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Remarks by Senator Edmund S. Muskie on the Destroyer Contract

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REMARKS BY SENATOR EDMUND S. MUSKIE
ON THE DESTROYER CONTRACT
THE UNITED STATES SENATE
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Mr. President:

debate

As the Senate reopens today on my Amendment to divide the 30 ship, multi-billion dollar DD 963 procurement, between two American shipbuilders, let me make clear the real issue at stake, and the main thrusts of my proposal.

First, it must be clearly understood that this is not a Bath Amendment as it has been described in the press this morning, but rather the amendment would give every qualified destroyer builder a fair shake, in open-competitive bidding, at half the ships in the program. It is expected that bidders will compete from Washington State, California, Louisiana, Virginia, Massachusetts, and Maine.

Second, that this is an economy amendment, whose objective it is to reduce the long-term costs of constructing destroyers in the DD 963 Program and other combatant ship programs.

Third, that even the short-term increase which might result from a division of the contract will fall far short of the figures suggested by the Navy and my distinguished colleague from Mississippi, Senator Stennis.

Fourth, that it would be a dangerous precedent to award for the entire class of complex destroyers to one shipbuilder under a highrisk "cradle to grave concept" which is at present completely untested in the procurement of combat Navy ships. The cost of such a policy could well be a concentration of all our destroyer building capability in one yard and the destruction of potential competition.

Fifth, that the well publicized problems associated with over concentration of defense contracts under one corporate entity must be avoided in the DD 963 program to minimize the possibility of overruns and slipped schedules.

Sixth, that this amendment comes as no surprise to the Navy or Litton Industries.

Seven, that the House of Representatives Military Procurement Bill, passed before the award of the contract, included language similar to my amendment, and indeed Litton's contract with the Navy included language designed specifically to implement my amendment without delay or disruption to the program.

Eight, that the weight of evidence since the DD 963 program was first planned, in 1966, has swung to such a degree that it is no longer prudent to award a single contract for 30 ships as it may have appeared 3 or 4 years ago.

Nine, that Acts of God, labor difficulties or mismanagement can disrupt any single facility and could endanger our entire destroyer program for the 1970's unless the contract is divided.

And finally, that the overwhelming evidence clearly indicates that the national interests can be best served by dividing this huge multi-billion dollar procurement, which will spand the next 10 years.

Mr. President, let me just repeat that my amendment would support:

-- the concept of a single design for all 30 ships, which the Navy desires;

-- the utilization of a central procurement group to purchase 30 ship sets of machinery and equipment, which the Navy desires;

-- the standardization of ships within a class, which the Navy desires;

-- the economies of series production of a large number of ships, which the Navy desires;

-- the transfer of a reasonable degree of responsibility from the Navy to the contract, or which the Navy desires;

-- and the modernization of more than one shipyard, which the Navy desires;

But Mr. President, my amendment does not stop there. It also supports:

-- a broader and less risky distribution of defense contracts;

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-- the maintance of a competitive shipbuilding environment;
-- and the lowest long-range ship procurement cost to the government;
My amendment is workable and it is cost effective.

Mr. President, after World War II and throughout the mid 1960's the Navy came to Congress annually with requests for funds to purchase destroyers in lots of 1, 2, or 3. This policy was fraught with problems, but virtually every representative of the Department of Defense argued that this was necessary in order to maintain our mobilization base and spread economic benefits.

In 1970, with changing threats, we may be justified in changing the character of that mobilization base and unquestionably we should encourage new procurement techniques which will result in better ships at lower costs. But a reduction from ten or eleven destroyer builders to one, when the Navy talks of replacing a large percentage of our entire destroyer fleet makes no sense at all.

It is my opinion that in attempting to correct the deficiencies of earlier procurement policies the Navy has over-reacted and gone too far in the other direction. It is certainly a far cry from contracting for one, two, or three destroyers worth perhaps $50 million dollars, to a contract for 30 destroyers worth over 2 billion dollars. And these are not small ships. In World War II they would probably have been called, light cruisers.

It has been argued that dividing the DD 963 contract will increase the cost on the 30 ships at issue over 335 million dollars and some have even suggested 600 million dollars. These have been described as "scare figures" and in my judgment that is an apt description.. The fact is that any increase would result primarily from two fifteen ship learning curves rather than a one 30 ship learning curve.

While no firm estimates have been made, my sources indicate the increased cost from two learning curves rather than one would be 91 million dollars if my amendment is implemented as intended. In addition, there may be other start up costs and management costs to the Navy from having a second ship builder in the program. There are mitigating factors, however, and a reasonable range of possible increase costs by a division of this program might be in the order of 80-120 million dollars which would be funded over 5 years.

To put those figures in their proper prospectives, this is a relatively small investment to make on a 30 ship program now projected to cost the Navy $2.544 When the cost benefits from good healthy competition would acrue to the Government on 20 planned follow on ships and other Navy programs for years to come.

Before concluding my opening remarks there is one aspect of my amendment which should be clarified. There may be a false impression that the dollar value of the contract would be divided equally between the prime and the sub-contracting shipyard simply because each is building 15 ships.

In actuality, Litton as the prime contractor would be responsible for the entire ship design, the procurement of essentially all material and the construction of half the ships. This package would include approximately 75 - 80% of the dollar spent in the entire program. The sub-contracting shipyard would be paid primarily for the labor expended on the construction of 15 ships which would equal approximately 20 - 25% of the total contract price.

My fellow Senators, experts such as those on the Fitzhugh Blue Ribbon Defense Panel appointed by the President, as well as the General Accounting Office, cite the risks of overconcentration and the need to maintain competition. Even the Senate-House conferees report on this bill last year stated in part... "The conferees strongly pointed out the necessity of developing and maintaining the shipbuilding capability for all kinds of combatant and support ships on the east coast, the west coast and the gulf coast."

The arguments for my amendment are compelling and I urge your support.