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

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## Summary

The Arleigh Burke (DDG-51) class destroyer program is one of the longest-running shipbuilding programs in Navy history. The Navy began procuring DDG-51s, also known as Aegis destroyers, in FY1985, and a total of 92 have been procured through FY2023, including three in FY2023. From FY1989 through FY2005, DDG-51s were procured in annual quantities of two to five ships per year. Since FY2010, they have been procured in annual quantities of one to three ships per year. (The Navy did not procure any DDG-51s in FY2006-FY2009. Instead, the Navy in FY2007-FY2009 procured three Zumwalt [DDG-1000] class destroyers. The Navy plans no further procurement of DDG-1000s.)

The Navy's proposed FY2024 budget requests the procurement of two more DDG-51s in FY2024. The Navy's FY2024 five-year (FY2024-FY2028) shipbuilding plan includes 10 DDG-51s, to be procured at a rate of two ships per year.

As part of its FY2023 budget submission, the Navy requested authority for using a multiyear procurement (MYP) contract for DDG-51s scheduled for procurement in FY2023-FY2027. Congress, as part of its action on the Navy's proposed FY2023 budget, approved this request. Four previous MYP contracts for the DDG-51 program covered DDG-51s procured in FY1998-FY2001, FY2002-FY2005, FY2013-FY2017, and FY2018-FY2022.

The first DDG-51 entered service in 1991, and a total of 72 have been delivered as of March 2023. The DDG-51 design has been updated multiple times over the years; the version currently being procured, called the Flight III DDG-51 design, incorporates a new and more capable radar called the SPY-6 radar.

DDG-51s currently cost about \$2.2 billion each to procure. The budget estimates the combined procurement cost of the two DDG-51s requested for procurement in FY2024 at \$4,432.8 million (i.e., about \$4.4 billion). The two ships have received \$233.6 million in prior-year Economic Order Quantity (EOQ) funding, which is a kind of advance procurement (AP) funding that can occur under an MYP contract. The Navy's proposed FY2024 budget requests the remaining \$4,199.2 million needed to complete the two ships' estimated combined procurement cost. The Navy's proposed FY2024 budget also requests \$284.0 million in EOQ funding for DDG-51s to be procured under the FY2023-FY2027 MYP contract, and \$225.9 million in cost-to-complete funding to cover cost growth on DDG-51s procured in prior fiscal years.

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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 began procuring DDG-51s, also known as Aegis destroyers, in FY1985, and a total of 92 have been procured through FY2023, including three in FY2023. The Navy's FY2024 budget requests the procurement of two DDG-51s in FY2024.

Potential issues for Congress for the DDG-51 program in FY2024 include the Navy's future force-level goal for large surface combatants (or LSCs, meaning cruisers and destroyers), and how the Navy proposes to transition several years from now from procurement of DDG-51s to procurement of a successor destroyer design now in development called the DDG(X). Decisions that Congress makes on these issues could substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

For more on the DDG(X) program, see CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.

## 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.<sup>1</sup>

#### LSC Force Level as of End of FY2022

As of the end of FY2022, the Navy's LSC force included 90 ships, including 17 Ticonderoga (CG-47) class cruisers,<sup>2</sup> 72 DDG-51s, and one Zumwalt (DDG-1000) class destroyer.

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<sup>1</sup> 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.

<sup>2</sup> A total of 27 CG-47s (CGs 47 through 73) were procured for the Navy between FY1978 and FY1988; the ships entered service between 1983 and 1994. The first five ships in the class (CGs 47 through 51), which were built to an earlier technical standard in certain respects, were judged by the Navy to be too expensive to modernize and were removed from service in 2004-2005, leaving 22 ships in operation (CGs 52 through 73). Of the remaining 22, five were retired in FY2022, leaving 17 in service at the end of FY22.

## Current and Potential Future LSC Force-Level Goal

### *Current LSC Force-Level Goal Within 355-Ship Plan of December 2016*

The Navy's current force-level goal, released in December 2016, calls for achieving and maintaining a fleet of 355 ships, including 104 LSCs.<sup>3</sup>

### *Successor Force-Level Goal to Replace 355-ship Goal of 2016*

The Navy and the Department of Defense (DOD) have been working since 2019 to develop a successor for the 355-ship force-level goal. The Navy's FY2023 30-year (FY2023-FY2052) shipbuilding plan, released on April 20, 2022, includes a table summarizing the results of studies that have been conducted on the successor force-level goal. These studies outline potential future fleets with 63 to 96 LCSs.<sup>4</sup>

## DDG-51 Program

### Overview

The DDG-51 program was initiated in the late 1970s.<sup>5</sup> It is one of the longest-running shipbuilding programs in Navy history, and the DDG-51 class is one of the Navy's numerically largest classes of ships since World War II. The first DDG-51 was procured FY1985, and a total of 92 have been procured through FY2023, including three in FY2023. From FY1989 through FY2005, DDG-51s were procured in annual quantities of two to five ships per year. Since FY2010, they have been procured in annual quantities of one to three ships per year. The Navy did not procure any DDG-51s in FY2006-FY2009. Instead, the Navy in FY2007-FY2009 procured three Zumwalt [DDG-1000] class destroyers, which are discussed later in this report.

The first DDG-51 entered service in 1991, and a total of 72 have been delivered as of March 2023. The remaining 20 DDG-51s are in various stages of construction. Earlier DDG-51s, known as the Flight I/II DDG-51s, generally have an estimated service life (ESL) of 35 years, meaning that retirement of these ships could begin in the late 2020s. An exception to the 35-year ESL for the Flight I/II DDG-51s is the very first ship in the class—DDG-51 itself—which has been certified for a 40-year life. Additional Flight I/II DDG-51s might eventually receive similar certifications, depending on their condition and Navy mission needs. Later DDG-51s, known as the Flight IIA and Flight III DDG-51s, have an estimated service life of 40 years.

