

Congress of the United States  
House of Representatives  
Washington, DC 20515-0902

August 2, 2022

The Honorable Alejandro Mayorkas  
Secretary of Homeland Security  
U.S. Department of Homeland Security  
2703 Martin Luther King Jr Avenue, SE  
Washington, D.C. 20593

Dear Secretary Mayorkas,

I have been alerted that Austal Limited, the foreign parent company of Austal USA, has been engaged in a joint venture with a Chinese shipbuilding company. I compel you to immediately investigate this as I believe the Austal-Chinese relationship poses a potential threat to our national security.

On June 30, 2022, Austal USA was awarded the United States Coast Guard (USCG) Offshore Patrol Cutter (OPC) Stage 2 contract, valued at \$3.3 billion.<sup>1</sup> This is the largest shipbuilding contract ever awarded by the Coast Guard and requires Austal USA to build eleven vitally important patrol cutters.<sup>2</sup> Austal USA is a wholly owned subsidiary of Austal Limited, a foreign company, headquartered in Henderson, Australia.

In 2016, Austal Limited began discussions with the Jianglong Shipbuilding Co. Ltd, headquartered in Guangdong, China, to form a joint venture to construct ships at Jianglong's shipyard in China.<sup>3</sup> The Jianglong Shipbuilding Co. Ltd. specializes in the production of tourist, leisure, and law enforcement boats. The law enforcement boat segment includes coastal patrol boats, law enforcement boats, and anti-smuggling boats.<sup>4</sup> In 2016, the joint venture registered the Aulong Shipbuilding Co. Ltd with Austal Limited purchasing 40% of the venture and Jianglong Co. controlling 60% of the venture.<sup>5</sup> The Aulong joint venture operated at a loss for two years<sup>6</sup>

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<sup>1</sup> Press Release, Austal Limited, Austal USA Awarded Up to US\$3.3 Billion Contract for 11 United States Coast Guard Offshore Patrol Cutters. FY2022 EBIT to be Revised Upwards (Jul. 1, 2022), <https://investor.austal.com/static-files/9f7ae8b0-db0d-4034-be50-15eb8b5c19c0>.

<sup>2</sup> *Id.*

<sup>3</sup> Press Release, Austal Limited, Austal Re-enters Chinese Domestic Ferry Market in Joint Venture with Jianglong Shipbuilding (Jun. 7, 2016), <https://investor.austal.com/static-files/b84fe5d5-20ce-4343-89ae-208404e19b85>; Austal Limited. Annual Report 2016, <https://investor.austal.com/static-files/5dcb0a44-ff09-44ae-9245-5976726debc4>.

<sup>4</sup> Reuters.com, Company Overview: Jianglong Shipbuilding Co. Ltd. (Aug. 8, 2022), <https://www.reuters.com/markets/companies/300589.SZ/>.

<sup>5</sup> Austal Limited. Annual Report 2016. <https://investor.austal.com/static-files/135a4c3a-10f5-407e-8631-db3573410bbe>.

<sup>6</sup> Austal Limited. Annual Report 2017, <https://investor.austal.com/static-files/8b286282-ae44-4e8e-b758-c7fb97796af4>; Austal Limited. Annual Report 2018, <https://investor.austal.com/static-files/6aa9d4f2-2a67-4416-a56c-dbf792a15f09>; Austal Limited. Annual Report 2019, <https://investor.austal.com/static-files/135a4c3a-10f5-407e-8631-db3573410bbe>; See also Charbel Kadib, *Austal to Offload Joint Venture with Chinese Firm* (Apr. 30,

before Austal started negotiations for the sale of its minority stake. The final sale took place in December 2021 with Jianglong purchasing all of Austal's 40% interest.<sup>7</sup> I believe the threat that proprietary U.S. national security information may have been acquired by the Chinese government through this partnership is high.

I am gravely concerned as to why the U.S. Coast Guard awarded its largest and most vital maritime shipbuilding contract to a foreign company with clear ties to the People's Republic of China. The OPC will conduct missions that are vitally important to our national security such as law enforcement, drug and migrant interdiction, and homeland and defense operations.<sup>8</sup> I believe that it was reckless for the USCG to award such a vitally important contract to a foreign company and this recklessness should be investigated immediately. The national security of our country is of the utmost importance.

Considering the grave national security concerns accompanying the awarding of the OPC Stage 2 contract to a foreign company, I respectfully request the following information:

1. Please explain the Department of Homeland Security's oversight and review of the USCG OPC Stage 2 award process as it pertains to the national security risk assessment of each bid.
2. Please explain whether the Department of Homeland Security believed that Austal Limited's ties to China posed a risk to national security.
3. Please explain whether the Department of Homeland Security formally submitted concerns as to Austal Limited's ties to China posing a risk to national security.
4. Please provide the number of attorneys, support staff, and other resources assigned to investigate and review the USCG contracting process.
5. Please provide the number of above requested individuals that are tasked with reviewing bids submitted to the USCG for China-related ties.
6. Please explain the USCG's oversight and review of the OPC Stage 2 award process as it pertains to the national security risk assessment of each bid.
7. Please explain whether the USCG believed that Austal Limited's ties to China posed a risk to national security.
8. Please explain whether the USCG formally submitted concerns as to Austal Limited's ties to China posed a risk to national security.

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2021), DEFENCE CONNECT, <https://www.defenceconnect.com.au/maritime-antisub/7967-austal-to-offload-joint-venture-with-chinese-firm>.

<sup>7</sup> Austal Limited. Annual Report 2021, <https://investor.austal.com/static-files/2d234f0a-c878-4ba8-8ff2-ce2c4e832b48>.

<sup>8</sup> Offshore Patrol Cutter, United States Coast Guard, <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Offshore-Patrol-Cutter/> (last visited Aug. 8, 2022).

Please provide the number of attorneys, support staff, and other resources assigned to investigate and review the USCG contacting process.

9. Please provide the number of above requested individuals that are tasked with reviewing bids submitted to the USCG for China-related ties.
10. Please explain whether it is the Department of Homeland Security's position that American tax dollars appropriated for US defense contracts with Austal USA between 2015-2021 were not used by Austal Limited<sup>9</sup> to enter any joint ventures with Chinese maritime companies.<sup>10</sup>

Please provide this information as soon as possible. If a full response requires the disclosure of classified information, please provide such information under separate cover. After you have provided this information in writing, I ask that you arrange for the Department to provide me with a briefing.

The threat from China is real and growing. Jeopardizing vital national security programs by unnecessarily partnering with foreign companies exposes the United States to potential threats from China. The OPC Stage 2 contract should be fulfilled by US companies with proven track records of delivering for the American people.

Respectfully,



Neal P. Dunn, M.D.  
Member of Congress

cc: The Honorable Antony J. Blinken, Secretary of State, United States Department of State

The Honorable Lloyd J. Austin III, Secretary of Defense, United States Department of Defense

Admiral Linda Fagan, Commandant, United States Coast Guard

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<sup>9</sup> To include all Austal Limited subsidiaries during the years referenced.

<sup>10</sup> Between FY2014-FY2021, revenue generated by Austal Limited in North America averaged 81.9% of total revenues. North American revenues peaked in FY2017 at 89.6% of total revenues.