

## TRIUMPH GULF COAST, INC. PRE-APPLICATION FORM

Triumph Gulf Coast, Inc. (“Triumph Gulf Coast”) has created a pre-application process to provide initial consideration of potential ideas for projects or programs that may seek an award of funding. Applicants are required to participate in the pre-application process. Notwithstanding the response from Triumph Gulf Coast on the pre-application form, an Applicant may still elect to submit an Application.

### **APPLICANT INFORMATION:**

Name of Individual/Entity/Organization: Eastern Shipbuilding Group, Inc.

Brief Description of Background of Individual/Entity/Organization: Eastern’s original shipyard was established in 1976 to build fishing vessels. In 1981, Eastern expanded manufacturing to include a broad range of many types of vessels and has since delivered more than 350 diversified vessels. Eastern Shipbuilding is a mid-sized tier 2 shipyard primarily engaged in new construction and repair of government and commercial vessels. In 2016, the US Coast Guard awarded its largest ever vessel procurement contract to Eastern. The contract is initially for a series of 9 Offshore Patrol Cutters over 10 years and the program of record is for a total of 25 vessels over the next 20 years. The total manufacturing contract value is in excess of \$10 Billion.

#### Contact Information:

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Names of co-applicants, partners or other entities, organizations that will have a role in the proposed project or program: Not applicable

### **REQUIRED EXECUTIVE SUMMARY:**

In a maximum of three (3) pages, please describe the proposed project or program, including (i) the amount of funds being sought from Triumph Gulf Coast; (ii) the amount and identity of other sources of funds for the proposed project or program; (iii) the location of the project or program; (iv) summary description of the proposed program, including how the program will be transformational and promote economic recovery, diversification, and enhancement of the disproportionately affected counties, and (v) a summary timeline for the proposed project or program.

### **IMPORTANT NOTICE**

This pre-application process will **not** result in an award of funding by Triumph Gulf Coast. Rather, this process is designed to facilitate submission of ideas for potential projects or programs before the Applicant expends time and/or resources to complete a full Application. All Applicants for funding are required to complete an Application, which will be scored, and then considered for award in the discretion of Triumph Gulf Coast Board.

**Summary:** Beginning August, 2018 Eastern will cut steel for the first OPC and will quickly ramp up to directly employ nearly 1,000 employees in the manufacture, launch and outfitting of up to twenty-five United States Coast Guard Offshore Patrol Cutters at its shipyards in Bay County, Florida (Project). Following launches, vessels will be outfitted in Panama City and possibly Port St Joe, Florida, if haul out capabilities become available in Gulf County. The Nelson Street yard will be used exclusively for manufacturing of government vessels in order to consolidate and better achieve and maintain federal government standards for construction of military vessels.

**Funds being sought from Triumph Gulf Coast for Bay County: \$20,025,000.**

**The amount and identity of other sources of funds for the proposed project or program:** Eastern has invested, according to 2017 appraised values of the Bay County Property Appraiser's office, over \$11.7 Million in real estate and over \$75 Million in equipment and improvements. Additionally, Eastern has expended over \$10 Million in unreimbursed costs over the past 5 years in a national competition for the award of the OPC program. The 2017 Florida Legislature appropriated and on June 2, 2017 Governor Scott approved \$9.5 Million for shipbuilding infrastructure and dredging in Bay County in support of Eastern's USCG contract award. The Bay County Commission previously granted tax exemptions for equipment totaling \$834,404.00 in 2017. The federal government will be spending approximately \$3.72 Billion in the initial construction phase and approximately \$6.78 Billion in the final phase.

**Project Location:** Vessel manufacturing, launching and outfitting will occur in Panama City and Bay County, Florida. Haul out and repair will occur in Port St Joe, Gulf County, Florida, if necessary infrastructure becomes available there.

**Summary description of transformation and promotion of economic recovery, diversification, and enhancement of the disproportionately affected counties:** Eastern will manufacture OPC vessels designed to conduct multiple missions in support of the United States' maritime security and border protection. The OPC will provide a capability bridge between the National Security Cutter, which patrols the open ocean in the most demanding maritime environments, and the Fast Response Cutter, which serves closer to shore. The OPC design includes capability of carrying an MH-60R or MH-65 Helicopter and three operational Over-The-Horizon (OTH) small boats. The vessels include a highly sophisticated combat system and C4ISR suite to support its role of protecting our shores, the maritime industry and execution of the Coast Guard's missions.