DDG-51s (**Figure 1** and **Figure 2**) are multi-mission destroyers with an emphasis on air defense (which the Navy refers to as anti-air warfare, or AAW) and blue-water (mid-ocean) operations. DDG-51s, like the Navy's 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 Aegis destroyers, respectively, or collectively as Aegis ships. The Aegis system has been updated

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<sup>3</sup> For additional discussion, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

<sup>4</sup> For additional discussion, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

<sup>5</sup> 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.

several times over the years. Many DDG-51s (and also some CG-47s) have a capability for conducting ballistic missile defense (BMD) operations.<sup>6</sup>

**Figure 1. DDG-51 Class Destroyer**



**Source:** Cropped version of photograph at Huntington Ingalls Industries, “Delbert Black (DDG 119) Completes Builder’s Trials,” February 26, 2020, accessed November 17, 2021, at <https://newsroom.huntingtoningalls.com/file/delbert-black-ddg119-builders-trials>.

## Design Changes

The DDG-51 design has been modified and updated periodically over the years. The first 28 DDG-51s (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 (DDGs 79 through 124 and DDG-127) were procured in FY1994-FY2016. In FY2017, the Navy shifted DDG-51 procurement to the current Flight III DDG-51 design, which incorporates a new and more capable radar called the SPY-6 radar (previously known as the Air and Missile Defense Radar, or AMDR), as well as associated changes to the ship’s electrical power and cooling systems. DDGs 125 and higher, except for DDG-127 as noted above, are to be Flight III DDG-51s.

## Multiyear Procurement (MYP)

As part of its FY2023 budget submission, the Navy requested authority for using a multiyear procurement (MYP) contract for DDG-51s scheduled for procurement in FY2023-FY2027.<sup>7</sup> Congress, as part of its action on the Navy’s proposed FY2023 budget, approved this request.<sup>8</sup>

<sup>6</sup> For more on Navy BMD programs, see CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O’Rourke.

<sup>7</sup> For more on MYP contracting, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O’Rourke.

<sup>8</sup> See Section 125 of the FY2023 National Defense Authorization Act (NDAA) (H.R. 7776/P.L. 117-263 of December (continued...))



Four previous MYP contracts for the DDG-51 program covered DDG-51s procured in FY1998-FY2001, FY2002-FY2005, FY2013-FY2017, and FY2018-FY2022.

**Figure 2. DDG-51 Class Destroyer**



**Source:** Cropped version of undated photograph of USS *Jason Dunham* (DDG-109) at “Bath Iron Works,” accessed November 17, 2021, at <https://www.gd.com/our-businesses/marine-systems/bath-iron-works>.

### **Shipbuilders, Combat System Lead, and Radar Maker**

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 SPY-6—the primary radar for the Aegis system on Flight III DDG-51s—is made by Raytheon.

### **Modernization of In-Service Ships**

The Navy is modernizing existing DDG-51s (and some CG-47s) so as to maintain their mission and cost-effectiveness out to the end of their projected service lives. Older CRS reports provide additional historical and background information on the DDG-51 program.<sup>9</sup>

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23, 2022) and Section 8010 of the FY2023 DOD Appropriations Act, (Division C of H.R. 2617/P.L. 117-328 of December 29, 2022).

<sup>9</sup> 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 (continued...)*



## **FY2024 Procurement Funding Request**

The Navy's proposed FY2024 budget requests the procurement of two more DDG-51s in FY2024. The budget estimates the combined procurement cost of the two ships at \$4,432.8 million (i.e., about \$4.4 billion). The two ships have received \$233.6 million in prior-year Economic Order Quantity (EOQ) funding, which is a kind of advance procurement (AP) funding that can occur under an MYP contract. The Navy's proposed FY2024 budget requests the remaining \$4,199.2 million needed to complete the two ships' estimated combined procurement cost. The Navy's proposed FY2024 budget also requests \$284.0 million in EOQ funding for DDG-51s to be procured under the FY2023-FY2027 MYP contract, and \$225.9 million in cost-to-complete funding to cover cost growth on DDG-51s procured in prior fiscal years.

## **DDG-1000 Program**

As noted earlier, 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.

DDG-1000s are multi-mission destroyers with an originally intended emphasis on naval surface fire support (NSFS)<sup>10</sup> 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.<sup>11</sup>

In December 2017, it was reported that, due to shifts in the international security environment and resulting shifts in Navy mission needs, the mission orientation of the DDG-1000s would 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.<sup>12</sup>

As noted in the **Appendix**, the DDG-1000 program's originally scheduled date for achieving Initial Operating Capability (IOC) was FY2015. The date for achieving IOC, however, has been repeatedly delayed. In February 2022, it was reported that the date had been delayed from September 2021 to December 2021, but that the December 2021 date was not achieved, and that the Navy was reevaluating the timeline for achieving IOC.<sup>13</sup>

To further optimize the three ships for conducting surface strike missions, the Navy reportedly plans to remove their AGSs and associated below-deck equipment and replace them with large-diameter vertical launch tubes capable of storing and firing the Navy's new hypersonic

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*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).

<sup>10</sup> NSFS is the use of naval guns to provide fire support for friendly forces operating ashore.

<sup>11</sup> 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.

<sup>12</sup> 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.

<sup>13</sup> Audrey Decker, "Zumwalt's Initial Operational Capability Delayed Again," *Inside Defense*, February 25, 2022.

