At 12:01 a.m. on April 5, 1999, the members of Local 8888 of the United Steelworkers of America walked out of NNS. The union represented approximately 9,000 of the more than 17,000 workers at NNS, and the majority of the union members participated in the strike. The strike, the first since 1979, when the steelworkers were fighting for recognition, was not unexpected. For several months, negotiations between the union and NNS suggested that there were major differences between the union’s contract demands and the company’s offers.

The 1995 contract between the union and the company froze the wage rates at the levels of the 1993 contract but did provide three annual bonuses amounting to about 12 percent of base pay. In the new contract, the union was asking for a sizable pay increase in addition to improved benefits and an increase in pensions for retiring workers. It also wanted contract language that would provide job protection against the use of outside contractors and the restoration of the 20 percent of vacation time and the two holidays that were lost in the 1995 contract. The company offered a smaller pay increase and a smaller increase in pension benefits and asked the employees to continue to pay a 50 percent share of the increased cost of health-care insurance premiums.

The wide differences between the union’s demands and the company’s offer suggested that the strike would last for some time. As it unfolded, NNS took several steps to meet the commitments of projects under way at the shipyard. Approximately 3,000 blue-collar
workers, some of whom were nonunion members and some of whom were union members who decided to cross the picket lines, were available for work. These blue-collar workers were augmented with about 1,000 subcontractors and approximately 1,000 supervisory and management personnel who returned to craft jobs. About 50 percent of the latter were graduates of the NNS apprentice school who had worked their way from the waterfront to their current supervisory positions, and many of the other management personnel also had experience in various trades and crafts. These 5,000 workers were asked to work 56-hour weeks (12-hour days Monday through Thursday and eight hours on Friday) to help maintain as high a level of productivity as possible at the yard under the circumstances.

These efforts resulted in productivity levels approximately 60 percent of those prior to the strike and permitted NNS to accomplish some maintenance of U.S. Navy and commercial ships, including the PSA of the USS *Harry S Truman*, on schedule. However, work on the CVN 68 RCOH and the construction of CVN 76 were significantly impacted.

After almost no interactions for three months, followed by one month of heated negotiations, the union and the company reached an agreement aided by the intervention of the Federal Mediation and Conciliation Service. The new contract was for 58 months and included four pay increases totaling an average of $3.10 per hour plus a sizable increase in pension benefits. On July 31, 1999, the union members approved the new contract by a margin of 62 percent to 38 percent. On August 3, the striking members started reporting back to the shipyard to resume work. The workers returned incrementally according to an agreement between the company and the union that made sense in light of the actions necessary to integrate various workers back into the labor force (e.g., the welders had to undergo recertification).

Subsequently, NNS submitted to the Navy a request for equitable adjustment (REA) for costs incurred by the strike. The first part of the REA asked for an extension of the delivery schedule of CVN 68 from March 5, 2001, to May 24, 2001. The 80-day extension was necessitated by delays in performing propulsion-plant work that was on the critical path of the RCOH. Although NNS estimated that the strike had resulted in a seven-month delay in the propulsion work, it in-
tended to use overtime and enhanced planning to reduce the time needed to the 80 days requested. The Navy approved the 80-day schedule delay (contract modification P00026).

The second part of the REA requested $45.5 million to cover the additional costs that resulted from the strike. These costs included the higher labor rates of the management and supervisory personnel and the overtime premiums used to complete work during the strike ($11.0 million), the overhead associated with the increased hours and rates ($33.1 million), and additional costs incurred due to the strike (e.g., additional drydock days caused by schedule slippage and service material). The Navy approved an adjustment of $42.6 million.