Written by Nick Sanders
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The leadership team at Northrop Grumman looks like geniuses, since they decided to **spin-off** the company's ship-building business last year into an entirely separate company called Huntington Ingalls Industries, Inc.

We've reported on this new defense contractor before. In **this story**, we reported that DCAA was having trouble auditing the project cost savings claimed by Northrop with respect to consolidation and spin-off of its shipbuilding business. And more recently, **we reported** on the imposition of payment withholds by the Navy because of multiple deficiencies in Huntington Ingalls' EVMS.

To sum up, Huntington Ingalls is no stranger to this site. So there should be no surprise that the rough waters continue for the shipbuilder, and it finds itself, once again, the subject of another article.

This time, the company hit the newswires again, when Navy acquisition chief Sean Stackley told the audience at the annual conference of the Surface Navy Association that Navy ships under construction at the Huntington Ingalls shipyards cost too much. **This Reuters story** reported the comments thusly—

… Stackley said the company was over the government's target price for a number of LPD ships under construction, and had hit the cost ceiling established in a fixed price contract for LPD-22, the second ship delivered at the Ingalls shipyard in Pascagoula, Mississippi. … He said the Navy was working closely with Huntington Ingalls to drive cost out of the USS Gerald R. Ford (CVN 78) aircraft carrier, but was trying to 'hammer home' the need for additional efforts.

Huntington Ingalls Chief Executive Mike Petters said the company had already taken charges for the cost overruns on the LPD ships 22 through 25, but said the company was doing better with LPD 26, which is in the early stages of production.

Huntington Ingalls last week responded to reports that the carrier would likely be $884 million over budget by saying it was continuing to see improvements in its performance on the aircraft carrier.

Petters said both the company and the Navy knew at the outset that building a first-in-class ship as complex as an aircraft carrier involved risk, and they had agreed on a formula for sharing that risk.

If industry had to shoulder the risk of new development programs completely on its own, he said, the cost of new warships and other weapons would skyrocket because defense companies would raise prices to cover the added risk.

We have asserted that “should-cost” will be the DoD’s buzzword in 2012. We think the stories about the Huntington Ingalls shipyards are but the start of what will turn out to be a continuing series of common-theme stories in the coming year.

If you are a long-time readers of our articles, you already know that we are on record as asserting that program execution—on-time and on-budget performance—is the single key to staying in the Pentagon’s good graces. We think Huntington Ingalls is pushing the performance envelope … in the wrong direction. We hope the situation turns around for the shipbuilder, we really do.

But we are not very optimistic that it will.