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Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress

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Summary

The Navy began procuring Arleigh Burke (DDG-51) class destroyers, also known as Aegis destroyers, in FY1985, and a total of 85 have been procured through FY2020, including three in FY2020. The Navy's proposed FY2021 budget requests funding for the procurement of two more DDG-51s, which would be the 86th and 87th ships in the class.

DDG-51s are being procured in FY2018-FY2022 under a multiyear procurement (MYP) contract that Congress approved as part of its action on the Navy's FY2018 budget. DDG-51s procured in FY2017 and subsequent years are being built to a revised design, called the Flight III design, that incorporates a new and more capable radar called the Air and Missile Defense Radar (AMDR) or SPY-6 radar.

The Navy estimates the combined procurement cost of the two DDG-51s requested for procurement in FY2020 at $3,836.9 million, or an average of $1,918.5 million each. The ships have received $796.6 million in prior-year Economic Order Quantity (EOQ) advance procurement (AP) funding (i.e., funding for up-front batch orders of components of DDG-51s to be procured under the FY2018-FY2022 MYP contract). The Navy's proposed FY2021 budget requests the remaining $3,040.3 million in procurement funding needed to complete the estimated procurement cost of the two DDG-51s, as well as $29.3 million in EOQ funding for DDG-51s to be procured under the MYP contract, and $9.6 million in cost-to-complete procurement funding to cover cost growth on DDG-51s procured in prior fiscal years, bringing the total amount of procurement funding requested for the DDG-51 program for FY2021 to $3,079.2 million, excluding outfitting and post-delivery costs.

The Navy wants to procure the first ship of a new class of large surface combatants in FY2028. Under the Navy's plan, FY2027 would be the final year of DDG-51 procurement.

Issues for Congress for FY2021 for the DDG-51 program include the following:

- the potential impact of the COVID-19 (coronavirus) situation on the execution of U.S. military shipbuilding programs, including the DDG-51 and DDG-1000 programs;
- whether to approve, reject, or modify the Navy's FY2021 funding request for the DDG-51 program;
- a projected reduction under the Navy's FY2021 budget submission in the number of DDG-51s to be procured in FY2023-FY2025, compared to previous Navy plans for DDG-51 procurement in those fiscal years, and how this relates, if at all, to a potential reduction in the force-level goal for large surface combatants (i.e., cruisers and destroyers) that might be included in a new Navy force-level goal that is to replace the Navy's current 355-ship force-level goal; and
- cost, schedule, and technical risk in the Flight III DDG-51 effort.

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Introduction

This report presents background information and potential oversight issues for Congress on the Navy's Arleigh Burke (DDG-51) and Zumwalt (DDG-1000) class destroyer programs. The Navy's proposed FY2021 budget requests funding for the procurement of two DDG-51s. Decisions that Congress makes concerning destroyer procurement could substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

For an overview of the strategic and budgetary context in which the DDG-51, DDG-1000, and other Navy shipbuilding programs may be considered, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.[1]

Background

Navy's Force of Large Surface Combatants (LSCs)

LSC Definition

Decades ago, the Navy's cruisers were considerably larger and more capable than its destroyers. In the years after World War II, however, the Navy's cruiser designs in general became smaller while its destroyer designs in general became larger. As a result, since the 1980s there has been substantial overlap in size and capability of Navy cruisers and destroyers. (The Navy's new Zumwalt [DDG-1000] class destroyers, in fact, are considerably larger than the Navy's cruisers.)

In part for this reason, the Navy now refers to its cruisers and destroyers collectively as *large surface combatants (LSCs)*, and distinguishes these ships from the Navy's *small surface combatants (SSCs)*, the term the Navy now uses to refer collectively to its frigates, Littoral Combat Ships (LCSs), mine warfare ships, and patrol craft. The Navy's annual 30-year shipbuilding plan, for example, groups the Navy's surface combatants into LSCs and SSCs.[2]

LSC Force Levels

LSC Force Level at End of FY2020

Under the Navy's FY2020 budget submission, the Navy at the end of FY2020 was projected to have 92 LSCs, including 22 Ticondergoa (CG-47) class cruisers, 68 Arleigh Burke (DDG-51) class destroyers, and two Zumwalt (DDG-1000) class destroyers.[3]

[1] See also CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke, and CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.

[2] The Navy sometimes also uses the term *Cru-Des* (an abbreviation of cruiser-destroyer, pronounced "crew-dez") to refer collectively to its cruisers and destroyers.

[3] Source: Department of the Navy, *Highlights of the Department of the Navy FY 2021 Budget*, February 10, 2020, Figure 3.2 on p. 3-2.

LSC Force-Level Goal Under 355-Ship Plan

In December 2016, the Navy released a force-level goal to achieve and maintain a Navy of 355 ships in coming years, including 104 LSCs. Under the Navy's FY2020 30-year (FY2020-FY2049) shipbuilding plan, the Navy was to achieve a force of 104 large surface combatants by FY2029.[4]

Potential New LSC Force-Level Goal

As discussed in greater detail in the CRS overview report on Navy force-structure and shipbuilding plans,[5] the Navy and DOD since 2019 have been working to develop a new Navy force-level goal to replace the above-mentioned 355-ship force-level goal. The conclusion of this work and the release of its results to Congress have been delayed repeatedly since late 2019.

Remarks from Navy and DOD officials since 2019 indicate that this new Navy force-level goal will introduce at least some elements of a once-in-a-generation change in fleet architecture, meaning basic the types of ships that make up the Navy and how these ships are used in combination with one another to perform Navy missions. This new fleet architecture is expected to be more distributed than the fleet architecture reflected in the 355-ship goal or previous Navy force-level goals. In particular, the new fleet architecture is expected to feature

- a smaller proportion of larger ships (such as large-deck aircraft carriers, cruisers, destroyers, large amphibious ships, and large resupply ships);
- a larger proportion of smaller ships (such as frigates, corvettes, smaller amphibious ships, smaller resupply ships, and perhaps smaller aircraft carriers); and
- a new third tier of surface vessels about as large as corvettes or large patrol craft that will be either lightly manned, optionally manned, or unmanned, as well as large unmanned underwater vehicles (UUVs).

Navy and DOD leaders believe that shifting to a more distributed fleet architecture is

- **operationally necessary**, to respond effectively to the improving maritime anti-access/area-denial (A2/AD) capabilities of other countries, particularly China;[6]

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[4] For additional information on the Navy's 355-ship force-level goal and the FY2020 30-year shipbuilding plan, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke. As discussed in CRS report RL32665, the Navy has not submitted an FY2021 30-year shipbuilding plan.

[5] CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

[6] See, for example, David B. Larter, "With China Gunning for Aircraft Carriers, US Navy Says It Must Change How It Fights," *Defense News*, December 6, 2019; Arthur H. Barber, "Redesign the Fleet," *U.S. Naval Institute Proceedings*, January 2019. Some observers have long urged the Navy to shift to a more distributed fleet architecture, on the grounds that the Navy's current architecture—which concentrates much of the fleet's capability into a relatively limited number of individually larger and more expensive surface ships—is increasingly vulnerable to attack by the improving A2/AD capabilities (particularly anti-ship missiles and their supporting detection and targeting systems) of potential adversaries, particularly China. Shifting to a more distributed architecture, these observers have argued, would

- complicate an adversary's targeting challenge by presenting the adversary with a larger number of Navy units to detect, identify, and track;
- reduce the loss in aggregate Navy capability that would result from the destruction of an individual Navy platform;
- give U.S. leaders the option of deploying USVs and UUVs in wartime to sea locations that would be

- **technically feasible** as a result of advances in technologies for UVs and for networking widely distributed maritime forces that include significant numbers of UVs; and
- **affordable**—no more expensive, and possibly less expensive, than the current fleet architecture, so as to fit within expected future Navy budgets.

Few details are available on the number of LSCs that might be included in the Navy's new force-level goal. Available information includes the following:

- April and June 2020 press reports stated that as of April 2020, DOD was moving toward a new Navy force-level goal that would include, among other things, 80 to 90 LSCs.[7]
- A September 2020 press report similarly stated that the Cost Assessment and Program Evaluation (CAPE) office with the Office of the Secretary of Defense as of April 2020 had recommended a future Navy force-level goal that would include, among other things, 80 to 90 LSCs.[8]
- At a June 4, 2020, hearing on hearing on future force structure requirements for the Navy before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, one of the witnesses, Bryan Clark of the Hudson Institute—a private think tank that has been providing inputs for OSD's analysis of future Navy force-level goals—presented testimony that proposed a Navy force-level goal that includes, among other things, 77 LSCs.[9]
- An October 2020 report by the Hudson Institute on future Navy force structure presented a revised set of force-level goals, recommending a Navy force-level goal that includes, among other things, 64 LSCs.[10]
- An October 6, 2020, speech on the Navy's new force-level goal by Secretary of Defense Mark Esper did not specify the number of LSCs included in the new Navy force-level goal.[11]

All of the numbers cited in the above bullet points are less than the 104 LSCs included in the Navy's current 355-ship force-level goal, and less than the 92 cruisers and destroyers projected to be in the Navy at the end of FY2020. Reducing the number of LSCs from 92 to some smaller

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tactically advantageous but too risky for manned ships; and

- increase the modularity and reconfigurability of the fleet for adapting to changing mission needs.

For more on China's maritime A2/AD capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

[7] David B. Larter, "Defense Department Study Calls for Cutting 2 of the US Navy's Aircraft Carriers," *Defense News*, April 20, 2020; David B. Larter, "To Compete with China, An Internal Pentagon Study Looks to Pour Money into Robot Submarines," *Defense News*, June 1, 2020.

[8] David B. Larter and Aaron Mehta, "The Pentagon Is Eyeing a 500-Ship Navy, Documents Reveal," *Defense News*, September 24, 2020.

[9] Prepared statement by Bryan Clark, Senior Fellow, Hudson Institute, to Seapower and Projection Forces subcommittee, House Armed Services Committee, hearing on future force structure requirements for the United States Navy, June 4, 2020, p. 4.