Conventional Prompt Strike (CPS) missile, with a goal of having the first CPS-equipped DDG-1000 class ship ready for testing by 2025. Each DDG-1000 class ship reportedly is to be equipped with four of the large-diameter tubes, with each tube capable of holding three CPS missiles, for a total of 12 CPS missiles per ship.<sup>14</sup>

The Navy reportedly also wants to replace some of the combat system equipment on the three ships with equipment more similar to, and interoperable with, combat system equipment on other U.S. Navy surface combatants. The Navy refers to this as the Zumwalt Enterprise Upgrade Solution (ZEUS).<sup>15</sup>

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

## Surface Combatant Construction Industrial Base

All cruisers and destroyers procured since FY1985 have been built at GD/BIW and HII/Ingalls. Both of these shipyards 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 SPY-6 radar 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 SPY-6.

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<sup>14</sup> See, for example, Mallory Shelbourne, "Navy Planning for December 2025 Hypersonic Missile Test off USS Zumwalt," *USNI News*, February 1, 2023; Kyle Mizokami, "The Navy's Stealth Destroyers Are Getting a Serious Upgrade: 12 Hypersonic Missiles Each," *Popular Mechanics*, December 1, 2022; Sam LaGrone, "Navy Details Hypersonic Missile Plan for Zumwalt Destroyers, Virginia Submarines," *USNI News*, November 3, 2022; Sam LaGrone, "HII Set to Install First Hypersonic Missiles on USS Zumwalt, USS Michael Monsoor During Repair Period," *USNI News*, August 12, 2022; Sam LaGrone, "Latest Zumwalt Hypersonic Missile Installation Plan Calls For Removing Gun Mounts," *USNI News*, March 16, 2022; Joseph Trevithick, "The Navy's Stealth Destroyers Will Have Their Deck Guns Replaced With Hypersonic Missiles," *The Drive*, November 2, 2021; Rich Abott, "Navy Plans to Field 12 Hypersonic Missiles on Each Zumwalt Destroyer, Replacing Gun," *Defense Daily*, June 8, 2021; Jason Sherman, "Navy Plans to Pack Each DDG-1000 with 12 Long-Range Hypersonic Strike Missiles," *Inside Defense*, June 8, 2021; Jason Sherman, "Navy to Rip Out DDG-1000 Advanced Gun System Mounts to Make Room for Hypersonic Weapons," *Inside Defense*, May 26, 2021; Sam LaGrone, "CNO: Hypersonic Weapons at Sea to Premiere on Zumwalt Destroyers in 2025," *USNI News*, April 28, 2021; David B. Larter, "What Should Become of the Zumwalt Class? The US Navy Has Some Big Ideas," *Defense News*, March 25, 2021; Joseph Trevithick, "Navy Wants Triple-Packed Hypersonic Missile Modules On Its Stealthy Zumwalt Destroyers," *The Drive*, March 19, 2021; Paul McLeary, "Exclusive[:] Eying China. CNO Plans Hypersonics & Lasers On Zumwalt Destroyers," *Breaking Defense*, February 26, 2021. For more on the CPS program, see CRS Report R41464, *Conventional Prompt Global Strike and Long-Range Ballistic Missiles: Background and Issues*, by Amy F. Woolf.

<sup>15</sup> See, for example, Kyle Mizokami, "The Navy's Stealth Destroyers Are Getting a Serious Upgrade: 12 Hypersonic Missiles Each," *Popular Mechanics*, December 1, 2022; Mallory Shelbourne, "Navy Exploring 'Surface Strike' Upgrades for Zumwalt Destroyers," *USNI News*, November 28, 2022; Justin Katz, "Navy Eyeing 'ZEUS,' an Upgrade Program for the Zumwalt Destroyers," *Breaking Defense*, November 22, 2022.

The surface combatant construction industrial base also includes hundreds of additional firms that supply materials and components. Several Navy-operated laboratories and other facilities support the Aegis system and other aspects of the DDG-51 and DDG-1000 programs.

## Issues for Congress

### Future LSC Force-Level Goal

One issue for Congress for the DDG-51 concerns the future LSC force-level goal. As noted above, studies conducted on the Navy's next force-level goal outline potential future fleets with 63 to 96 LCSs. Reducing the LSC force-level goal from the current required figure of 104 ships to a smaller number—particularly a number closer to 63 ships—could affect issues such as when to retire older LCSs and how many new LCSs to procure each year. An August 1, 2022, press report stated

In little more than five months, the shape of America's future Navy fleet changed. Between February and July, U.S. Navy leadership went from advocating for a modest fleet of 60 cruisers and destroyers to supporting a more robust vision of 96 large surface combatants by 2045.

Nobody really knows what, exactly, pushed the Navy to favoring large combatants—a rating traditionally comprised of high-value cruisers and destroyers. Neither the U.S. Department of Defense, the Secretary of the Navy, nor America's Chief of Naval Operations, Admiral Mike Gilday, has offered taxpayers any real detail on what spurred the Navy, after years of fretting over the relevance of large surface combatants, to redirect at least \$70 billion in future funding towards building bigger ships.

The shift was abrupt. In February, at the annual WEST 2022 conference in San Diego, Gilday sketched out a future fleet of 60 large and 50 small combatants, breaking from the traditional 355-ship fleet goal of maintaining a 2:1 ratio of large combatants (cruisers and destroyers) to small vessels (frigates and Littoral Combat Ships). Last month, Gilday changed his tune, releasing a "2022 Navigation Plan," aiming for a fleet of 96 large combatants by 2045.

Both targets are out of step with the 30-year shipbuilding plan detailed in April's "Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023," which suggested to Congress that the Navy was intent upon fielding a fleet of between 70 to 80 large surface combatants by 2045....

Given the public reporting to date, it is tough to tell what, exactly, is driving the Navy's sudden interest in large surface combatants. Industry press has been less than dogged in its efforts to understand the dramatic—if not unprecedented—oscillation in the U.S. Navy's demand for large surface combatants.

