



6/8/2012 | Dan Parsons

## Littoral Combat Ship Builders Asking Navy for Help With Foreign Sales

The two companies building Littoral Combat Ships for the U.S. Navy are in the awkward position of having to compete against each other for business abroad. Foreign sales are important in this program as they would help lower the LCS price tag.

Both Lockheed Martin Corp. and Austal Inc. are counting on foreign sales to meet strict cost targets for LCS. Each company is responsible for marketing its own design to overseas customers.

But complicating their marketing efforts is the Navy's position as staunchly "neutral," which means that it will not endorse an individual design. An Austal official said this will make foreign sales far more difficult as the two companies' designs are dramatically different. He suggested that it might be better to market them as separate classes.

Both LCS manufacturers are committed to building 10 ships each over the next decade under fixed-price contracts, which puts them at risk of having to absorb cost overruns if sales abroad don't meet expectations.

"It is a challenge to try and sustain a neutrality with two very different classes of ship. We have our own strengths and weaknesses," Craig Hooper, vice president of sales, marketing and external affairs for Austal, said June 7 at a National Defense Industrial Association forum on international LCS sales. "The Navy can be so neutral that they end up dumbing down the offering to the lowest common denominator and that's no way to make a sale."

William Schoenster, director of international military sales for the Navy's LCS program executive office, said it was up to foreign navies to decide which design better suits their needs. For its part, the Navy will not advocate one design over the other, he said.

"The Navy, in our presentations to foreign navies ... we are in fact presenting a neutral approach to both ships," Schoenster said. "We are buying both ships because both ships fulfill our requirements. There are obviously differences between the ships."

The Navy opted for a dual-buy strategy when both contractors, under pressure to prevail under the previous winner-take-all competition, reduced their prices. The LCS is seen as a centerpiece of the Navy's future fleet, designed for anti-mine and anti-submarine warfare in the littorals.

But unlike other dual-buy programs like the Ticonderoga-class missile cruisers, the differences between LCS-1 and LCS-2 are immediately apparent.

Lockheed's LCS-1 and LCS-3, delivered June 6, are 377-foot steel mono-hull vessels that resemble traditional surface combatants. Austal's LCS-2 and LCS-4, scheduled for an early 2013 delivery, are hulking 400-plus foot long aluminum-hulled trimarans.

The disparity has led to questions over why the Navy needs two such radically different ships in a single class, though many of the mission modules will be interchangeable between the two. The projected buy of 55 LCSs will make up one-third of the surface combatant fleet.

At a May 21 Cato Institute forum in Washington, D.C., the issue was raised of whether the Navy was buying a 55-ship class of LCS or actually buying two, 27-ship classes under one title.

Undersecretary of the Navy Robert O. Work went so far as to suggest that after operational testing, the ship designs might be segregated by ocean. With high endurance and a larger aviation capacity, “maybe over time, the LCS-2 becomes the Pacific ship,” Work said.

“The LCS-1 — small, maneuverable, can get into any port you can think of in Latin America or Africa, great swarm killer, steel hull so if you want to up-gun you can — having these two ships right now, we believe is a tremendous advantage.”

The Navy has so far “exchanged information” with at least 31 foreign militaries regarding the LCS, Rear Adm. James A. Murdoch, LCS program executive officer, said at the NDIA forum. Both ships have experienced cost overruns and developmental difficulties but are on the verge of entering serial production, which should also drive down cost for follow-on vessels, Schoenster said. Foreign sales are a major part of the Navy’s plan to bring down the price, he said.

“We certainly are looking at foreign sales for affordability because it does help ... the fact that you have additional ships being built on top of your U.S. ships,” said Douglas Laurendeau, director of business development for ship and aviation systems at Lockheed Martin. “It helps with both overhead and production cost.”

When showcasing both designs to potential customers, Hooper said the Navy should highlight their differences and strengths, rather than remaining neutral. “Let each ship promote and show its strengths and go from there, instead of trying to make this weird match where we keep saying they’re all the same,” Hooper said. “Let’s let them be different classes and enjoy that and take pride in it and exploit their differences.”

The two companies are independently marketing their designs to foreign customers, said Laurendeau. Foreign militaries, he said, might actually benefit from the competition. “Our foreign customers are not obligated to pick one ship over the other,” he said. “We are in a position where we are partners in the U.S. and competitors internationally. But I think there is a competitive drive that creates better and more affordable solutions for our international customers.”