

Navy Realigns Shipbuilding Jobs Of Northrop, General Dynamics

By Andy Pasztor, Staff Reporter of The Wall Street Journal

The Navy, seeking to save money and improve the management of its shipbuilding programs, has altered its work allocation so that Northrop Grumman Corp. will concentrate on building amphibious vessels while General Dynamics Corp. will get to build more destroyers.

Calling it "a bold step" to save taxpayers money, John Young Jr., who heads the Navy's research and acquisition efforts, said "this agreement is a win-win for both shipbuilders and the Navy."

The idea is to reduce the inefficiencies and expenses stemming from the typical roller coaster of orders when rival yards vie for low-volume ship contracts over many years. Under previous plans, each of the companies built both amphibious ships and destroyers. By designating a single company to take the lead in assembling each class of ship, the Navy hopes higher volumes will translate into efficiencies for both programs.

Industry officials said the move revamps roughly \$20 billion in anticipated Navy ship construction, with the goal of stabilizing work flow and employment levels at existing yards through much of the decade. But details of the anticipated cost savings weren't released, pending approval of multiyear contracts, though

one industry executive said they could amount to several billion dollars over time.

Pushed by the Navy, the arrangement is unusual partly because it revises allocation of current as well as prospective ship orders. General Dynamics, for instance, agreed to give up one San Antonio-class amphibious ship on which it has already started work, as well as three others it was in line to build. In return, Northrop Grumman will swap its right to build several Ageis destroyers.

The agreement is likely to be embraced by lawmakers, because it still retains some level of competition between the two contractors for building guided-missile destroyers, although General Dynamics will receive construction funds more quickly than otherwise and stands to build as many as two vessels in certain years. While it has been almost "unheard of for two companies to swap contracts," Navy brass recognized that "the procurement process itself needs transformation," said Kendell Pease, a spokesman for General Dynamics.

The new arrangement may help allay criticism of the amphibious ship program, badly behind schedule and over budget. Giving Northrop Grumman sole responsibility for those ships will "ensure that construction costs and scheduling are optimized," the company said. "We intend to improve both schedule and cost performance," Northrop shipbuilding division spokesman Den Knecht said.