That failure is unfortunate, as America's public and policymaker communities need clarity more than ever....

While the Navy's growing appetite for large surface combatants—whatever they might turn out to be—is welcome news for the large surface combatant industrial base, the Navy's inability to fix on a consistent plan is a public relations and strategic disaster....

With no viable strategic or tactical justification forthcoming from Navy leadership, the Navy's free-form approach to the future of the surface fleet does little more than bemuse rivals and irk everybody else. The Navy has little room to make sudden whipsaw changes. After repeated operational fiascoes, the U.S. Navy has little credibility right now, and an unexplained strategic change leaves pro-Navy advocates confused, and an already impatient Congress frustrated....

The embrace of big ships in Gilday's new force structure turns distributed lethality on its head. Rather than working to grow the small-surface combatant fleet and using those vessels to smear sensors and shooters all over the sea, the surface Navy is, with DDG(X), re-inventing the battleship and, apparently, returning to the traditional World War II-era battle group, leaving distributed lethality for crew-less things.

That's fine. But, as originally articulated, the Distributed Maritime Operations concept was set to push the fleet towards a 2:1 ratio of smaller crewed ships to bigger crewed surface combatants. If the mechanics behind Distributed Maritime Operations are shifting to feed the Navy's craving for larger vessels, that shift—particularly if it is sacrificing smaller crewed vessels for robots—is worth a bit of public discussion.<sup>16</sup>

Section 121 of the FY2021 National Defense Authorization Act (H.R. 6395/P.L. 116-283 of January 1, 2021) states

**SEC. 121. LIMITATION ON ALTERATION OF THE NAVY FLEET MIX.**

**(a) LIMITATION.—**

(1) **IN GENERAL.**—The Secretary of the Navy may not deviate from the large surface combatant requirements included in the 2016 Navy Force Structure Assessment until the date on which the Secretary submits to the congressional defense committees the certification under paragraph (2) and the report under subsection (b).

(2) **CERTIFICATION.**—The certification referred to in paragraph (1) is a certification, in writing, that the Navy can mitigate the reduction in multi-mission large surface combatant requirements, including 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.

(b) **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 a plan to mitigate such impacts, if the fiscal year 2021 future-years defense program is 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 warfighting capabilities of the fleet 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 (Public Law 116-92; 133 Stat. 1237), including subsystem prototyping efforts and funding by fiscal year.

## **Shipbuilding Industrial-Base Capacity and DDG-51 Procurement Rate**

Another issue for Congress concerns the shipbuilding industrial base's capacity for building DDG-51s, and the impact this could have on the DDG-51 procurement rate, specifically on the question of whether to procure two or three DDG-51s per year. A March 21, 2023, press report stated:

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<sup>16</sup> Craig Hooper, "Battleships Are Back! Navy Abruptly Boosts DDG/CG Building Targets For 2045," *Forbes*, August 1, 2022.

The Navy is keeping a two-ship-per-year cadence for its destroyer line because that's a realistic goal for industry to work toward, according to the Pentagon's top budget officer.

Despite Congress' push for the Navy to start buying three Arleigh Burke-class Flight III destroyers per year, the Fiscal Year 2024 budget request unveiled last week showed the service buying two destroyers. That's because U.S. shipyards are not yet able to build two destroyers per year, let alone three, Mike McCord said last week.

"I'm not hating on DDGs – my only point was that last year Congress added a third and the reason we didn't budget for three is, again, we don't see the yards being able to produce three a year. We don't see them being able to produce two a year. And that's just data. It's not what we wish to be true. But everybody's struggling with skilled labor. Everybody's struggling with supply chain. So it's not getting better very fast from the data that I've seen – whether with submarines or DDGs. So two a year seems to be a reasonable place," McCord told USNI News at the McAleese Conference.

During the [FY2024] budget rollout last week, McCord said industry is currently building 1.5 destroyers per year, a number Chief of Naval Operations Adm. Mike Gilday has also cited when arguing that the shipyards have limited capacity.

McCord also argued that asking for more destroyers than industry can build takes away leverage from the Navy to negotiate with shipbuilders on price.

"If you keep sort of placing orders for things faster than they can be delivered, it's good for the books, the balance sheets of the companies. But are you really, as the buyer, are you in the best place you'd like to be with any leverage or are you actually short of leverage when, you produce on time or you don't produce on time. It doesn't matter to me – I'm going to keep writing you checks," McCord told USNI News.

The comptroller said both he and Susanna Blume, the director of the Cost Assessment and Program Evaluation (CAPE) Office of the Secretary of Defense, don't think putting more funding toward an extra destroyer is a wise use of resources that will help shipbuilders deliver it to the Navy quicker.

"It's just sort of piling up in the orders book and we're still going to have the same problems of the yards producing faster until we get through the supply chain and the workforce issues," McCord said. "It is not to say that we would not be interest[ed] in a more robust production world where in having three DDGs or moving to three submarines, but it doesn't seem to be ... realistic."

General Dynamics Bath Iron Works, one of the yards that build the destroyers, has spent the last several years digging through a backlog of work at its Maine yard that the COVID-19 pandemic exacerbated. HII's Ingalls Shipbuilding, the other yard that builds the Arleigh Burke destroyers, has performed better. Ingalls is also winding down the Coast Guard's Legend-class National Security Cutter production line, which could open up more capacity at its yard in Pascagoula, Miss.

A spokeswoman for Ingalls Shipbuilding told USNI News in a statement that the yard is ready to support building three destroyers per year should the Navy go this route.

"Our shipbuilders will position to support whatever destroyer cadence the Navy needs and we have started by building, testing and taking the first Flight III ship to sea, which will be delivered later this year. We are a committed partner to not only our customers but to our network of nearly 1,200 suppliers as well. Together, we can build three DDGs a year if that is what the Navy and our country need," Kimberly Aguiard said in a statement.