[10] Bryan Clark, Timothy A. Walton, and Seth Cropsey, *American Sea Power at a Crossroads: A Plan to Restore the US Navy's Maritime Advantage*, Hudson Institute, September 2020, Table 1 on p. 9. The report was released on September 30, 2020.

[11] Secretary of Defense Mark Esper, remarks at Center for Strategic and Budgetary Assessments (CSBA), October 6, 2020.

number while also taking delivery on DDG-51s now under construction could involve retiring some cruisers and older destroyers sooner than previously planned, and perhaps also reducing annual procurement rates for new LSCs in coming years to levels below what they have been in recent years.

DDG-51 Program

Overview

The DDG-51 program was initiated in the late 1970s,[12] and the first DDG-51 was procured in FY1985. The DDG-51 program is one of the longest-running shipbuilding programs in Navy history, and the DDG-51 class, in terms of number of hulls, is one of the Navy's largest classes of ships since World War II.

The DDG-51 (**Figure 1**) is a multi-mission destroyer with an emphasis on air defense (which the Navy refers to as anti-air warfare, or AAW) and blue-water (mid-ocean) operations.

Figure 1. DDG-51 Class Destroyer

Source: Navy file photograph accessed October 18, 2012, at http://www.navy.mil/view_image.asp?id=134605.

DDG-51s, like the Navy's 22 Ticonderoga (CG-47) class cruisers, are equipped with the Aegis combat system, an integrated ship combat system named for the mythological shield that defended Zeus. CG-47s and DDG-51s consequently are often referred to as Aegis cruisers and

[12] The program was initiated with the aim of developing a surface combatant to replace older destroyers and cruisers that were projected to retire in the 1990s. The DDG-51 was conceived as an affordable complement to the Navy's Ticonderoga (CG-47) class Aegis cruisers. For an early discussion of the DDG-51 program, see Alva M. Bowen and Ronald O'Rourke, "DDG-51 and the Future Surface Navy," *U.S. Naval Institute Proceedings*, May 1985: 176-189.

Aegis destroyers, respectively, or collectively as Aegis ships. The Aegis system has been updated several times over the years. Many DDG-51s (and also some CG-47s) have a capability for conducting ballistic missile defense (BMD) operations.[13]

As mentioned above, the first DDG-51 was procured in FY1985. It entered service in 1991. A total of 85 DDG-51s have been procured through FY2020, including 62 in FY1985-FY2005 and 23 in FY2010-FY2020. (In FY2007-FY2009, during the time when the Navy was not procuring DDG-51s, the Navy instead procured three Zumwalt (DDG-1000) class destroyers, which are discussed below.)

Design Changes

The DDG-51 design has been modified over time. The first 28 DDG-51s (i.e., DDGs 51 through 78) are called Flight I/II DDG-51s. In FY1994, the Navy shifted DDG-51 procurement to the Flight IIA DDG-51 design, which incorporated certain changes, including the addition of a helicopter hangar. A total of 47 Flight IIA DDG-51s (i.e., DDG-79 through DDG-124, plus DDG-127)[14] were procured through FY2016.

In FY2017, the Navy shifted DDG-51 procurement to the Flight III DDG-51 design, which incorporates a new and more capable radar called the Air and Missile Defense Radar (AMDR) or SPY-6 radar, as well as associated changes to the ship's electrical power and cooling systems. DDGs 125 and higher, except for DDG-127 noted above, are to be Flight III DDG-51s.

Multiyear Procurement (MYP)

As part of its action on the Navy's FY2018 budget, Congress granted the Navy authority to use a multiyear procurement (MYP) contract for DDG-51s planned for procurement in FY2018-FY2022. This is the fourth MYP contract for the DDG-51 program—previous DDG-51 MYP contracts covered DDG-51s procured in FY2013-FY2017, FY2002-FY2005, and FY1998-FY2001.

Shipbuilders, Combat System Lead, and Radar Makers

DDG-51s are built by General Dynamics/Bath Iron Works (GD/BIW) of Bath, ME, and Huntington Ingalls Industries/Ingalls Shipbuilding (HII/Ingalls) of Pascagoula, MS. Lockheed is the lead contractor for the Aegis system installed on all DDG-51s. The AMDR—the primary radar for the Aegis system on Flight III DDG-51s—is made by Raytheon.

Modernization and Service Life Extension

The Navy is modernizing its existing DDG-51s (and some of its CG-47s) so as to maintain their mission and cost-effectiveness out to the end of their projected service lives. In April 2018, the Navy announced that it wants to extend the service lives of all DDG-51s to 45 years—an increase of 5 or 10 years over previous plans to operate DDG-51s to age 35 or 40. Doing this, the Navy said, would permit the Navy to achieve a total of 355 ships by 2034, or about 20 years earlier than

[13] The modification for BMD operations includes, among other things, the addition of a new software program for the Aegis combat system and the arming of the ship with the SM-3, a version of the Navy's Standard Missile that is designed for BMD operations. For more on Navy BMD programs, CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[14] The hull-number discontinuity regarding DDG-127 is an administrative consequence of the ship having been funded as a Congressional addition to the Navy's proposed FY2016 shipbuilding request.

under the FY2019 budget submission, although the resulting 355-ship fleet of the 2030s would have more destroyers and fewer ships of other kinds (including attack submarines and aircraft carriers) than called for in the 355-ship force-level goal.

Older CRS reports provide additional historical and background information on the DDG-51 program.[15]

DDG-1000 Program

In FY2007-FY2009, during the time when the Navy was not procuring DDG-51s, the Navy instead procured three Zumwalt (DDG-1000) class destroyers. The Navy plans no further procurement of DDG-1000s. The Navy's proposed FY2021 budget requests $78.2 million in procurement funding to help complete the total procurement cost of the three DDG-1000 class ships.

The DDG-1000 is a multi-mission destroyer with an originally intended emphasis on naval surface fire support (NSFS) and operations in littoral (i.e., near-shore) waters. Consistent with that mission orientation, the ship was designed with two new-design 155mm guns called Advanced Gun Systems (AGSs). The AGSs were to fire a new 155mm, gun-launched, rocket-assisted guided projectile called the Long-Range Land-Attack Projectile (LRLAP, pronounced LUR-lap). In November 2016, however, it was reported that the Navy had decided to stop procuring LRLAP projectiles because the projected unit cost of each projectile had risen to at least $800,000.[16] The Navy to date has not announced a replacement munition for the AGSs.[17]

In the meantime, it was reported in December 2017 that, due to shifts in the international security environment and resulting shifts in Navy mission needs, the mission orientation of the DDG-1000s will be shifted from an emphasis on NSFS to an emphasis on surface strike, meaning the use of missiles to attack surface ships and perhaps also land targets.[18] Under this new plan, the mix of missiles carried in the 80 vertical launch system (VLS) tubes of each DDG-1000 may now feature a stronger emphasis on anti-ship and land-attack cruise missiles missiles. The two AGSs on each DDG-1000 will, for the time being at least, remain for the most part dormant, pending a final decision on whether to procure a replacement munition for the AGSs (which would require modifying the AGSs and their below-deck munition-handling equipment, since both were designed specifically for LRLAP), or instead pursue another option, such as removing the AGSs and their below-deck equipment and replacing them with additional VLS tubes.

For additional background information on the DDG-1000 program, see the **Appendix**.

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[15] See CRS Report 94-343, *Navy DDG-51 Destroyer Procurement Rate: Issues and Options for Congress*, by Ronald O'Rourke (April 25, 1994; out of print and available to congressional clients directly from the author), and CRS Report 80-205, *The Navy's Proposed Arleigh Burke (DDG-51) Class Guided Missile Destroyer Program: A Comparison With An Equal-Cost Force Of Ticonderoga (CG-47) Class Guided Missile Destroyers*, by Ronald O'Rourke (November 21, 1984; out of print and available to congressional clients directly from the author).

[16] Christopher P. Cavas, "New Warship's Big Guns Have No Bullets," *Defense News*, November 6, 2016; Sam LaGrone, "Navy Planning on Not Buying More LRLAP Rounds for Zumwalt Class," *USNI News*, November 7, 2016; Ben Guarino, "The Navy Called USS Zumwalt A Warship Batman Would Drive. But at $800,000 Per Round, Its Ammo Is Too Pricey to Fire," *Washington Post*, November 8, 2016.

[17] See Sam LaGrone, "No New Round Planned For Zumwalt Destroyer Gun System; Navy Monitoring Industry," *USNI News*, January 11, 2018; Richard Abott, "Navy Still Has No Plans For DDG-1000 Gun Ammo," *Defense Daily*, January 12, 2018: 1-2.

[18] Megan Eckstein, "New Requirements for DDG-1000 Focus on Surface Strike," *USNI News*, December 4, 2017. See also Richard Abott, "Navy Will Focus Zumwalt On Offensive Surface Strike," *Defense Daily*, December 5, 2017; David B. Larter, "The Navy's Stealth Destroyers to Get New Weapons and a New Mission: Killing Ships," *Defense News*, February 15, 2018.

Surface Combatant Construction Industrial Base

All cruisers, destroyers, and frigates procured since FY1985 have been built at GD/BIW and HII/Ingalls. Both yards have long histories of building larger surface combatants. Construction of Navy surface combatants in recent years has accounted for virtually all of GD/BIW's ship-construction work and for a significant share of HII/Ingalls' ship-construction work. (HII/Ingalls also builds amphibious ships for the Navy and cutters for the Coast Guard.) Navy surface combatants are overhauled, repaired, and modernized at GD/BIW, HII/Ingalls, and other U.S. shipyards.