University of West Florida's Haas Center is in the process of conducting an economic impact study utilizing REMI PI+ Version 2.1.1 of the United States Coast Guard contract awarded to Eastern. That study is expected to be completed within the coming weeks. Eastern expects that to fulfill the initial 9 vessel contract, it will directly employ 900-1,000 workers at its peak prior to 2024. The Haas Center currently estimates the impact of the initial contract award and the ripple effect as the spending flows through the local economy from Eastern, through its suppliers, service providers, employees and owners and ultimately benefitting the region's economy. In total, the Haas Center estimates that the initial contract will directly and indirectly support over 10,000 cumulative full and part time workers in Bay County from 2016 to 2024, which will add \$690 million of Personal Income for the region. This amounts to \$1.9 billion in total output and a \$940 million increase in the local Gross Domestic Product over this period. This level of economic stimulation will be transformational for our region.

Additionally, the Coast Guard plans to acquire a total of 25 Cutters. If Eastern is awarded a contract for the additional 16 Cutters, Eastern would need to directly employ an average of approximately 900-1,000 workers per year through 2032 with work extending through 2035. The Haas Center currently estimates that such an award would indirectly and directly support another 19,000 cumulative jobs in the region over this period, bringing the total cumulative jobs impact to 29,933 from 2016 to 2035. The total

personal income over this period would be \$2.9 billion with an increase in Gross Domestic Product of \$3.0 billion. Bay County workers across all industry sectors are expected to see an annual wage increase of approximately \$200 per year as a result of the contract. The econometric model estimates that without the Eastern contract, the average annual wage in Bay County will grow an average of 1.2% per year from 2016 to 2035. As a result of the increased demand stimulated by the contract, the average wage of all workers in Bay County are expected to see an additional increase of 0.5-0.7% in annual wages, which amounts to approximately \$198-233 per year. During the peak years of employment, the average annual wage for Bay County workers will increase by more than 1% (\$300-\$385) as a result of the Eastern contract.

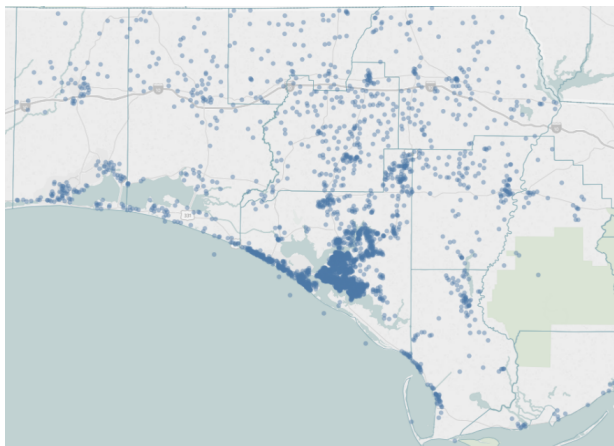
Direct employees will include naval architects, mechanical engineers, welders, shipfitters, plumbers, pipefitters, first-line supervisors of production, operating workers, electricians, painters, carpenters, mechanical drafters, construction and related workers, helpers (production workers, laborers and freight, stock, and material movers, hand laborers), engineering technicians, machinists, construction, maintenance, repair workers, and electronics engineers. Direct employees will learn transferable, sustainable workforce skills, and gain certifications in their respective trades which are valuable across multiple industries. Eastern routinely hires graduates from Bay District Schools' vocational programs.

Additionally, sophisticated subcontractors and vendors for state-of-the-art advanced navigation, weapons, propulsion, and communications systems will have a permanent local presence during construction, warranty and repair of these Coast Guard vessels. These elite companies will be available for various Eastern projects, local defense contractors and other businesses in or attracted by our region.

Based on historic data, employees will commute from inside and outside of Bay County as reflected in the following graphic, Figure 1: *Bay County Goods Producing Workers by Place of Residence*.