A spokesperson for Bath Iron Works told USNI News that it's "working to aggressively recover schedule" at the shipyard.

"We support the call for a consistent demand signal that gives shipyards and suppliers the predictability to make major investments in workforce and facilities, both to expand



destroyer production and to ensure that capability remains intact well into the future,” David Hench said in a statement. “Those capital investments are currently underway in Bath, and we are confident there will be significant schedule improvement so we can meet the Navy’s expectations by the time construction begins on the anticipated multi-year contract.”

Lawmakers have urged the Navy to work toward buying three destroyers per year and added a third destroyer on top of the Navy’s request for two in FY 2023. Congress also included a provision in the FY 2023 policy bill that would allow the Navy to ink a multi-year procurement deal for as many as 15 Flight III destroyers. If the multi-year procurement contracts are for fewer than 15 destroyers, the Navy must include at least one “pre-priced option” so it has the opportunity to buy 15 ships, according to the bill language.<sup>17</sup>

## **Transition of Procurement from DDG-51s to DDG(X)s**

Another issue for Congress concerns how the Navy proposes to transition several years from now from procurement of DDG-51s to procurement of a successor destroyer design now in development called the DDG(X). Navy plans for transitioning from procurement of DDG-51s to procurement of DDG(X)s have been an oversight focus for the defense committees. DON’s prepared statement for the April 26, 2022, hearing on DON investment programs before the Seapower subcommittee of the Senate Armed Services Committee states

The Navy is committed to a smooth and successful transition from DDG 51 to DDG(X) starting around FY 2030.<sup>18</sup> The transition will preserve the critical shipbuilding and supplier industrial base by executing a collaborative design process with current DDG 51 shipyards and transitioning to a proven limited competition model between these shipyards at the right point in ship construction.<sup>19</sup>

The Navy’s FY2024 budget submission states that “early DDG(X) production transition will overlap DDG 51 FLT III production ensuring stability in the Large Surface Combatant industrial base.”<sup>20</sup>

For more on the DDG(X) program, see CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O’Rourke.

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

Another issue for Congress concerns cost, technical, and schedule risk for the Flight III DDG-51. A June 2023 Government Accountability Office (GAO) report assessing selected DOD acquisition programs stated the following in its assessment of the Flight III DDG-51:

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<sup>17</sup> Mallory Shelbourne, “OSD Comptroller Says U.S. Shipyards Can’t Build 3 Destroyers a Year,” *USNI News*, March 21 (updated March 22), 2023.

<sup>18</sup> Under the Navy’s proposed FY2024 budget, procurement of the first DDG(X) has been deferred from FY2030 to FY2032.

<sup>19</sup> Statement of Frederick J. Stefany, Principal Civilian Deputy, Assistant Secretary of the Navy (Research, Development and Acquisition), Performing the Duties of the Assistant Secretary of the Navy (Research, Development and Acquisition), and Vice Admiral Scott Conn, Deputy Chief of Naval Operations, Warfighting Requirements and Capabilities (OPNAV N9), and Lieutenant General Karsten S. Heckl, Deputy Commandant, Combat Development and Integration, Commanding General, Marine Corps Combat Development Command, before the Subcommittee on Seapower of the Senate Armed Services Committee on Department of the Navy Fiscal Year 2023 Budget Request for Seapower, April 26, 2022, PDF page 10 of 37.

<sup>20</sup> *Department of Defense Fiscal Year (FY) 2024 Budget Estimates, Navy, Justification Book, Volume 2 of 5, Research, Development, Test & Evaluation, Navy*, March 2023, p. 453.



### **Current Status**

The program reported that the first eight DDG 51 Flight III ships are under construction, with an additional six under contract, and the Navy plans to deliver the lead ship—DDG 125—in June 2023. Program officials noted that there is a risk to the delivery schedule due to first-time integration of the new electrical power system and combat system. They said that they plan to use recently completed sea trials and further testing to mitigate these risks.

The program pushed back the planned start of sea trials from September 2022 to December 2022 due to these first-time integration challenges and continues to assess cost and schedule effects, according to program officials. We previously reported on risks to program cost and schedule due to power system updates after tests on Flight IIA ships showed the initial system did not meet requirements. The program mitigated this risk with a replacement power system on Flight IIA ships, according to program officials.

The program experienced additional cost growth for the first two Flight III ships over the past year and reported receiving \$168 million in fiscal year 2023 to cover the government’s portion of cost overruns for certain contracts. Program officials told us that the cost growth is primarily due to first time build challenges and is capped by the price ceiling on the contract.

The Navy purchased a total of 14 Flight III ships thus far and received authority to enter into one or more multiyear contracts to procure up to 15 ships starting in fiscal year 2023, according to program officials. Competition for these procurement contracts is ongoing. This plan aligns with the Navy’s current long-range planning for force structure requirements.

### **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. According to the program, the Arleigh Burke class destroyer is one of the Navy’s longest-running production lines, which delivered 72 ships. Production continues with a number of ships under contract, in various stages of production, and in preconstruction activities, according to the program. It added that, in addition to ongoing progress to deliver the final few Flight IIA destroyers, the program continues toward Flight III delivery, test and evaluation, and deployment.<sup>21</sup>

Regarding the AMDR specifically, the report stated the following:

#### **Technology Maturity, Design Stability, Production Readiness**

As we reported last year, AMDR fully matured its critical technologies in December 2021 and its overall design remains stable. The Navy plans to start operational testing of AMDR and Aegis at sea on DDG 125 in November 2023.