Lockheed Martin and Raytheon are generally considered the two leading Navy surface combatant radar makers and combat system integrators. Lockheed is the lead contractor for the DDG-51 combat system (the Aegis system), while Raytheon is the lead contractor for the DDG-1000 combat system, the core of which is called the Total Ship Computing Environment Infrastructure (TSCE-I). Lockheed has a share of the DDG-1000 combat system, and Raytheon has a share of the DDG-51 combat system. Lockheed, Raytheon, and Northrop competed to be the maker of the AMDR to be carried by the Flight III DDG-51. On October 10, 2013, the Navy announced that it had selected Raytheon to be the maker of the AMDR.

The surface combatant construction industrial base also includes hundreds of additional firms that supply materials and components. The financial health of Navy shipbuilding supplier firms has been a matter of concern in recent years, particularly since some of them are the sole sources for what they make for Navy surface combatants. Several Navy-operated laboratories and other facilities support the Aegis system and other aspects of the DDG-51 and DDG-1000 programs.

FY2021 Funding Request

The Navy estimates the combined procurement cost of the two DDG-51s requested for procurement in FY2020 at $3,836.9 million, or an average of $1,918.5 million each. The ships have received $796.6 million in prior-year Economic Order Quantity (EOQ) advance procurement (AP) funding (i.e., funding for up-front batch orders of components of DDG-51s to be procured under the FY2018-FY2022 MYP contract). The Navy's proposed FY2021 budget requests the remaining $3,040.3 million in procurement funding needed to complete the estimated procurement cost of the two DDG-51s, as well as $29.3 million in EOQ funding for DDG-51s to be procured under the MYP contract, and $9.6 million in cost-to-complete procurement funding to cover cost growth on DDG-51s procured in prior fiscal years, bringing the total amount of procurement funding requested for the DDG-51 program for FY2021 to $3,079.2 million, excluding outfitting and post-delivery costs.

The Navy's proposed FY2021 budget also requests $78.2 million in procurement funding to help complete the total procurement cost of the three DDG-1000 class ships.

Issues for Congress

Potential Impact of COVID-19 (Coronavirus) Situation

One issue for Congress concerns the potential impact of the COVID-19 (coronavirus) situation on the execution of U.S. military shipbuilding programs, including the DDG-51 and DDG-1000 programs. For additional discussion of this issue, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

FY2021 Funding Request

One issue for Congress for FY2021 is whether to approve, reject, or modify the Navy's FY2021 funding request for the DDG-51 program. In considering this issue, Congress may consider, among other things, whether the Navy has accurately priced the work it is proposing to do in the DDG-51 program in FY2021.

Projected DDG-51 Procurement Rate in FY2023-FY2025

Overview

Another issue for Congress is a projected reduction under the Navy's FY2021 budget submission in the number of DDG-51s to be procured in FY2023-FY2025, compared to previous Navy plans for DDG-51 procurement in those fiscal years, and how this reduction relates, if at all, to a potential reduction in the force-level goal for large surface combatants (i.e., cruisers and destroyers) that, as discussed earlier in this CRS report, might be included in a new Navy force-level goal that is to replace the Navy's current 355-ship force-level goal.

Table 1 shows projected procurement rates for DDG-51s and a next-generation LSC called the Future LSC under the Navy's FY2020 and FY2021 budget submissions. As can be seen in the table, for the periods FY2023-FY2025, the Navy's FY2021 budget submission projects the procurement of four surface combatants (all DDG-51s), while the Navy's FY2020 budget submission had projected the procurement of nine surface combatants (eight DDG-51s plus the first Future LSC).

Table 1. DDG-51 and Future LSC Procurement, FY2021-FY2025

Under Navy's FY2020 and FY2021 budget submissions

	FY21	FY22	FY23	FY24	FY25	Total FY21-FY25
FY2020 budget						
DDG-51	2	2	3	3	2	12
Future LSC	0	0	0	0	1	1
Total	**2**	**2**	**3**	**3**	**3**	**13**
FY2021 budget						
DDG-51	2	2	1	2	1	8
Future LSC	0	0	0	0	0	0
Total	**2**	**2**	**1**	**2**	**1**	**8**

Source: Table prepared by CRS based on Navy's FY2020 and FY2021 budget submissions.

Navy officials have stated that under the Navy's FY2021 budget submission, the procurement of the first Future LSC has been deferred from FY2025 to FY2028, in part to provide more time for the maturation of new technologies that the Navy envisions incorporating into that ship.

Potential Oversight Questions

Potential oversight questions for Congress include the following:

- To what degree, if any, does the reduction in the projected number of DDG-51s to be procured in FY2023-FY2025 reflect a potential reduction in the force-level goal for large surface combatants (i.e., cruisers and destroyers) that might be included in a new Navy force-level goal that is to replace the current 355-ship Navy force-level goal?
- In terms of potential shipyard workloads and employment levels, how might a reduction in DDG-51 procurement in FY2023-FY2025 be offset by procurement of Navy FFG(X) frigates,[19] Navy amphibious ships,[20] Coast Guard National Security Cutters (NSCs), and Coast Guard Offshore Patrol Cutters (OPCs)?[21] To what degree, if at all, are Navy and Coast Guard officials assessing the collective potential impacts on the shipbuilding industrial base of developments regarding procurement of DDG-51s, FFG(X)s, amphibious ships, NSCs, and OPCs?
- How is Congress's ability to review the Navy's FY2021 budget submission, including the Navy's request for DDG-51 procurement and advance procurement (AP) funding, affected by not having access to the details of the new Navy force-level goal that is to replace the current 355-ship Navy force-level goal?

Cost, Technical, and Schedule Risk in Flight III DDG-51 Effort

Another oversight issue for Congress concerns cost, technical, and schedule risk for the Flight III DDG-51.

October 2019 CBO Report

An October 2019 Congressional Budget Office (CBO) report on the cost of the Navy's shipbuilding programs stated the following about the Flight III DDG-51:

> To meet combatant commanders' goal of improving future ballistic missile defense capabilities beyond those provided by existing DDG-51s—and to replace 15 Ticonderoga class cruisers when they are retired in the 2020s—the Navy is substantially modifying the design of the DDG-51 Flight IIA destroyer to create a Flight III configuration. That modification will incorporate the new Air and Missile Defense Radar (AMDR) or SPY-6, which will be larger and, recent testing indicates, nearly 100 times more powerful than the radar on current DDG-51s. For the AMDR to operate effectively in the new Flight III configuration, however, the ships must have a greater capacity to generate electrical power and cool major systems.
>
> With those improvements incorporated into the design of the Flight III and the associated increases in the ships' displacement, CBO estimates that the average cost per ship over the entire production run would be $1.8 billion—about 7 percent more than the Navy's estimate of $1.7 billion. Costs could be higher or lower than CBO's estimate, however, depending on the eventual cost and complexity of the AMDR and the associated changes to the ship's design to integrate the new radar. Completion of the first Flight III ship is several years away.[22]

[19] For more on the FFG(X) program, see CRS Report R44972, *Navy Frigate (FFG[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[20] For more on Navy amphibious ship programs, see CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.

[21] For more on the NSC and OPC programs, see CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

[22] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan*, October 2019, p. 24.

June 2020 GAO Report

A June 2020 Government Accountability Office (GAO) report assessing selected DOD acquisition programs stated the following in its assessment of the Flight III DDG-51:

> **Current Status**
>
> Flight III ships include considerable changes to DDG 51's design to incorporate the AN/SPY-6(V)1 radar and restore ship weight and stability safety margins. The program delayed the start of power and integration testing for the AN/SPY-6(V)1 radar from January 2019 to April 2020 due to software-related deficiencies that, according to program officials, are now resolved. Despite this delay, the Navy plans to deliver equipment, complete testing and installation on the ship, and activate the combat system for shipboard testing by January 2022. Further, it expects both the radar and software developed for the ship's combat system to be delivered before the power and integration testing is completed at the combat system development site, limiting opportunities to fix any issues prior to activation.
>
> The Navy plans to complete an integrated test and evaluation master plan for the ship, AN/SPY-6(V)1 radar, and the Aegis combat system by the time of combat system activation in January 2022. The plan, according to Navy officials, will not include the use of an unmanned self-defense test ship, although DOD's Director, Operational Test and Evaluation and the Navy previously disagreed on whether an unmanned ship was necessary to validate the end-to-end performance of Flight III ships—including the self-defense capability—during operational testing.
>
> The Navy continues construction on the lead Flight III ship, DDG 125, with plans for delivery in fiscal year 2023. Construction of the second ship is planned to start in April 2020. Officials report that the Navy has procured 11 ships using multiyear procurement authority and plans to award a contract for a 12th ship in fiscal year 2020. The current acquisition strategy includes 22 ships but, according to Navy officials, the total number of Flight III ships depends on the Navy's plans for its future large surface combatant ships.
>
> **Program Office Comments**
>
> We provided a draft of this assessment to the program office for review and comment. The program office provided technical comments, which we incorporated where appropriate. The program stated it has delivered 67 ships and is on track for delivery and initial capability of the first Flight III ship. According to the program, it rebaselined the radar test and delivery schedule to better align production and testing and is on track to complete radar testing prior to the start of shipboard testing. Further, the program said the development of the radar and software are on track to support integration.[23]

Regarding the AMDR specifically, the report stated the following:

> **Technology Maturity, Design Stability, and Production Readiness**
>
> In April 2019, the Navy approved AMDR to procure its 10th low-rate initial production radar in fiscal year 2020. According to the program, it has mature critical technologies, a stable design, and production processes in control. However, we continue to disagree that the technologies are fully mature. While the Navy continues to demonstrate some technologies through land-based testing at its Pacific Missile Range Facility (PMRF) and plans to integrate AMDR with the Aegis combat system at a separate land-based site for simulation and testing, AMDR's critical technologies cannot be assessed as fully mature until the Navy integrates AMDR and Aegis on the lead DDG 51 Flight III ship in 2022 during the Aegis Light Off (ALO) event. Following ALO, the Navy will operationally test

[23] Government Accountability Office, D*efense Acquisitions Annual Assessment[:] Drive to Deliver Capabilities Faster Increases Importance of Program Knowledge and Consistent Data for Oversight*, GAO-20-439, June 2020 p. 145.

