American Shipbuilding Suppliers Association
300 New Jersey Avenue, NW - Suite 900
Washington, D.C. 20001
www.shipbuildingsuppliers.com

12 March 2026

An Urgent Call for the Preservation of the U.S. Shipbuilding Supplier Ecosystem

BLUF: The steady erosion of the U.S. shipbuilding supplier industrial base has been analyzed and documented for decades, yet meaningful change has not followed. Recent U.S. shipbuilding acquisition decisions have been to adopt foreign ship designs with foreign supply chains, and to prohibit any equipment substitutions. This policy has effectively excluded U.S. industry from competing on a large percentage of future programs. **Without immediate intervention, the United States risks losing the capacity to build, sustain, and surge a strong and resilient naval force.**

Introduction: The United States is facing a shipbuilding crisis driven not only by declining shipyard productivity, late deliveries and costs that routinely exceed budgets, but by the rapid atrophy of the domestic supplier ecosystem that makes naval shipbuilding possible. The contraction of the U.S. shipbuilding supplier base is well-documented leaving only a small and shrinking number of domestic sources for many critical components. This high-risk situation is compounded by increased reliance on foreign suppliers, which introduces operational vulnerabilities, higher life-cycle costs, and escalated risks to national security.

As domestic suppliers lose business to foreign competitors, their unit costs rise, creating a self-perpetuating cycle of higher costs, greater risk, and diminished industrial resilience. Without deliberate government action to break this cycle, the U.S. shipbuilding supplier base will continue to erode. This will result in increased dependence on foreign sources, jeopardized operational availability, and reduced long-term supportability, ultimately driving further delays, escalating costs, and introducing significant national security risks.

Current State of the U.S. Shipbuilding Industrial Base: The U.S. shipbuilding industrial base has steadily eroded over a period of decades, characterized by a sharp decline in domestic suppliers and a corresponding shift of capacity overseas. This erosion has resulted in bottlenecks and dangerous single-source dependencies in critical submarine and surface ship programs, while significant domestic manufacturing capacity remains underutilized, despite assertions to the contrary.

While policy attention has largely focused on shipyards, repeated assessments warn that the most serious and immediate vulnerability lies within the specialized supplier ecosystem. Exits from the market often go unnoticed until critical capabilities are lost, and reconstitution is costly and time-consuming. Government policies that focus primarily on shipyards overlook the reality that much of the Nation's strategic manufacturing capacity and technical expertise is embedded within the supplier base. This misunderstanding explains why the U.S. shipbuilding supply chain remains increasingly fragile, despite ongoing investments in shipyard contracts, facilities, and workforce. Even a substantial boost to the shipbuilding budget will fail to sustain the supplier base unless the root cause driving supplier attrition, a lack of steady contracts, is addressed.

Unlike the United States, which relies more heavily on free-market forces, the world's leading shipbuilding nations protect sovereign manufacturing capabilities as a matter of strategy to ensure resilient domestic supply chains.

Challenges Facing U.S. Shipbuilding Suppliers: U.S. shipbuilding suppliers have endured decades of unstable demand, unrecoverable losses from delayed or canceled programs, and limited commercial alternatives, making it nearly impossible to sustain capacity or invest in future capability. Suppliers are routinely required to commit years of upfront investment in engineering, tooling, system qualification, testing of equipment, and compliance, without any assurance that production will materialize. These investments that U.S. suppliers make often cost them multiple millions of dollars. Continued U.S. investment in foreign manufacturing, at the expense of essential domestic manufacturing capability, is rapidly hollowing out the supplier base. When demand is unpredictable, domestic suppliers are displaced by foreign firms, and programs are canceled after significant supplier investment, the resulting industrial collapse is both self-inflicted and inevitable. This erosion often becomes visible only when it emerges as cost overruns, schedule failures, or complete dependence on foreign suppliers.

Current acquisition practices further exacerbate these challenges. The growing use of foreign designs loaded with foreign equipment, offshoring of critical U.S. manufacturing capabilities, shipbuilding program delays, waivers for foreign suppliers, and program cancellations are accelerating the decline of an already fragile supplier base. Programs such as the Navy's Medium Landing Ship (LSM) and the Coast Guard's Arctic Security Cutter (ASC) rely heavily on foreign designs and components, leaving no opportunity for domestic participation. Meanwhile, the cancellation of FFG-62 has stranded supplier investments, amplifying uncertainty and discouraging U.S. companies from making future investments in capacity.

Although these decisions are often driven by urgency and near-term affordability, they prevent U.S. firms from recovering sunk costs or competing for new work. This erosion of domestic supplier capability is occurring at a time when suppliers are still absorbing the financial impacts of rising inflation. Without stable demand signals and consistent program execution, the U.S. shipbuilding supplier base will continue to contract, with devastating long-term consequences.