Since last year, AMDR’s low-rate initial production contract’s estimated price increased. According to program officials, this increase was due to earlier optimistic cost estimating by the contractor, supply chain challenges, and issues with the Digital Receiver Exciter (DREX) and Transmit/Receive Integrated Microwave Modules (TRIMM). We previously reported on manufacturing issues with the DREX and TRIMM that required the program to complete some redesign and rework. According to program officials, the contractors addressed these issues and took into account the actual costs from the low-rate initial production contract when preparing to award the follow-on contract, which was awarded in March 2022.

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<sup>21</sup> Government Accountability Office, *Weapon Systems Annual Assessment[:] Programs Are Not Consistently Implementing Practices That Can Help Accelerate Acquisitions*, GAO-23-106059, June 2023, p. 163.

The program continued delivery of radar arrays in 2022. It briefly held up delivery of two arrays after discovering cracking in the material used to fabricate them. Program officials stated that they determined the arrays were within standards but added an inspection step for all future radars to ensure this component continues to meet standards. Program officials told us they believe this step provides reasonable assurance for future performance.

Program officials also plan to take remedial actions to investigate and address any further issues found with inverter modules after a single module grounded out, causing it to burn during initial testing. According to program officials, these modules are a critical part of the power supply system. Program officials told us that they do not expect this issue to affect deliveries or program costs.

### **Software and Cybersecurity**

AMDR is using a hybrid Agile and incremental software development approach. According to the program office, software is released at various intervals—every 4 weeks for interim releases and builds every year.

The program completed several cybersecurity exercises and, according to officials, plans to include cybersecurity testing during operational testing in 2024. Program officials continue to track a risk from cyber threats related to countermeasures seeking to defeat the radar. They plan to address this risk as part of upcoming cybersecurity testing through 2025.

### **Other Program Issues**

AMDR officials plan to complete operational testing in August 2024, the same month as the planned full-rate production decision. This schedule leaves little time for the program to address any deficiencies discovered during testing. We previously reported that any deficiencies discovered during testing could result in costly and time-intensive revisions for the program. Program officials acknowledge this issue and plan to continue testing radar performance and power requirements in advance of operational testing to mitigate the risk of late discovery of issues in these areas.

AMDR officials stated that the radar performed well as an informal participant in the August 2022 Pacific Dragon exercise, where the radar tracked live missile and aircraft activity. Despite performing well, the program identified some issues during this exercise and plans to run separate high-fidelity performance test scenarios prior to the start of operational testing.

Program officials stated that they made adjustments and conducted additional power system testing with all four arrays in fall 2022. This testing was in response to a risk that prior testing could not adequately model expected operational conditions. We previously reported that the program planned full-array power testing by the end of fiscal year 2022. According to program officials, these interim tests should improve performance during operational testing and reduce risk to meeting power requirements.

The program updated its baseline in January 2023. The update designated two EASR variants as subprograms of the AMDR program. As we previously reported, the Navy plans to install the two EASR variant systems on several classes of Navy ships. The program is tracking related risks, and program officials told us that they plan tests in February and March 2023 to help mitigate these risks.

### **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 office stated that it is on track to support DDG 125's schedule and that it successfully completed full-array power testing and supported the ship's December 2022

sea trial. It also stated that integrated live-radar and combat system testing continues to support various classes of Navy ships.<sup>22</sup>

## Legislative Activity for FY2024

### Summary of Congressional Action on FY2024 Funding Request

The Navy’s proposed FY2024 budget requests the procurement of two DDG-51s in FY2024. The budget estimates the combined procurement cost of the two ships at \$4,432.8 million (i.e., about \$4.4 billion). The two ships have received \$233.6 million in prior-year Economic Order Quantity (EOQ) funding, which is a kind of advance procurement (AP) funding that can occur under an MYP contract. The Navy’s proposed FY2024 budget requests the remaining \$4,199.2 million needed to complete the two ships’ estimated combined procurement cost. The Navy’s proposed FY2024 budget also requests \$284.0 million in EOQ funding for DDG-51s to be procured under the FY2023-FY2027 MYP contract, and \$225.9 million in cost-to-complete funding to cover cost growth on DDG-51s procured in prior fiscal years.

The Navy’s proposed FY2024 budget also requests \$410.4 million in continued procurement funding for the DDG-1000 program. The Navy’s FY2024 budget submission states that \$234 million of the \$410.4 million is for modifying the third ship in the program (DDG-1002) during its construction to include large-diameter vertical launch tubes capable of storing and firing the Navy’s new hypersonic Conventional Prompt Strike (CPS) missile.<sup>23</sup> (Costs to modify the first two DDG-1000 class ships—DDG-1000 and DDG-1001—for the CPS are budgeted in the Other Procurement, Navy [OPN] appropriation account.)

**Table 1** summarizes congressional action on the Navy’s FY2024 procurement funding requests for the DDG-51 and DDG-1000 programs.

**Table 1. Congressional Action on FY2024 Funding Request**

Millions of dollars, rounded to nearest tenth

	Request	Authorization			Appropriation		
		HASC	SASC	Final	HAC	SAC	Final
DDG-51 procurement	4,199.2	4,199.2	4,199.2	4,199.2	4,199.2	4,499.2	
<i>Quantity</i>	(2)	(2)	(2)	(2)	(2)	(2)	
DDG-51 advance procurement (EOQ AP)	284.0	439.0	284.0	784.0	284.0	1,641.3	
DDG-51 cost to complete	225.9	225.9	225.9	225.9	225.9	325.9	
DDG-1000 procurement	410.4	410.4	410.4	410.4	318.7	410.4	

**Sources:** Table prepared by CRS based on Navy’s FY2024 budget submission, committee and conference reports, and explanatory statements on FY2024 National Defense Authorization Act and FY2024 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.