AMDR and Aegis in a realistic, at-sea environment on the lead DDG 51 Flight III ship in 2023. While AMDR's design is currently stable, it remains at risk for disruption until the Navy completes this testing. In part, this risk is driven by the fact that the Navy is procuring more than two-thirds of its 22 total radars prior to completing operational testing. Any deficiencies the Navy discovers during at-sea testing could require revisions to existing design drawings or retrofitting to already built radars, which would likely increase costs or delay radar deliveries.

In order to support initial radar integration and testing with Aegis beginning in 2020, the Navy plans to install production radar components at the Aegis combat system land-based test site in New Jersey. Program officials said this is the first opportunity for AMDR and Aegis contractors to integrate the systems to test interfaces and software compatibility. The land-based tests will inform software development and integration of AMDR and Aegis in support of ALO on the lead DDG 51 Flight III ship in 2022.

AMDR is well into low-rate initial production but has yet to demonstrate statistical control of its critical manufacturing processes—an approach inconsistent with acquisition best practices. In December 2019, the program exercised contract options that brought the number of low-rate production units purchased to nine. However, the contractor continues to experience cost and schedule growth on production radars due to issues with its Digital Receiver Exciter (DREX)—a critical technology—and price variances on component materials, which could affect the program's procurement cost estimate if issues are not resolved. Officials said a DREX subcomponent does not meet its vibration specifications, despite a recent contractor redesign. The program is exploring multiple mitigation options. The contractor reported that these issues have delayed delivery of the first radar to at least August 2020, 4 months later than the contract's delivery date. Program officials said they could mitigate the issue by delivering the radar to the ship without the DREX unit and installing the unit later with minimal impact to the schedule. However, delays have already consumed schedule margin and may threaten the first DDG 51 Flight III installation in 2020 as well as AMDR/DDG 51 Flight III operational testing in 2023.

Software and Cybersecurity

AMDR has completed six of its nine software deliveries to support core radar capabilities, but additional development remains to add capabilities, integrate cybersecurity measures, and integrate AMDR with Aegis. Software is incrementally released every 4 months for testing before the final build is delivered to the end user every 10-12 months. Program officials said this aligns with Aegis software development, which is being developed concurrently. AMDR and Aegis software development will continue through 2021 while both systems integrate and test software.

The Navy has conducted some initial cybersecurity testing with AMDR but will not fully test cybersecurity capabilities with Aegis until at least 2023. However, the program reports some cost growth due to implementing cybersecurity controls. If cybersecurity issues arise during testing, additional software development may cause further cost growth or disrupt operational testing.

Other Program Issues

The program is developing an Advanced Distributed Radar (ADR) capability that leverages existing Navy technologies. The ADR capability increased the program's cost estimate, and the Navy projects it will require additional development funds through 2027. ADR is expected to improve AMDR capability through radar enhancements. ADR will be integrated on existing AMDR systems through software upgrades. The Navy plans to finalize ADR requirements and begin development in 2020. Full ADR capability will not be fielded until after the first AMDR-equipped DDG 51 Flight III is fielded in 2024.

Program Office Comments

> We provided a draft of this assessment to the program office for review and comment. The program office provided technical comments, which we incorporated where appropriate. It stated that AMDR design is stable but software deficiencies might be discovered during testing; AMDR's demonstrated performance exceeded its performance thresholds during land-based testing; and initial radar and Aegis integration began in 2016 and is on track to support ALO and operational testing. The program office also said the contract type for the low-rate initial production units minimizes the impact of component price variances and some radar components have been delivered to support DDG 51 Flight III construction schedules. According to the program office, initial cybersecurity updates are on track to complete in 2021.[24]

Legislative Activity for FY2021

Summary of Congressional Action on FY2021 Funding Request

Table 2 summarizes congressional action on the Navy's FY2021 procurement funding requests for the DDG-51 and DDG-1000 programs.

Table 2. Congressional Action on FY2021 Funding Request

Millions of dollars, rounded to nearest tenth

		Authorization			Appropriation		
	Request	HASC	SASC	Conf.	HAC	SAC	Conf.
DDG-51 procurement	3,040.3	3,040.3	3,010.3		2,931.2		
DDG-51 EOQ advance procurement (AP)	29.3	29.3	464.3		29.3		
DDG-51 cost to complete	9.6	9.6	9.6		9.6		
DDG-1000 procurement	78.2	78.2	78.2		78.2		

Source: Table prepared by CRS based on Navy's FY2021 budget submission, committee and conference reports, and explanatory statements on FY2021 National Defense Authorization Act and FY2021 DOD Appropriations Act.

Notes: HASC is House Armed Services Committee; **SASC** is Senate armed Services Committee; **HAC** is House Appropriations Committee; **SAC** is Senate Appropriations Committee; **Conf.** is conference agreement.

FY2021 National Defense Authorization Act (H.R. 6395/S. 4049)

House

The House Armed Services Committee, in its report (H.Rept. 116-442 of July 9, 2020) on H.R. 6395, recommended the funding levels shown in the HASC column of **Table 2**.

H.Rept. 116-442 states:

> *DDG–51 multiyear procurement*
>
> The committee continues to support the 355-ship fleet codified in the National Defense Authorization Act for Fiscal Year 2018 (P.L. 116-115–91) as an essential part of the National Defense Strategy and its emphasis on near-peer competitors such as Russia and China. DDG–51 destroyers are the backbone of the surface fleet, providing multi-mission

[24] Government Accountability Office, *Weapon Systems Annual Assessment[:] Limited Use of Knowledge-Based Practices Continues to Undercut DOD's Investments*, GAO-20-439, June 2020, p. 116.

> flexibility and increasing capability with the introduction of Flight III and the AN/SPY–6 radar. With plans for the future Large Surface Combatant toward the end of this decade, and the current multiyear procurement of DDG–51s running through fiscal year 2022, it is imperative that another 10-ship multiyear contract is awarded for fiscal year 2023 to ensure that Flight III capability will be available to the fleet. Such efforts will further strengthen the defense industrial base, maximize savings, and provide the shipyards a clear projection of work. Therefore, the committee encourages the Secretary of Defense and the Secretary of the Navy to make all necessary steps that will allow for another multiyear contract for DDG–51 Flight IIIs beginning in fiscal year 2023. (Page 17)

H.Rept. 116-442 also states:

> *National Surface Warship Engineering and Design Capability*
>
> The Committee notes the President's Fiscal Year 2021 Budget does not forecast funding for any new surface shipbuilding programs throughout the Future Years' Defense Plan (FYDP). The Committee is aware of testimony from senior naval officials suggesting that the DDG–51 Flight III design is effectively complete and that the ship will continue its procurement throughout the FYDP, with a potential additional multiyear procurement for DDG Flight III beginning in fiscal year 2023. The Committee also recognizes that when the detailed design for FFG(X) is completed in 2022, there will be no active national surface combatant engineering and design efforts underway that will allow for the preservation of this critical and strategic domestic defense capability.
>
> The design and development talent needed to create and sustain surface warship programs, like the DDG–51 and its successors, requires unique and increasingly scarce maritime systems and technological expertise. In the rapidly evolving threat environment, engineers and designers must also support the essential integration of complex next generation technologies such as autonomous and unmanned vehicles, hypersonic missiles, directed energy weapons, larger radars and other vital technologies.
>
> The Committee believes this engineering and design capability must be maintained in order to produce the Large Surface Combatant, Next Generation Amphibious warship, and potential unmanned surface vessels across the shipbuilding industrial base. Moreover, the Committee believes that the challenges confronting future surface ship combatants such as production and operations costs, energy management, and the flexibility to accommodate current and evolving technologies are addressable via a robust and properly sequenced engineering and design activity. The Committee notes similar actions have been successfully taken to ensure the health of the nuclear engineering and design industrial base with positive results that enabled the next generation of nuclear-powered aircraft carriers and submarines to be designed and produced efficiently.
>
> Therefore, not later than 180 days after enactment, the Committee directs the Secretary of the Navy to assess the current and future workloads of the surface ship engineering and design industrial base and provide recommendations for the sustainment of this critical national capability. Such recommendations should be informed by both the current program of record but should also include industry's perspective on how to best fortify and retain the capability and capacity resident in several locations nationwide. (Page 18)

H.Rept. 116-442 also states:

> *Variable Depth Sonar for DDG–51 destroyers*
>
> The committee recognizes and supports the Navy's efforts to leverage mature technologies and systems for the DDG–51 and small surface combatant programs. The committee continues to encourage the Secretary of the Navy to emphasize commonality across Navy platforms, commonality with existing platform equipment, and reduced acquisition and lifecycle and sustainment costs in developing a best value solution for the platform. However, the committee also believes it is critical that the Navy increase technical

> capabilities, particularly in the area of anti-submarine warfare (ASW). Given ongoing efforts by adversarial nations to increase the capability, lethality, and size of their respective submarine fleets, the committee recognizes the critical role the DDG–51 and small surface combatants will play in performing ASW missions around the globe. As such, it is imperative that the platform be deployed with the most capable ASW technology available.
>
> Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than February 1, 2021, on the feasibility of backfitting the AN/SQS–62 Variable Depth Sonar system on surface combatants. The briefing shall include:
>
> (a) an explanation of the current DDG–51 ASW performance capabilities, including any plans for ensuring the DDG–51s are part of a broader implementation of low-frequency active capabilities aboard tactical surface ships;
>
> (b) an analysis of commonality with program of record ASW systems, particularly those recently developed as part of the littoral combat ship ASW Mission Package, to include common hardware, spares, training, and logistics;
>
> (c) an acquisition plan, including schedule, for AN/SQS–62 backfit into DDG–51s;
>
> (d) the program schedule to fully incorporate AN/SQS–62 into the ASW mission packages associated with the littoral combat ship; and
>
> (e) an assessment of options to forward fit AN/SQS–62 into frigate. (Pages 20-21)

Senate (Committee Report)

The Senate Armed Services Committee, in its report (S.Rept. 116-236 of June 24, 2020) on S. 4049, recommended the funding levels shown in the SASC column of **Table 2**. The recommended reduction of $30.0 million in DDG-51 procurement funding is for "Available prior-year funds." The recommended increase of $435.0 million in DDG-51 advance procurement (AP) funding is for "LLTM [long leadtime material] for FY[20]22 DDG–51s" ($260.0 million) and "Surface ship supplier stability" ($175.0 million). (Page 458) Regarding the recommended changes from requested funding levels, S.Rept. 116-236 states:

> **Arleigh Burke-class destroyers**
>
> The budget request included $3.0 billion in line number 10 of Shipbuilding and Conversion, Navy (SCN), for procurement of Arleigh Burke-class destroyers.
>
> The committee notes the available prior year funds in this line number.
>
> Therefore, the committee recommends a decrease of $30.0 million in line number 10 of SCN.
>
> **Surface ship supplier stability**
>
> The budget request included $29.3 million in line number 11 of Shipbuilding and Conversion, Navy (SCN), for DDG–51 advance procurement.
>
> The committee believes that expanding the capabilities of the second- and third-tier contractors in the surface ship industrial base should lead to greater industrial base stability, cost savings, and improved efficiency as production increases to build greater quantities of surface combatants.
>
> The committee also notes that the Navy future years defense program includes procurement of two Arleigh Burke-class destroyers in fiscal year 2022, which would be procured using a multiyear procurement contract. The committee understands that advance procurement

of long lead time material could reduce component costs and enable improved ship construction intervals.

