

Navy, GD, Northrop Grumman Agree To DDG-51, LPD-17 Work Swap

By Hunter Keeter

The Navy, General Dynamics [GD] and Northrop Grumman [NOC] yesterday confirmed an agreement to swap work on four USS *Arleigh Burke* (DDG-51)-class destroyers for four *San Antonio* (LPD-17)-class amphibious assault ships.

"The Navy and the shipbuilders have taken a bold step today," Navy acquisition chief John Young said in a DoD statement. "This shipbuilding transfer agreement will save the taxpayers money over the life of these two programs by dramatically reducing the cost and schedule risk in the LPD-17 program. The new FY '02-'05 DDG multiyear contract pricing and conditions were also negotiated in conjunction with the swap agreement. The signing of this [agreement] and the new DDG multi-year together stabilize the workload at three shipyards--Ingalls, Bath, and Avondale and provide a solid plan for almost \$20 billion of Navy shipbuilding. This agreement is a win-win for both shipbuilders and the Navy."

The Navy, GD and Northrop Grumman signed the memorandum of understanding yesterday, clearing the way for the transfer of construction of four ships between the two shipyards. For Bath, the first ship transferred is DDG-102, which was to have been built at Northrop Grumman's Ingalls Shipyard. LPD-19, now in the initial stages of construction at Bath, is to be the first amphibious ship transferred to Ingalls under the swap agreement.

According to the terms of the agreement, the swap would result in a multiyear contract for GD for the production of seven DDG-51-class hulls. A contract for the seven ships could be signed this week, according to GD.

One DDG-51-class hull would also be produced annually by Northrop Grumman. That both GD and Northrop Grumman would continue producing the DDG-51-class is in keeping with the Navy's long-term plan for production of the DD(X) next generation of surface combatants: the Navy wants to keep two shipbuilders with the competency and capability to produce destroyer-type vessels.

The DD(X) program is a research and development effort that is expected to result in the basis for three new classes of surface warships,

leveraging the technologies developed for the *Arleigh Burke* program, as well as the upgrades to the USS *Ticonderoga* (CG-47) guided-missile cruiser program. The Navy plans to maintain two shipyards with the capacity to produce the hulls in the new destroyer calls, and may follow suit with programs for an advanced cruiser and a so-called Littoral Combat Ship.

Meanwhile, the service and Northrop Grumman--which has the lead on the LPD-17 design--have been working out the best ways to get the new amphibious ships delivered. Already 14 months behind schedule, the government is keen to have these ships delivered as soon as possible.

Northrop Grumman Ship Systems President Philip Dur said in a statement that "by redistributing LPD ship construction and by placing it all with one company, the Navy will ensure that the cost and schedule for that program are optimized to allow the entire project to move forward to completion. We believe this is an equitable arrangement; this action will further stabilize the LPD-17 program and optimize the workload at our facilities. We intend to continue our efforts toward improved cost and schedule performance."

According to GD, the business case for the swap arrangement is a good one.

"The significance of this is that John Young has dared to be great; when everyone has been talking about transformation in terms of products and platforms, Young has brought transformation to the procurement process," GD spokesman Kendell Pease yesterday told *Defense Daily*. "Realizing that low-rate initial production in the LPD program was not the most cost-efficient way to produce the ships, he found a better way to do business within the Navy. This is going to be a real win for the Navy, the taxpayers and at the same time for both of the shipyards."

Last week, Navy Secretary Gordon England said the swap agreement would be "a win-win-win" for all parties involved (*Defense Daily*, June 14). England and the Navy's acquisition executives have been reviewing the costs and schedule changes associated with the swap arrangement.