National Security Risks: Ongoing volatility in U.S. shipbuilding programs is actively undermining naval readiness and national security. Many U.S. companies that provide essential military equipment are small and medium sized businesses and therefore lack the financial resilience to withstand prolonged periods of unstable demand and unpredictable schedules. As U.S. companies exit the market, shipbuilding programs are forced to rely on foreign manufacturers, often tied to strategic competitors such as China. This external reliance introduces significant risks in cost, schedule, cybersecurity, sustainment, and the availability of equipment during a global crisis.

Once lost, specialized defense manufacturing capability is extremely costly or impossible to reconstitute. This compromises both ship production and the long-term maintenance of the fleet. The loss of U.S. suppliers not only threatens the Navy's ability to respond to global contingencies but also risks leaving the U.S. dependent on foreign supply chains that could become unreliable in times of conflict. Without decisive action to protect and sustain U.S. shipbuilding suppliers, the risks to national security will become irreversible.

Broader Implications Beyond U.S. Suppliers: Offshoring shipbuilding work strengthens foreign industrial capacity at the direct expense of U.S. capabilities. Domestic investments, on the other hand, generate tax returns, create economic multipliers, and preserves critical capabilities within the U.S. industrial base. The loss of domestic suppliers additionally undermines U.S. quality control, technical skills, and research and development work, leaving the nation less capable of innovating and sustaining its capacity.

Many suppliers also provide lifecycle maintenance, engineering support and repair services in addition to manufacturing components. Their attrition undermines fleet readiness and operational availability. The current environment for U.S. shipbuilding suppliers poses an existential risk to the nation's ability to build and maintain viable warships, particularly during a time of global crisis.

Recommendations:

- **Address the Issue Through Legislation:** Without stable, predictable, and contract-backed demand, government investments in U.S. shipyards and U.S. manufacturers will fail, as suppliers remain underutilized, displaced, or excluded from production. Ensuring a reliable demand signal can best be achieved through legislation that requires the use of domestic sourcing. Current law requires ships to be built in the United States, but not the components that make them function. This allows shipyards to offshore critical systems based solely on price, with no consideration for life-cycle costs, quality or performance. This practice accelerates the erosion of the domestic supplier base and weakens U.S. industrial and national security. Domestic manufacture requirements for key components, identified early in the ship design process, are needed to help preserve and grow U.S. industrial capacity. Grant money that is provided to the maritime industrial base is great for expanding capacity and capabilities; however, these investments are wasted if U.S. shipyards continue to procure critical equipment from foreign sources.
- **Modify Enhanced Domestic Manufacture Content Requirements:** Public law (e.g. FY 24 NDAA) has raised the domestic content requirements for major defense programs, however, the exemption for countries with Reciprocal Defense Procurement Agreements effectively nullifies these requirements for shipbuilding. Because 28 partner nations are covered under such agreements, including countries that have strong shipbuilding industries, the law is ineffective in bringing about the Congressional intent (i.e. the preservation of U.S. defense manufacturing capabilities) as applicable to the U.S. shipbuilding industrial base.

Conclusion: The U.S. shipbuilding supplier ecosystem is a strategic national asset that is rapidly eroding under the pressures of shrinking demand, reliance on foreign components, and uncertainty in shipbuilding programs. Programs like the LSM and ASC exemplify the shift toward foreign reliance, while cancellations like FFG-62 highlight the financial risks faced by domestic suppliers. The industrial base has the capacity and capability to do more, but it requires stable demand signals and deliberate policy actions to ensure its survival.

Revitalizing the supplier base is not only critical for reducing lifecycle costs and maintaining operational readiness, but also for ensuring American warships are supported by American industry. In a rapidly evolving global security landscape, dependence on foreign supply chains introduces unacceptable risks. Protecting and strengthening the U.S. shipbuilding supplier ecosystem is essential to safeguarding national security and sustaining the fleet required to meet future challenges.

ABOUT ASSA: *ASSA is a member driven, national organization, advocating for the American Shipbuilding Supplier Base to the U. S. Congress, Navy, Coast Guard, and shipbuilders to ensure the long-term stability of the U. S. national maritime industry.*

Point of Contact: Paul Roden
V.P., American Shipbuilding Suppliers Association
Paul.roden@lighthousepointgr.com
C: 240-472-5389

Encl: (1) Proposed Legislation for Shipbuilding Domestic Manufacture Requirements
(2) Proposed Legislation for Enhanced Domestic Manufacture Content Requirements for Major Defense Acquisition Programs
(3) Requested Provisions for the FY2027 Defense Appropriations Act

Proposed Legislation for Shipbuilding Domestic Manufacture Requirements

Request: To apply permanent statutory domestic manufacture requirements that have been in place for nearly 30 years as part of the National Defense Sealift Fund (NDSF) to ensure the preservation of critical U.S. manufacturing.

The national security justification for building ships in the US is clear—whether it relates to sensitive nuclear technology, to security of the supply chain, or to maintain critical capabilities and skills in our industrial base. While statutory requirements are in place to require ships to be built in the US, there is no current requirement that critical components be manufactured in the U.S. to ensure that the entire shipbuilding industrial base is prepared to support the naval force the Navy needs.