Therefore, the committee recommends an increase of $435.0 million in line number 11 for DDG–51 advance procurement.

The committee directs the Secretary of the Navy to notify the congressional defense committees, in writing, within 30 days of obligating funds provided for surface ship supplier stability. The notification shall include: obligation date, contractor name or names, location, description of the shortfall to be addressed, actions to be undertaken, desired end state, usable end items to be procured, period of performance, dollar amount, projected associated savings, including business case analysis, if applicable, contract name, and contract number. (Page 31)

Section 1025 of S. 4049 as reported by the committee states (emphasis added):

SEC. 1025. SENSE OF CONGRESS ON ACTIONS NECESSARY TO ACHIEVE A 355-SHIP NAVY.

It is the sense of Congress that to achieve the national policy of the United States to have available, as soon as practicable, not fewer than 355 battle force ships—

(1) the Navy must be adequately resourced to increase the size of the Navy in accordance with the national policy, which includes the associated ships, aircraft, personnel, sustainment, and munitions;

(2) **across fiscal years 2021 through 2025, the Navy should start construction on not fewer than**—

(A) **12 Arleigh Burke-class destroyers**;

(B) 10 Virginia-class submarines;

(C) 2 Columbia-class submarines;

(D) 3 San Antonio-class amphibious ships;

(E) 1 LHA-class amphibious ship;

(F) 6 John Lewis-class fleet oilers; and

(G) 5 guided missile frigates;

(3) new guided missile frigate construction should increase to a rate of between two and four ships per year once design maturity and construction readiness permit;

(4) the Columbia-class submarine program should be funded with additions to the Navy budget significantly above the historical average, given the critical single national mission that these vessels will perform and the high priority of the shipbuilding budget for implementing the National Defense Strategy;

(5) stable shipbuilding rates of construction should be maintained for each vessel class, utilizing multi-year or block buy contract authorities when appropriate, until a deliberate transition plan is identified; and

(6) prototyping of potential new shipboard sub systems should be accelerated to build knowledge systematically, and, to the maximum extent practicable, shipbuilding prototyping should occur at the subsystem-level in advance of ship design.

S.Rept. 116-236 also states:

DDG–51 destroyer multi-year procurement

The committee continues to support the national policy of achieving at least a 355-ship fleet, as codified in the National Defense Authorization Act for Fiscal Year 2018 (P.L. 116-

> 115–91), which is integral to the National Defense Strategy and its emphasis on near-peer competition with Russia and China.
>
> The committee views DDG–51 destroyers as the backbone of the surface fleet, providing multi-mission flexibility and increasing capability with introduction of Flight III and the AN/SPY–6 radar.
>
> With plans for construction of a new class of Large Surface Combatants (LSCs) toward the end of this decade and the current multi-year procurement of DDG–51s ending in fiscal year 2022, the committee believes that it is imperative that the Navy award another DDG–51 multi-year contract beginning in fiscal year 2023.
>
> This contract is critical to ensuring that Flight III capability continues to be delivered to the fleet and the industrial base is maintained to support the LSC acquisition strategy.
>
> Accordingly, the committee urges the Secretary of Defense and the Secretary of the Navy to make all necessary plans to award another multi-year contract for DDG–51 Flight III destroyers in fiscal year 2023, including long lead material purchases in fiscal year 2022. (Page 49)

S.Rept 116-236 also states the following regarding the Future Surface Combatant (FSC), also known as the Large Surface Combatant (LSC), which is a next-generation cruiser- or destroyer-like ship that the Navy wants to begin procuring around FY2028 as the successor to the DDG-51 Flight III design (emphasis added):

> **Ship concept advanced design**
>
> The budget request included $21.5 billion in Research, Development, Test, and Evaluation (RDT&E), Navy, of which $126.4 million was for PE 63563N ship concept advanced design.
>
> The committee lacks sufficient clarity on the capability requirements to support the following ship design efforts: **Future Surface Combatant (project 2196, $19.1 million)**, next generation medium amphibious ship (project 4044, $30.0 million), and next generation medium logistics ship (project 4045, $30.0 million).
>
> The committee supports the Conditions Based Maintenance + (CBM+) initiative, which improves the cost, schedule, and performance outcomes in ship maintenance availabilities using analytic tools. The committee understands that additional funds ($16.0 million) could accelerate the implementation of the CBM+ initiative. Accordingly, the committee recommends a decrease of $63.1 million, for a total of $63.3 million, in RDT&E, Navy, for PE 63563N.
>
> **Large Surface Combatant preliminary design**
>
> The budget request included $21.5 billion in Research, Development, Test, and Evaluation (RDT&E), Navy, of which $70.2 million was for PE 63564N ship preliminary design and feasibility studies.
>
> The committee lacks sufficient clarity on the Large Surface Combatant (LSC) capability requirements and the program's compliance with section 131 of the National Defense Authorization Act for Fiscal Year 2020 (Public Law 116–92) to support the start of preliminary design for the LSC program or completion of the Capabilities Development Document (project 0411).
>
> Accordingly, the committee recommends a decrease of $41.3 million, for a total of $29.0 million, in RDT&E, Navy, for PE 63564N. Additionally, the committee directs the Secretary of the Navy to submit a report with Navy's fiscal year 2022 budget request that details the plan to comply with the requirements of section 131 of the National Defense Authorization Act for Fiscal Year 2020. (Pages 98-99)

Senate (Floor Consideration)

On June 29, 2020, the chairman of the Senate Armed Services Committee, Senator Inhofe, proposed Senate Amendment 2301, an amendment in the nature of a substitute. This amendment would, among other things, amend S. 4049 to add **Section 5121**, which states:

> SEC. 5121. LIMITATION ON ALTERATION OF NAVY FLEET MIX.
>
> (a) Sense of Congress.--It is the sense of Congress that--
>
> (1) the United States shipbuilding and supporting vendor base constitute a national security imperative that is unique and must be protected;
>
> (2) a healthy and efficient industrial base continues to be a fundamental driver for achieving and sustaining a successful shipbuilding procurement strategy;
>
> (3) without consistent and continuous commitment to steady and predictable acquisition profiles, the industrial base will struggle and some elements may not survive; and
>
> (4) proposed reductions in the future-years defense program to the DDG-51 Destroyer procurement profile without a clear transition to procurement of the next Large Surface Combatant would adversely affect the shipbuilding industrial base and long-term strategic objectives of the Navy.
>
> (b) Limitation.--
>
> (1) In general.--The Secretary of the Navy may not deviate from the 2016 Navy Force Structure Assessment to implement the results of a new force structure assessment or new annual long-range plan for construction of naval vessels that would reduce the requirement for Large Surface Combatants to fewer than 104 such vessels until the date on which the Secretary of the Navy submits to the congressional defense committees the certification under paragraph (2) and the report under subsection (c).
>
> (2) Certification.--The certification referred to in paragraph (1) is a certification, in writing, that each of the following conditions have been satisfied:
>
> (A) The large surface combatant shipbuilding industrial base and supporting vendor base would not significantly deteriorate due to a reduced procurement profile.
>
> (B) The Navy can mitigate the reduction in anti-air and ballistic missile defense capabilities due to having a reduced number of DDG-51 Destroyers with the advanced AN/SPY-6 radar in the next three decades.
>
> (c) Report.--Not later than 90 days after the date of the enactment of this Act, the Secretary of the Navy shall submit to the congressional defense committees a report that includes--
>
> (1) a description of likely detrimental impacts to the large surface combatant industrial base and the Navy's plan to mitigate any such impacts if the fiscal year 2021 future-years defense program were implemented as proposed;
>
> (2) a review of the benefits to the Navy fleet of the new AN/SPY-6 radar to be deployed aboard Flight III variant DDG-51 Destroyers, which are currently under construction, as well as an analysis of impacts to the fleet's warfighting capabilities, should the number of such destroyers be reduced; and
>
> (3) a plan to fully implement section 131 of the National Defense Authorization for Fiscal Year 2020 (P.L. 116-92), including subsystem prototyping efforts and funding by fiscal year.