**A summary timeline for the proposed project or program:**

In September, 2016, the USCG selected Eastern to design and build USCG Offshore Patrol Cutters. On May 3, 2017 the USCG opened its Project Resident Office at Eastern's Nelson yard and on July, 2017 Eastern successfully completed, on schedule and on budget, the Initial Critical Design Review (ICDR) milestone which was a pre-requisite for award of the Long Lead Time Material (LLTM) contract. Eastern achieved USCG and Department of Homeland Security (DHS) approval at ICDR which cleared the way to proceed to the next critical milestone known as the Final Critical Design Review (FCDR), which culminates 22 months of detailed design. In September, 2017, the USCG awarded the LLTM contract for the first Offshore Patrol Cutter, USCGC Argus (WMSM 915). The \$41.68 Million LLTM award included development and approval of the design specifications and the purchase of the LLTM. The LLTM award allows Eastern to move forward on an aggressive schedule to deliver a capable and affordable platform to meet the Coast Guard's mission needs. This award includes main propulsion, machinery control, electrical and mechanical equipment orders that need to be placed in advance of awarding the construction contract for USCGC Argus which is planned to occur in late summer, 2018 with a delivery in August 2021. Eastern currently plans to begin cutting steel for USCGC Argus in August, 2018. Argus is named for one of the original USCG Cutters which began its first patrol in 1791.



**Figure 1:** *Bay County Goods Producing Workers by Place of Residence*

In order to fulfill the OPC contract, Eastern seeks Triumph funding for needed infrastructure to meet the following construction and acquisition milestones:

<b>Infrastructure</b>	<b>Need Date</b>
Build permanent project resident and project management offices as well as offices for commissioning personnel and training personnel	3/1/2018
Convert existing machine/ fabrication shop at Nelson to steel fabrication building	3/1/2018
Acquisition of land and improvements to that land to support vessel construction	4/1/2018
Expand and modify existing pre-fab buildings for use as aluminum structure fabrication and pipe fabrication building	5/1/2018
Construction of production facility building	5/1/2018
Construction aluminum cutting/manipulation machinery building	5/15/2018
Demolition of existing nelson/Whittaker bulkhead. Extension of Nelson/Whittaker bulkhead along shoreline, installation of rail system	6/1/2018
Demolition existing upland structures and ground leveling	6/15/2018
Dredging Nelson/Whittaker launch to bayou entrance and disposal of dredge spoil	6/15/2018
Build additional platens for new vessel module construction	6/15/2018
Convert existing launchways to rocker beam type, install additional transfer rails for vessel transfer, install additional rocker beam launchway with transfer system	6/30/2018
Reroute power lines at nelson to support module moves across Nelson St	6/30/2018
Build additional vessel equipment warehouse space at Nelson	6/30/2018
Replace existing nelson offices. Grade and prepare site for new vessel construction.	6/30/2018
Construct permanent marine architecture and engineering offices and design spaces	1/1/2020
Construct permanent crew assembly facility/pre-commissioning detail building	5/1/2020
Relocate existing office/move stormwater pond/land preparation for new construction, utilities for corporate office with conference space for USCG, contractors, inspectors and contract managers, security systems	3/1/2021
Extend bulkhead east/dredge channel and dispose of dredge spoil	1/1/2024

The project accomplishes and promotes the regional strategy for economic transformation, *Northwest Florida Forward*, as outlined by Florida’s Great Northwest. The project complies with *Bay County Priorities for Triumph Funding*.

Domestic shipbuilding facilities are crucial infrastructure for national security by providing assurance that military vessels can be built, repaired and maintained in times of conflict. (10 USC 148: National Defense Technology and Industrial Base, Defense Reinvestment, and Defense Conversion). Shipbuilding is important not only to national defense but also to the nation’s transportation infrastructure. (National Security Assessment of the U.S. Shipbuilding and Repair Industry, Office of Strategic Industries and Economic Security of the U.S. Dept. of Commerce, May, 2001) “Since 1775, the marine transportation industry has met the needs of our Nation during times of peace and war. The nation’s shipbuilding and repair capability continue to be critical components of the transportation infrastructure and military readiness. In addition to adequate shipbuilding infrastructure, it is imperative to maintain a skilled shipyard labor force, which has regrettably declined in recent years due to U.S. shipyard closures, a decline in the U.S. vendor base, and low-cost international competition.” (Maritime Administration Strategic Plan, Navigating the Future 2017-2021, U.S. Maritime Administration)

An award to Eastern will assuredly contribute significantly to economic recovery, economic diversity beyond tourism and military installations, and economic enhancement of disproportionately affected counties for generations.