Background: 10 U.S.C. § 8655 includes a requirement to incorporate U.S.-manufactured propulsion systems and components on ships built for the Fast Sealift Program, however, the U.S. has not built under the Fast Sealift Program for more than 5 decades. The intent of Congress to preserve critical manufacturing within the U.S. via this legislation is therefore ineffective. New legislation is necessary to preserve U.S. shipbuilding capabilities, and U.S. naval shipbuilding is the only market for most suppliers. The shipbuilding components requested for inclusion have a long precedence in law (e.g. National Defense Sealift Fund and Annual Defense Appropriations).

Recommendation:

SEC. _____ REQUIREMENT THAT CERTAIN SHIP COMPONENTS BE MANUFACTURED IN THE NATIONAL TECHNOLOGY INDUSTRIAL BASE.

(a) ADDITIONAL PROCUREMENT LIMITATION.—Section 4864(a) of title 10, United States Code, is amended by adding the following to the end section (a)(2):

"(G) Auxiliary equipment, including pumps, for all shipboard services.

"(H) Propulsion system components, including engines, shafting, reduction gears, and propellers.

"(I) Shipboard cranes.

"(J) Spreaders for shipboard cranes.

"(k) Air circuit breakers

"(l) Auxiliary chill water systems".

Proposed Legislation for Enhanced Domestic Manufacture Content Requirements for Major Defense Acquisition Programs

Request: Add new paragraph (b)(4)(D) within Sec. 835 of Public Law 118–31—Dec. 22, 2023.

Background: Sec. 835 of Public Law 118–31, "Enhanced Domestic Content Requirement for Major Defense Acquisition Program" requires DoD to apply progressively higher domestic content thresholds to major defense acquisition programs. As stated in the law, programs delivering before Dec. 31, 2028 must have domestically sourced components of 65% or more. This threshold increases to 75% on or after Jan. 1, 2029.

The intent behind this section of law is clearly to boost NTIB industrial capacity and reduce the reliance on foreign sources to support a stronger domestic defense industrial base. However, paragraph (b)(4)(B) of this section effectively nullifies this requirement for the shipbuilding sector by stating that the requirement does not apply to countries that have Reciprocal Defense Procurement Agreements with the U.S. This waiver for the 28 countries that have signed RDPAs with the U.S., with no consideration for the impact on the U.S. industrial base, defeats the Congressional intent of this law and is causing continued harm to an already fragile U.S. shipbuilding industrial base.

Recommendation: Modify section Sec. 835 of Public Law 118–31 as follows:

SEC. _____ MODIFICATION TO ENHANCED DOMESTIC MANUFACTURE CONTENT REQUIREMENTS FOR MAJOR SHIPBUILDING PROGRAMS

"(a) Add the following paragraph as (b)(4)(D) within Sec. 835 of Public Law 118–3, as follows:

"(D) Paragraph (B) above shall not apply to any shipbuilding programs of the Department of Defense.""

Requested Provisions for the FY2027 Defense Appropriations Act:

The following provisions have been included in the defense appropriations bill for several years. FMD is requesting a repeat of these provisions, with modifications as amended, as included in the Consolidated Appropriations Act, 2026 (Sections 8095 & 8096 respectively).

SEC. ____. (a) None of the funds provided in this Act for the TAO Fleet Oiler program shall be used to award a new contract that provides for the acquisition of the following components unless those components are manufactured in the United States: Auxiliary equipment (including pumps) for shipboard services; propulsion equipment (including engines, reduction gears, and propellers); shipboard cranes; spreaders for shipboard cranes; and anchor chains, specifically for the seventh and subsequent ships of the fleet.

(b) None of the funds provided in this Act for any Frigate program shall be used to award a new contract that provides for the acquisition of the following components unless those components are manufactured in the United States: Air circuit breakers; gyrocompasses; electronic navigation chart systems; steering controls; pumps; propulsion and machinery control systems; totally enclosed lifeboats; auxiliary equipment pumps; shipboard cranes; auxiliary chill water systems; and propulsion propellers: Provided, That the Secretary of the Navy shall incorporate United States manufactured propulsion engines and propulsion reduction gears into any Frigate program. ~~beginning not later than with the eleventh ship of the program.~~

SEC. ____. None of the funds provided in this Act for requirements development, performance specification development, concept design and development, ship configuration development, systems engineering, naval architecture, marine engineering, operations research analysis, industry studies, preliminary design, development of the Detailed Design and Construction Request for Proposals solicitation package, or related activities for the T- ARC(X) Cable Laying and Repair Ship or the T-AGOS(X) Oceanographic Surveillance Ship may be used to award a new contract for such activities unless these contracts include specifications that all auxiliary equipment, including pumps, propulsion system components (including engines, thrusters, reduction gears, propellers and propulsion shafts), are manufactured in the United States.