FY2021 DOD Appropriations Act (H.R. 7617)

House

The House Appropriations Committee, in its report (H.Rept. 116-453 of July 16, 2020) on H.R. 7617, recommended the funding levels shown in the HAC column of **Table 2**. The recommended reduction of $109.025 million for DDG-51 procurement is for "Excess funds." (Page 184)

H.Rept. 116-453 states:

> DDG–51 MULTI YEAR PROCUREMENT
>
> The Committee continues to support the Navy's stated goal of a 355-ship fleet, which is an essential part of the National Defense Strategy and its emphasis on near-peer competitors. The Committee recognizes that DDG–51 Destroyers are the backbone of the surface fleet, providing multi-mission flexibility and increasing capability with the introduction of the Flight III variant. The Committee understands the Navy has plans to develop and procure a future Large Surface Combatant in the near future, and notes that the current multi-year procurement of DDG–51s will end in fiscal year 2022. The Committee believes that a follow-on DDG–51 multiyear procurement contract awarded for fiscal year 2023 will ensure that Flight III capability will be available to the fleet and the domestic industrial base will be sustained until the award of the Large Surface Combatant contract. The Committee encourages the Secretary of the Navy to review the potential benefits of awarding a multi-year contract for DDG–51 Flight IIIs in fiscal year 2023. (Page 185)

Appendix. Additional Background Information on DDG-1000 Program

This appendix presents additional background information on the DDG-1000 program.

Overview

The DDG-1000 program was initiated in the early 1990s.[25] The DDG-1000 (**Figure A-1**) is a multi-mission destroyer with an originally intended emphasis on naval surface fire support (NSFS) and operations in littoral (i.e., near-shore) waters. (NSFS is the use of naval guns to provide fire support for friendly forces operating ashore.)

Figure A-1. DDG-1000 Class Destroyer

Source: U.S. Navy photo 151207-N-ZZ999-435, posted December 8, 2015, with a caption that reads in part: "The future USS Zumwalt (DDG 1000) is underway for the first time conducting at-sea tests and trials in the Atlantic Ocean Dec. 7, 2015."

The DDG-1000 was originally intended to replace, in a technologically more modern form, the large-caliber naval gun fire capability that the Navy lost when it retired its Iowa-class battleships in the early 1990s,[26] to improve the Navy's general capabilities for operating in defended littoral

[25] The program was originally designated DD-21, which meant destroyer for the 21st century. In November 2001, the program was restructured and renamed DD(X), meaning a destroyer whose design was in development. In April 2006, the program's name was changed again, to DDG-1000, meaning a guided missile destroyer with the hull number 1000.

[26] The Navy in the 1980s reactivated and modernized four Iowa (BB-61) class battleships that were originally built during World War II. The ships reentered service between 1982 and 1988 and were removed from service between 1990 and 1992.

waters, and to introduce several new technologies that would be available for use on future Navy ships. The DDG-1000 was also intended to serve as the basis for a planned cruiser called CG(X) that was subsequently canceled.[27]

The DDG-1000 is to have a reduced-size crew of 175 sailors (147 to operate the ship, plus a 28-person aviation detachment), compared to roughly 300 on the Navy's Aegis destroyers and cruisers, so as to reduce its operating and support (O&S) costs. The ship incorporates a significant number of new technologies, including an integrated electric-drive propulsion system[28] and automation technologies enabling its reduced-sized crew.

With an estimated full load displacement of 15,612 tons, the DDG-1000 design is roughly 64% larger than the Navy's current 9,500-ton Aegis cruisers and destroyers, and larger than any Navy destroyer or cruiser since the nuclear-powered cruiser *Long Beach* (CGN-9), which was procured in FY1957.

The first two DDG-1000s were procured in FY2007 and split-funded (i.e., funded with two-year incremental funding) in FY2007-FY2008; the Navy's FY2019 budget submission estimates their combined procurement cost at $9,242.3 million. The third DDG-1000 was procured in FY2009 and split-funded in FY2009-FY2010; the Navy's FY2019 budget submission estimates its procurement cost at $3,789.9 million.

The first DDG-1000 was commissioned into service on October 15, 2016, although its delivery date was revised in the Navy's FY2018 budget submission to May 2018, and revised further in the Navy's FY2019 budget submission to December 2018, creating an unusual situation in which a ship was commissioned into service more than two years prior to its delivery date. The delivery dates for the second and third ships were revised in the Navy's FY2018 budget submission to May 2020 and December 2021, respectively, and were revised further in the Navy's FY2019 budget submission to September 2020 and September 2022, respectively.[29]

Program Origin

The program known today as the DDG-1000 program was announced on November 1, 2001, when the Navy stated that it was replacing a destroyer-development effort called the DD-21 program, which the Navy had initiated in the mid-1990s, with a new Future Surface Combatant Program aimed at developing and acquiring a family of three new classes of surface combatants:[30]

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[27] For more on the CG(X) program, see CRS Report RL34179, *Navy CG(X) Cruiser Program: Background for Congress*, by Ronald O'Rourke.

[28] For more on integrated electric-drive technology, see CRS Report RL30622, *Electric-Drive Propulsion for U.S. Navy Ships: Background and Issues for Congress*, by Ronald O'Rourke.

[29] The revised delivery dates for the three ships reflect Section 121 of the FY2017 National Defense Authorization Act (S. 2943/P.L. 114-328 of December 23, 2016), a provision that establishes standards for determining vessel delivery dates and which also required the Secretary of the Navy to certify that the delivery dates for certain ships, including the three DDG-1000s, had been adjusted in accordance with the provision. The Navy's original plan for the DDG-1000 program was to install certain elements of each DDG-1000's combat system after delivering the ship and commissioning it into service. Section 121 of P.L. 114-328 in effect requires the Navy to defer the delivery date of a DDG-1000 until those elements of the combat system are installed. By the time P.L. 114-328 was enacted, DDG-1000, per the Navy's original plan, had already been commissioned into service without those elements of its combat system.

[30] The DD-21 program was part of a Navy surface combatant acquisition effort begun in the mid-1990s and called the SC-21 (Surface Combatant for the 21st Century) program. The SC-21 program envisaged a new destroyer called DD-21 and a new cruiser called CG-21. When the Navy announced the Future Surface Combatant Program in 2001, development work on the DD-21 had been underway for several years, while the start of development work on the CG-

- **a destroyer called DD(X)** for the precision long-range strike and naval gunfire mission;
- **a cruiser called CG(X)** for the air defense and ballistic missile mission; and
- **a smaller combatant called the Littoral Combat Ship (LCS)** to counter submarines, small surface attack craft (also called "swarm boats"), and mines in heavily contested littoral (near-shore) areas.[31]

On April 7, 2006, the Navy announced that it had redesignated the DD(X) program as the DDG-1000 program. The Navy also confirmed in that announcement that the first ship in the class, DDG-1000, is to be named the *Zumwalt*, in honor of Admiral Elmo R. Zumwalt, the Chief of Naval operations from 1970 to 1974. The decision to name the first ship after Zumwalt was made by the Clinton Administration in July 2000, when the program was still called the DD-21 program.[32]

New Technologies

The DDG-1000 incorporates a significant number of new technologies, including a wave-piercing, tumblehome hull design for reduced detectability,[33] a superstructure made partly of large sections of composite (i.e., fiberglass-like) materials rather than steel or aluminum, an integrated electric-drive propulsion system,[34] a total-ship computing system for moving information about the ship, automation technologies enabling its reduced-sized crew, a dual-band radar, a new kind of vertical launch system (VLS) for storing and firing missiles, and two copies of a new 155mm gun called the Advanced Gun System (AGS).

Shipbuilders and Combat System Prime Contractor

GD/BIW is the builder for all three DDG-1000s, with some portions of each ship being built by HII/Ingalls for delivery to GD/BIW. Raytheon is the prime contractor for the DDG-1000's combat system (its collection of sensors, computers, related software, displays, and weapon launchers).

Under a DDG-1000 acquisition strategy approved by the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD AT&L) on February 24, 2004, the first DDG-1000 was to have been built by HII/Ingalls, the second ship was to have been built by GD/BIW, and contracts for building the first six were to have been equally divided between HII/Ingalls[35] and GD/BIW.

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21 was still years in the future. The current DDG-1000 destroyer CG(X) cruiser programs can be viewed as the descendants, respectively, of the DD-21 and CG-21. The acronym SC-21 is still used in the Navy's research and development account to designate the line item (i.e., program element) that funds development work on both the DDG-1000 and CG(X).

[31] For more on the LCS program, see CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[32] For more on Navy ship names, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O'Rourke.

[33] A tumblehome hull slopes inward, toward the ship's centerline, as it rises up from the waterline, in contrast to a conventional flared hull, which slopes outward as it rises up from the waterline.

[34] For more on integrated electric-drive technology, see CRS Report RL30622, *Electric-Drive Propulsion for U.S. Navy Ships: Background and Issues for Congress*, by Ronald O'Rourke.

[35] At the time of the events described in this section, HII was owned by Northrop Grumman and was called Northrop Grumman Shipbuilding (NGSB).

In February 2005, Navy officials announced that they would seek approval from USD AT&L to instead hold a one-time, winner-take-all competition between HII/Ingalls and GD/BIW to build all DDG-1000s. On April 20, 2005, the USD AT&L issued a decision memorandum deferring this proposal, stating in part, "at this time, I consider it premature to change the shipbuilder portion of the acquisition strategy which I approved on February 24, 2004."

Several Members of Congress also expressed opposition to the Navy's proposal for a winner-take-all competition. Congress included a provision (§1019) in the Emergency Supplemental Appropriations Act for 2005 (H.R. 1268/P.L. 109-13 of May 11, 2005) prohibiting a winner-take-all competition. The provision effectively required the participation of at least one additional shipyard in the program but did not specify the share of the program that is to go to the additional shipyard.

On May 25, 2005, the Navy announced that, in light of Section 1019 of P.L. 109-13, it wanted to shift to a "dual-lead-ship" acquisition strategy, under which two DDG-1000s would be procured in FY2007, with one to be designed and built by HII/Ingalls and the other by GD/BIW.

Section 125 of the FY2006 defense authorization act (H.R. 1815/P.L. 109-163) again prohibited the Navy from using a winner-take-all acquisition strategy for procuring its next-generation destroyer. The provision again effectively requires the participation of at least one additional shipyard in the program but does not specify the share of the program that is to go to the additional shipyard.

