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

Key Issue:

The U.S. shipbuilding supplier base is at a tipping point. Recent acquisition decisions, particularly the adoption of foreign designs with locked-in foreign supply chains, are systematically excluding U.S. manufacturers from future programs. **Without immediate policy intervention, the United States risks losing the capacity to build, sustain, and surge a strong and resilient naval force.**

The steady erosion of the U.S. shipbuilding supplier industrial base has been analyzed and documented for decades, yet meaningful change has not followed. In the U.S. shipbuilding industrial base, many Tier 1 suppliers (companies that provide complete, mission-critical systems directly to shipyards) are small or medium-sized enterprises. While these firms carry manufacturing responsibilities comparable to large industrial primes, they often lack the scale, capital reserves, and demand stability to withstand program delays or production gaps.

Today, many U.S. shipbuilding suppliers are operating at approximately 40% utilization, with limited or no access to commercial markets. This level of underutilization is not sustainable for capital-intensive manufacturing operations.

Key ASSA Observations on the Maritime Action Plan:

- **The Supplier Base is Underemphasized** – While the MAP focuses on shipyard capacity, it does not sufficiently address the supplier base, where critical manufacturing expertise resides.
- **The Problem is Demand, Not Capacity** – Most suppliers have significant unused capacity. The issue is insufficient and inconsistent demand, not a lack of industrial capability. A large majority of shipbuilding suppliers (per 2024 AWIBC survey) have unused capacity, with only 10% of suppliers stating that they are at full capacity.
- **Allied Sourcing Should Not Displace Domestic Capacity** – As is done in allied countries, domestic manufacturing capacity should be fully utilized before turning to foreign sources. Continuing to bypass U.S. low-volume manufacturers, despite their available capacity, directly undermines the domestic shipbuilding industrial base and contradicts stated national security objectives. American shipbuilding suppliers stand ready and willing to perform this work.
- **Stability Reduces Cost and Lead Time** – Predictable demand enables suppliers to invest in workforce and production efficiency, reducing both cost and schedule risk.
- **Domestic Production Enables True Supply Chain Resilience** – Offshoring limited production opportunities undermines the ability to sustain domestic suppliers. ASSA

believes the most effective way to diversify the shipbuilding supply chain and reduce the risk of single-supplier or regional disruptions is to retain component manufacturing domestically. Current demand is insufficient to sustain multiple U.S. suppliers for certain components, making each available production opportunity critical. Offshoring these limited manufacturing opportunities further weakens already fragile U.S. suppliers and accelerates the erosion of domestic industrial capability.

Impact of Current Government Decisions:

- Even limited offshoring of critical U.S. manufacturing work undermines the business case for maintaining domestic production lines.
- Once suppliers exit the market, production capacity is lost and restoring it can be prohibitively expensive and take years, if it is possible at all.
- The result is a long-term reliance on foreign sources for mission-critical ship components.

National Security Implications:

- Reduced domestic manufacturing capacity directly limits the Navy's ability to surge shipbuilding and repair ships in times of conflict.
- Dependence on foreign supply chains introduces risk in contested or disrupted logistics environments.
- Once lost, critical manufacturing capabilities cannot be rapidly reconstituted, creating long-term strategic vulnerability.

Recommended Action:

- Congress should establish procurement policies that prioritize the use of available U.S. shipbuilding suppliers for critical components before permitting foreign sourcing.

Policy Considerations for Congress:

- Provide predictable, long-term demand signals for U.S. shipbuilding suppliers via domestic manufacturing requirements on Government shipbuilding programs
- Incorporate supplier base health as a formal acquisition risk factor in program decisions
- Require justification before sourcing critical components from foreign suppliers when domestic capacity exists
- Establish targeted bridge funding or sustainment mechanisms for at-risk critical suppliers
- End the procurement of Chinese components within U.S. shipbuilding programs

Bottom Line

When U.S. shipbuilding suppliers are small and fragile, inconsistent demand and offshoring decisions can permanently eliminate critical U.S. shipbuilding capabilities. Preserving the supplier base is essential to fleet readiness, industrial resilience, and national security.

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