would enable it to consistently evaluate the effectiveness of its investments in building a larger fleet or achieving other intended outcomes. However, the Navy has taken recent actions to make progress in this area, such as through the development of the Maritime Industrial Base Program Office. Without better visibility across investments and established performance metrics, the Navy and OSD cannot ensure their investments in the shipbuilding industrial base are an effective use of federal funds to help build a larger fleet.

The Navy Has Not Developed a Strategy for Managing the Ship Industrial Base

The Navy's current approach for managing the ship industrial base has been largely ineffective at encouraging private industry to invest independently. The Navy has sought to spur the industrial base to invest in infrastructure and workforce through its efforts to communicate stable demand. Yet, the Navy's reported methods for doing so—long-range planning and the use of contracting strategies intended to provide stability—have not resulted in sufficient industry investments to date to meet the Navy's capacity needs.

Further, the Navy does not have an industrial base strategy and has not had coordinated leadership to guide future efforts in this area. Developing a ship industrial base strategy would help the Navy better address these challenges to improve the likelihood of achieving its shipbuilding and ship repair goals. The GAO's prior work has shown that a consolidated and comprehensive strategy enables decision-makers to better guide program efforts and assess results. The DoD issued its national industrial strategy in November 2023. However, Navy



officials told the GAO that it established a new program office in September 2024 that will be positioned to develop a strategy for the ship industrial base. Officials said they plan to have additional details available in early 2025. Until the Navy implements a ship industrial base strategy, it will not be able to effectively align or assess its actions to manage the industrial base for shipbuilding and repair.

This is an excerpt from a full length report. See GAO-25-106286 for additional details, including additional report contributors: gao.gov/assets/gao-25-106286.pdf





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