On November 23, 2005, the USD AT&L granted Milestone B approval for the DDG-1000, permitting the program to enter the System Development and Demonstration (SDD) phase. As part of this decision, the USD AT&L approved the Navy's proposed dual-lead-ship acquisition strategy and a low rate initial production quantity of eight ships (one more than the Navy subsequently planned to procure).

On February 14, 2008, the Navy awarded contract modifications to GD/BIW and HII/Ingalls for the construction of the two lead ships. The awards were modifications to existing contracts that the Navy has with GD/BIW and HII/Ingalls for detailed design and construction of the two lead ships. Under the modified contracts, the line item for the construction of the dual lead ships is treated as a cost plus incentive fee (CPIF) item.

Until July 2007, it was expected that HII/Ingalls would be the final-assembly yard for the first DDG-1000 and that GD/BIW would be the final-assembly yard for the second. On September 25, 2007, the Navy announced that it had decided to build the first DDG-1000 at GD/BIW, and the second at HII/Ingalls.

On January 12, 2009, it was reported that the Navy, HII/Ingalls, and GD/BIW in the fall of 2008 began holding discussions on the idea of having GD/BIW build both the first and second DDG-1000s, in exchange for HII/Ingalls receiving a greater share of the new DDG-51s that would be procured under the Navy's July 2008 proposal to stop DDG-1000 procurement and restart DDG-51 procurement.[36]

On April 8, 2009, it was reported that the Navy had reached an agreement with HII/Ingalls and GD/BIW to shift the second DDG-1000 to GD/BIW, and to have GD/BIW build all three ships. HII/Iingalls will continue to make certain parts of the three ships, notably their composite deckhouses. The agreement to have all three DDG-1000s built at GD/BIW was a condition that Secretary of Defense Robert Gates set forth in an April 6, 2009, news conference on the FY2010

[36] Christopher P. Cavas, "Will Bath Build Second DDG 1000?" *Defense News*, January 12, 2009: 1, 6.

defense budget for his support for continuing with the construction of all three DDG-1000s (rather than proposing the cancellation of the second and third).

Reduction in Procurement to Three Ships

Navy plans for many years called for ending DDG-51 procurement in FY2005, to be followed by procurement of up to 32 DDG-1000s and some number of CG(X)s. In subsequent years, the planned total number of DDG-1000s was reduced to 16 to 24, then to 7, and finally to 3.

At the end of July 2008, in a major reversal of its destroyer procurement plans, the Navy announced that it wanted to end procurement of DDG-1000s and resume procurement of DDG-51s. In explaining this reversal, which came after two DDG-1000s had been procured, the Navy stated that it had reevaluated the future operating environment and determined that its destroyer procurement now needed to emphasize three missions: open-ocean antisubmarine warfare (ASW), countering anti-ship cruise missiles (ASCMs), and countering ballistic missiles. Although the DDG-1000 could perform the first two of these missions and could be modified to perform the third, the Navy concluded that the DDG-51 design could perform these three missions adequately and would be less expensive to procure than the DDG-1000 design.

The Navy's proposal to stop procuring DDG-1000s and resume procuring DDG-51s was presented in the Navy's proposed FY2010 budget, which was submitted to Congress in 2009. Congress, in acting on the Navy's FY2010 budget, approved the idea of ending DDG-1000 procurement and restarting DDG-51 procurement, and procured a third DDG-1000 as the final ship in the class.

In retrospect, the Navy's 2008 reversal in its destroyer procurement plans can be viewed as an early indication of the ending of the post-Cold War era (during which the Navy focused its planning on operating in littoral waters against the land- and sea-based forces of countries such as Iran and North Korea) and the shift in the international security environment to a new situation featuring renewed great power competition (during which the Navy is now focusing its planning more on being able to operate in mid-ocean waters against capable naval forces from near-peer competitors such as China and Russia).[37]

Increase in Estimated Procurement Cost

As shown in **Table A-1** below, the estimated combined procurement cost for all three DDG-1000s, as reflected in the Navy's annual budget submission, has grown by $4,298.5 million, or 47.9%, since the FY2009 budget (i.e., the budget for the fiscal year in which the third DDG-1000 was procured).

[37] For additional discussion, see CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke, and CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

Table A-1. Estimated Combined Procurement Cost of DDG-1000, DDG-1001, and DDG-2002

In millions, rounded to nearest tenth, as shown in annual Navy budget submissions

Budget submission	Estimated combined procurement cost (millions of dollars)	Change from prior year's budget submission	Cumulative change from FY2009 budget submission
FY09	8,977.1	—	—
FY10	9,372.5	+395.4 (+4.4%)	+395.4 (+4.4%)
FY11	9,993.3	+620.8 (+6.6%)	+1,016.2 (+11.3%)
FY12	11,308.8	+1,315.5 (+13.2%)	+2,331.7 (+26.0%)
FY13	11,470.1	+161.3 (+1.4%)	+2,493.0 (+27.8%)
FY14	11,618.4	+148.3 (+1.3%)	+2,641.3 (+29.4%)
FY15	12,069.4	+451.0 (+3.9%)	+3,092.3 (+34.4%)
FY16	12,288.7	+219.3 (+1.8%)	+3,311.6 (+36.9%)
FY17	12,738.2	+449.5 (+3.7%)	+3,761.1 (+41.9%)
FY18	12,882.0	+143.8 (+1.1%)	+3,904.0 (+43.5%)
FY19	13,032.2	+150.2 (+1.2%)	+4,055.1 (+45.1%)
FY20	13,195.5	+163.3 (+1.3%)	+4,218.4 (+47.0%)
FY21	13,275.6	+80.1 (+ 0.6%)	+4,298.5 (+47.9%)

Source: Table prepared by CRS based on data in annual Navy budget submissions.

Some of the cost growth in the earlier years in the table was caused by the truncation of the DDG-1000 program from seven ships to three, which caused some class-wide procurement-rated costs that had been allocated to the fourth through seventh ships in the program to be reallocated to the three remaining ships.

The Navy states that the cost growth shown through FY2015 in the table reflects, among other things, a series of incremental, year-by-year movements away from an earlier Navy cost estimate for the program, and toward a higher estimate developed by the Cost Assessment and Program Evaluation (CAPE) office within the Office of the Secretary of Defense (OSD). As one consequence of a Nunn-McCurdy cost breach experienced by the DDG-1000 program in 2010 (see discussion below), the Navy was directed to fund the DDG-1000 program to CAPE's higher cost estimate for the period FY2011-FY2015, and to the Navy's cost estimate for FY2016 and beyond. The Navy states that it implemented this directive in a year-by-year fashion with each budget submission from FY2010 through FY2015, moving incrementally closer each year through FY2015 to CAPE's higher estimate. The Navy stated in 2014 that even with the cost growth shown in the table, the DDG-1000 program as of the FY2015 budget submission was still about 3% *below* the program's rebaselined starting point for calculating any new Nunn-McCurdy cost breach on the program.[38]

[38] Source: Navy briefing for CRS and the Congressional Budget Office (CBO) on the DDG-1000 program, April 30, 2014.

Procurement Cost Cap

Section 123 of the FY2006 defense authorization act (H.R. 1815/P.L. 109-163 of January 6, 2006) limited the procurement cost of the fifth DDG-1000 to $2.3 billion, plus adjustments for inflation and other factors. Given the truncation of the DDG-1000 program to three ships, this unit procurement cost cap appears moot.

2010 Nunn-McCurdy Breach, Program Restructuring, and Milestone Recertification

On February 1, 2010, the Navy notified Congress that the DDG-1000 program had experienced a critical cost breach under the Nunn-McCurdy provision. The Nunn-McCurdy provision (10 U.S.C. 2433a) requires certain actions to be taken if a major defense acquisition program exceeds (i.e., breaches) certain cost-growth thresholds and is not terminated. Among other things, a program that experiences a cost breach large enough to qualify under the provision as a critical cost breach has its previous acquisition system milestone certification revoked. (In the case of the DDG-1000 program, this was Milestone B.) In addition, for the program to proceed rather than be terminated, DOD must certify certain things, including that the program is essential to national security and that there are no alternatives to the program that will provide acceptable capability to meet the joint military requirement at less cost.[39]

The Navy stated in its February 1, 2010, notification letter that the DDG-1000 program's critical cost breach was a mathematical consequence of the program's truncation to three ships.[40] Since the DDG-1000 program has roughly $9.3 billion in research and development costs, truncating the program to three ships increased to roughly $3.1 billion the average amount of research and development costs that are included in the average acquisition cost (i.e., average research and development cost plus procurement cost) of each DDG-1000. The resulting increase in program acquisition unit cost (PAUC)—one of two measures used under the Nunn-McCurdy provision for measuring cost growth[41]—was enough to cause a Nunn-McCurdy critical cost breach.

In a June 1, 2010, letter (with attachment) to Congress, Ashton Carter, the DOD acquisition executive (i.e., the Under Secretary of Defense for Acquisition, Technology and Logistics), stated that he had restructured the DDG-1000 program and that he was issuing the certifications required under the Nunn-McCurdy provision for the restructured DDG-1000 program to proceed.[42] The letter stated that the restructuring of the DDG-1000 program included the following:

- A change to the DDG-1000's design affecting its primary radar.
- A change in the program's Initial Operational Capability (IOC) from FY2015 to FY2016.

[39] For more on the Nunn-McCurdy provision, see CRS Report R41293, *The Nunn-McCurdy Act: Background, Analysis, and Issues for Congress*, by Moshe Schwartz and Charles V. O'Connor.

[40] Source: Letter to congressional offices dated February 1, 2010, from Robert O. Work, Acting Secretary of the Navy, to Representative Ike Skelton, provided to CRS by Navy Office of Legislative Affairs on February 24, 2010.

[41] PAUC is the sum of the program's research and development cost and procurement cost divided by the number of units in the program. The other measure used under the Nunn-McCurdy provision to measure cost growth is average program unit cost (APUC), which is the program's total procurement cost divided by the number of units in the program.