<sup>22</sup> Government Accountability Office, *Weapon Systems Annual Assessment[:] Programs Are Not Consistently Implementing Practices That Can Help Accelerate Acquisitions*, GAO-23-106059, June 2023, p. 140.

<sup>23</sup> Department of Defense, Fiscal Year (FY) 2024 Budget Estimates, Navy Justification Book Volume 1 of 1, Shipbuilding and Conversion, Navy, March 2023, pp. 178-179.

## **FY2024 National Defense Authorization Act (H.R. 2670/S. 2226)**

### **House**

The House Armed Services Committee, in its report (H.Rept. 118-125 of June 30, 2023) on H.R. 2670, recommended the funding levels shown in the HASC column of **Table 1**. The recommended increase of \$155.0 million in DDG-51 advance procurement (AP) funding is for “Explosion welding” (\$5.0 million) and “Program increase” (\$150.0 million). (Page 445)

**Section 862** of H.R. 2670 would permit the DOD Industrial Base Fund to be used to provide support for the workforce for LSCs.

H.Rept. 118-125 states:

#### *DDG 51 degaussing*

The committee is concerned about the threat posed by magnetic mines, particularly as it pertains to adversaries’ anti-access/area denial strategies. For the past several years, Congress required the Navy to review the threat and funded lightweight advanced degaussing systems to counter magnetic mines. However, the committee remains concerned about the Navy’s lack of a comprehensive plan to ensure that Arleigh Burke-class destroyers are adequately protected.

Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services not later than December 15, 2023, on the Navy’s plan to modernize the DDG 51 to effectively mitigate the threat from magnetic mines. The report should include at a minimum the following information: (1) an assessment of the threat from magnetic influence mines; and (2) a cost estimate to install lightweight advanced degaussing systems on all DDG 51 class destroyers. (Pages 19-20)

### **Senate**

The Senate Armed Services Committee, in its report (S.Rept. 118-58 of July 12, 2023) on S. 2226, recommended the funding levels shown in the SASC column of **Table 1**.

S.Rept. 118-58 states:

#### **Large surface combatants**

The U.S. Navy needs to make progress toward the goal of a 355-ship fleet. DDG-51 destroyers will be an integral part of any plan to achieve that goal because they provide significant multi-mission capability, including strategic land strike; anti-aircraft, anti-surface ship, and anti-submarine warfare; and ballistic missile defense.

In addition to falling short of its stated goal of 355 ships, the Department of the Navy remains short of sufficient large surface combatants. The U.S. Navy will have an inventory of 85 large surface combatants in fiscal year 2023. This number is projected to decline to as few as 77 large surface combatants in the fiscal year 2031 and does not return to the current level of 85 ships before the fiscal year 2038. This is well short of the 120 ships identified in the analysis that led to the Department goal of 355 ships later codified in law.

Section 125 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117-263) provided new multi-year contract authority for up to 15 DDG-51s over five years and authorized the U.S. Navy to procure 3 DDG-51s in fiscal year 2023.

The U.S. Navy continues to work towards developing the next generation destroyer (DDG(X)), which will have the size and power capabilities to house next-generation weapons while maintaining this multi-mission capability. The committee continues to

encourage the U.S. Navy, per section 130 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117–263), to pursue a collaborative design, development, and acquisition strategy for DDG(X). Early collaboration between the U.S. Navy, shipbuilders, and major component producers allows for greater design maturity and cost efficiency. Part of this strategy, as Navy officials have stated in congressional testimony, should be to continue to build DDG–51 Flight III destroyers concurrently with the DDG(X) at the beginning of DDG(X) production to keep Flight III capability flowing to the fleet, while sustaining a fragile shipbuilding industrial base. The committee believes a consistent demand signal to the shipbuilding industrial base is critical to driving the hiring and training of the shipbuilding workforce at all levels. (Page 23)

## Conference

The conference report (H.Rept. 118-301 of December 6, 2023) on H.R. 2670 recommended the funding levels shown in the authorization final column of **Table 1**. The recommended increase of \$500.0 million in DDG-51 advance procurement (AP) funding is for “Program increase.” (Pages 1411-1412)

H.Rept. 118-301 states:

*Use of Industrial Base Fund for support for the workforce for large surface combatants*

The House bill contained a provision (sec. 862) that would modify the use of the Industrial Base Fund to include supporting the large surface combatant [LSC] industrial base.

The Senate amendment contained no similar provision.

The House recedes.

The conferees note the effective use of the Industrial Base Analysis and Sustainment (IBAS) program to support the submarine industrial base. Given the importance of the shipbuilding industrial base as a whole, the Department of Defense should find ways to expand this model to support surface combatant production, as well as submarines. (Page 1147)

## FY2024 DOD Appropriations Act (H.R. 4365/S. 2587)

### House

The House Appropriations Committee, in its report (H.Rept. 118-121 of June 27, 2023) on H.R. 4365, recommended the funding levels shown in the HAC column of **Table 1**. The recommended reduction of \$91.745 million for DDG-1000 procurement is for “TSCE [Total Ship Computing Environment] modernization previously funded” (\$56.730 million) and “Mission systems activation unjustified growth” (\$35.015 million). (Page 145)

### Senate

The Senate Appropriations Committee, in its report (S.Rept. 118-81 of July 27, 2023) on S. 2587, recommended the funding levels shown in the SAC column of **Table 1**.

The recommended increase of \$300 million for DDG-51 procurement funding is for “Program increase: Large surface combatant shipyard infrastructure.” (Page 135)

The recommended increase of \$1,357.3 million for DDG-51 advance procurement (AP) funding is for “Program increase: Advance procurement for additional FY25 DDG 51” (\$1,280.0 million) and “Realignment of fiscal year 2023 funds for advance procurement of additional FY25 DDG

51” (\$77.3 million). (Page 135). (Section 8045 of S. 2587 would rescind \$77.3 million in FY2023 DDG-51 advance procurement [AP] funding.)