[42] Letter dated June 1, 2010, from Ashton Carter, Under Secretary of Defense (Acquisition, Technology and Logistics) to the Honorable Ike Skelton, with attachment. The letter and attachment were posted on InsideDefense.com (subscription required) on June 2, 2010.

- A revision to the program's testing and evaluation requirements.

Regarding the change to the ship's design affecting its primary radar, the DDG-1000 originally was to have been equipped with a dual-band radar (DBR) consisting of the Raytheon-built X-band SPY-3 multifunction radar (MFR) and the Lockheed-built S-band SPY-4 Volume Search Radar (VSR). (Raytheon is the prime contractor for the overall DBR.) Both parts of the DBR have been in development for the past several years. An attachment to the June 1, 2010, letter stated that, as a result of the program's restructuring, the ship is now to be equipped with "an upgraded multifunction radar [MFR] and no volume search radar [VSR]." The change eliminates the Lockheed-built S-band SPY-4 VSR from the ship's design. The ship might retain a space and weight reservation that would permit the VSR to be backfitted to the ship at a later point. The Navy states that

> As part of the Nunn-McCurdy certification process, the Volume Search Radar (VSR) hardware was identified as an acceptable opportunity to reduce cost in the program and thus was removed from the current baseline design....
>
> Modifications will be made to the SPY-3 Multi-Function Radar (MFR) with the focus of meeting ship Key Performance Parameters. The MFR modifications will involve software changes to perform a volume search functionality. Shipboard operators will be able to optimize the SPY-3 MFR for either horizon search or volume search. While optimized for volume search, the horizon search capability is limited. Without the VSR, DDG 1000 is still expected to perform local area air defense....
>
> The removal of the VSR will result in an estimated $300 million net total cost savings for the three-ship class. These savings will be used to offset the program cost increase as a result of the truncation of the program to three ships. The estimated cost of the MFR software modification to provide the volume search capability will be significantly less than the estimated procurement costs for the VSR.[43]

Regarding the figure of $300 million net total cost savings in the above passage, the Navy during 2011 determined that eliminating the SPY-4 VSR from the DDG-1000 increased by $54 million the cost to integrate the dual-band radar into the Navy's new Gerald R. Ford (CVN-78) class aircraft carriers.[44] Subtracting this $54 million cost from the above $300 million savings figure would bring the net total cost savings to about $246 million on a Navy-wide basis.

A July 26, 2010, press report quotes Captain James Syring, the DDG-1000 program manager, as stating the following: "We don't need the S-band radar to meet our requirements [for the DDG-1000]," and "You can meet [the DDG-1000's operational] requirements with [the] X-band [radar] with software modifications."[45]

An attachment to the June 1, 2010, letter stated that the PAUC for the DDG-1000 program had increased 86%, triggering the Nunn-McCurdy critical cost breach, and that the truncation of the program to three ships was responsible for 79 of the 86 percentage points of increase. (The attachment stated that the other seven percentage points of increase are from increases in development costs that are primarily due to increased research and development work content for the program.)

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[43] Source: Undated Navy information paper on DDG-51 program restructuring provided to CRS and CBO by Navy Office of Legislative Affairs on July 19, 2010.

[44] Source: Undated Navy information paper on CVN-78 cost issues, provided by Navy Office of Legislative Affairs to CRS on March 19, 2012.

[45] Cid Standifer, "Volume Radar Contracted For DDG-1000 Could Be Shifted To CVN-79," *Inside the Navy*, July 26, 2010.

Carter also stated in his June 1, 2010, letter that he had directed that the DDG-1000 program be funded, for the period FY2011-FY2015, to the cost estimate for the program provided by the Cost Assessment and Program Evaluation (CAPE) office (which is a part of the Office of the Secretary of Defense [OSD]), and, for FY2016 and beyond, to the Navy's cost estimate for the program. The program was previously funded to the Navy's cost estimate for all years. Since CAPE's cost estimate for the program is higher than the Navy's cost estimate, funding the program to the CAPE estimate for the period FY2011-FY2015 will increase the cost of the program as it appears in the budget for those years. The letter states that DOD "intends to address the [resulting] FY2011 [funding] shortfall [for the DDG-1000 program] through reprogramming actions."

An attachment to the letter stated that the CAPE in May 2010 estimated the PAUC of the DDG-1000 program (i.e., the sum of the program's research and development costs and procurement costs, divided by the three ships in the program) as $7.4 billion per ship in then-year dollars ($22.1 billion in then-year dollars for all three ships), and the program's average procurement unit cost (APUC), which is the program's total procurement cost divided by the three ships in the program, as $4.3 billion per ship in then-year dollars ($12.8 billion in then-year dollars for all three ships). The attachment stated that these estimates are at a confidence level of about 50%, meaning that the CAPE believes there is a roughly 50% chance that the program can be completed at or under these cost estimates, and a roughly 50% chance that the program will exceed these cost estimates.

An attachment to the letter directed the Navy to "return for a Defense Acquisition Board (DAB) review in the fall 2010 timeframe when the program is ready to seek approval of the new Milestone B and authorization for production of the DDG-1002 [i.e., the third ship in the program]."

On October 8, 2010, DOD reinstated the DDG-1000 program's Milestone B certification and authorized the Navy to continue production of the first and second DDG-1000s and commence production of the third DDG-1000.[46]

Technical Risk and Test and Evaluation Issues

June 2020 GAO Report

A June 2020 GAO report assessing selected major DOD weapon acquisition programs stated the following of the DDG-1000 program:

> **Technology Maturity, Design Stability, and Production Readiness**
>
> The DDG 1000 program has fully matured most, but not all, of its nine original current critical technologies and reports a stable design. According to the Navy, the vertical launch system, infrared signature, and total ship computing environment are each continuing to approach maturity. The Navy expects to fully mature these systems as it completes ship construction, certification, and testing over the next 2 years. In addition to these nine technologies, the Navy has now added three critical technologies to meet its new mission: a communication system, an intelligence system, and the seeker on an offensive strike missile. These technologies are planned to be mature when they are integrated onto the ship, but this integration will not occur until several years after the ship undergoes testing. The Navy plans to complete operational testing of the lead ship in September 2021.

[46] Christopher J. Castelli, "Pentagon Approves Key Milestone For Multibillion-Dollar Destroyer," *Inside the Navy*, November 22, 2010.

As of January 2020, the DDG 1000 program continues to finish construction on all three ships while still maturing the remaining critical technologies and further defining the ship's new mission. The Navy planned to complete delivery of the DDG 1000 with its combat systems in April 2020—a delay of 6 months from last year's review. In total, the lead ship is now 2 years late compared to the Navy's original plans to complete this milestone.

The Navy plans to complete delivery of the DDG 1001 with its combat systems in September 2020. Navy program officials stated that by leveraging lessons learned from DDG 1000 combat system activation, they can complete DDG 1001 combat systems delivery in less than 3 years. Lastly, the Navy plans to deliver DDG 1002 with its combat systems in September 2022—a 9-month delay from last year's estimate.

Software and Cybersecurity

As we reported last year, the Navy plans to complete software development for the class in September 2020—a delay of 24 months since our 2018 assessment largely due to optimistic schedules for development. As a result, the Navy has had to delay some testing that the ship must complete before it is ready to deploy. In addition, although the lead ship was delivered in 2016, the program is still continuing to deliver software builds that achieve some of the promised automation. Since the software is not as capable and does not enable as much automation as originally planned, among other things, the Navy has permanently added 31 sailors to the crew compared to initial estimates, increasing life-cycle costs.

The program plans to complete a cybersecurity vulnerability evaluation in fiscal year 2021 connected with section 1647 of the National Defense Authorization Act for Fiscal Year 2016. The program expects that this evaluation, along with the remainder of a 2-year regimen of certifications and several different tests in September 2020, will demonstrate the full functionality of the ship's systems, including cybersecurity capability. According to program officials, no cybersecurity issues have been identified to date.

Other Program Issues

In January 2018, the Navy changed the ship class's primary mission from land attack to offensive surface strike and updated its requirements document to reflect this new mission in July 2018. To begin to enable the new surface strike mission over the next 5 or more years, the Navy is requesting $160 million for four new systems for the ships: two missile systems, a communications system, and an intelligence system. One missile system is planned to be installed on all three ships by September 2021 at a cost of $66 million. The second missile system is not planned to be installed on any of the ships for at least 5 years and needs significant development at a cost of $45 million—additional funds will be needed to purchase and install the system. The communications system will be installed on all three ships by fiscal 2023 and costs $22 million. Lastly, the intelligence system is not planned to be installed on any of the ships for at least 5 years and needs significant development at a cost of $40 million—additional funds will be needed to purchase and install the system.

The cost to develop and install these four systems is in addition to the program's procurement cost as it is accounted for in other procurement and research and development funding. According to Navy officials, the Navy may continue to add capability to support the new mission.

Program Office Comments

We provided a draft of this assessment for program office review and comment. The program office provided technical comments, which we incorporated where appropriate. The office stated that it is making good progress in delivering DDG 1000 class ships to the fleet. After our date for assessing new information from programs, the office stated that in March 2020 the DDG 1000 had achieved sufficient combat system installation and activation for the Navy to take delivery and transition to the next phase of developmental

and integrated at-sea testing. Further, the office said that in 2019, the DDG 1000 spent more than 100 days at sea to maintain crew proficiency, support fleet operations, conduct testing and provide an early opportunity for the ship to engage in operational scenarios. It also said the DDG 1001 completed its combat availability in March 2020 with a successful sea trial and is transitioning to combat systems activation. The office also said the final ship of the class, DDG 1002, is under construction and 93 percent complete, and that integration of the new systems will add offensive capability against targets afloat and ashore across the DDG 1000 class.[47]

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[47] Government Accountability Office, D*efense Acquisitions Annual Assessment[:] Drive to Deliver Capabilities Faster Increases Importance of Program Knowledge and Consistent Data for Oversight*, GAO-20-439, June 2020, p. 122.