The recommended increase of \$100.0 million in DDG-51 cost to complete funding is for “Program increase: FY 2021 DDG 51s SEWIP [Surface Electronic Warfare Improvement Program] Block III.” (Page 135)



## 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.<sup>24</sup> DDG-1000s (**Figure A-1**) are multi-mission destroyers 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.”

DDG-1000s were 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,<sup>25</sup> to improve the Navy’s general capabilities for operating in defended littoral waters, and to introduce several new technologies that would be available for use on future Navy

<sup>24</sup> The program was originally designated DD-21, which meant destroyer for the 21<sup>st</sup> 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.

<sup>25</sup> 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.

ships. The DDG-1000 was also intended to serve as the basis for a planned cruiser called CG(X) that was subsequently canceled.<sup>26</sup>

DDG-1000s are to have reduced-size crews 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 DDG-1000 design incorporates a significant number of new technologies, including an integrated electric-drive propulsion system<sup>27</sup> and automation technologies enabling its reduced-sized crew.

With an estimated full load displacement of 15,656 tons, the DDG-1000 design is substantially larger than the Navy's Aegis cruisers and destroyers, which have displacements of up to about 9,700 tons, and are 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 FY2024 budget submission estimates their combined procurement cost at \$9,450.8 million. The third DDG-1000 was procured in FY2009 and split-funded in FY2009-FY2010; the Navy's FY2024 budget submission estimates its procurement cost at \$4,342.4 million.

The first DDG-1000 was commissioned into service on September 7, 2016. Its delivery date was revised multiple times and reportedly was April 2020.<sup>28</sup> This created an unusual situation in which a ship was commissioned into service more than three years prior to its delivery date. The delivery dates for the second and third ships have also been revised multiple times.<sup>29</sup> In the Navy's FY2024 budget submission, the delivery dates for the two ships are listed as October 2023 and December 2026, respectively.

## **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:<sup>30</sup>

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<sup>26</sup> For more on the CG(X) program, see CRS Report RL34179, *Navy CG(X) Cruiser Program: Background for Congress*, by Ronald O'Rourke.

<sup>27</sup> 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.

<sup>28</sup> See Aidan Quigley, "Final Delivery of Zumwalt-class Destroyer Monsoor Delayed," *Inside Defense*, January 21, 2021.

<sup>29</sup> 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.

<sup>30</sup> 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 21<sup>st</sup> 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- (continued...)

- **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.<sup>31</sup>

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, would be named *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.<sup>32</sup>

## New Technologies

The DDG-1000 incorporates a significant number of new technologies, including a wave-piercing, tumblehome hull design for reduced detectability,<sup>33</sup> a superstructure on the first two ships (but not the third) that is made partly of large sections of composite (i.e., fiberglass-like) materials rather than steel or aluminum, an integrated electric-drive propulsion system,<sup>34</sup> a total-ship computing system for moving information about the ship, automation technologies enabling its reduced-sized crew, a dual-band radar (that was later changed to a single-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<sup>35</sup> 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).

<sup>31</sup> 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.

<sup>32</sup> For more on Navy ship names, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O’Rourke.

<sup>33</sup> 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.

<sup>34</sup> 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.

<sup>35</sup> 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.<sup>36</sup>

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/Ingalls 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

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<sup>36</sup> 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 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).<sup>37</sup>

## **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 submissions, has grown by \$4,816.1 million (i.e., about \$4.8 billion), or 53.6%, since the FY2009 budget (i.e., the budget for the fiscal year in which the third DDG-1000 was procured). Within the increase from the FY2023 figure to the FY2024 figure, the Navy's FY2024 budget submission states \$234 million is for modifying the third ship in the program (DDG-1002) during its construction to include large-diameter vertical launch tubes capable of storing and firing the Navy's new hypersonic Conventional Prompt Strike (CPS) missile.<sup>38</sup> (Costs to modify the first two DDG-1000 class ships—DDG-1000 and DDG-1001—for the CPS are budgeted in the Other Procurement, Navy [OPN] appropriation account.)

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<sup>37</sup> For additional discussion, see CRS Report R43838, *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.

<sup>38</sup> Department of Defense, Fiscal Year (FY) 2024 Budget Estimates, Navy Justification Book Volume 1 of 1, Shipbuilding and Conversion, Navy, March 2023, pp. 178-179.



**Table A-1. Estimated Combined Procurement Cost of DDGs 1000, 1001, and 1002**

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%)
FY22	13,305.9	+30.3 (+0.2%)	+4,328.8 (+48.2%)
FY23	13,378.7	+72.8 (+0.5%)	+4,401.6 (+49.0%)
FY24	13,793.2	+414.5 (+3.1%)	+4,816.1 (+53.6%)

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

**Note:** The Navy's FY2024 budget submission states \$234 million of the increase shown for FY2024 is for modifying the third ship in the program (DDG-1002) during its construction to include large-diameter vertical launch tubes capable of storing and firing the Navy's new hypersonic Conventional Prompt Strike (CPS) missile. (Costs to modify the first two DDG-1000 class ships—DDG-1000 and DDG-1001—for the CPS are budgeted in the Other Procurement, Navy [OPN] appropriation account.)

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 stated in 2014 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.<sup>39</sup>

## Technical Risk and Test and Evaluation Issues

### June 2023 GAO Report

A June 2023 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 yet to mature a total of four critical technologies despite completing construction of the third and final ship of the class in 2021. Three of these immature technologies, which involve the ships' signature, computing, and radar capabilities, were planned since program start. According to the program, the Navy intends to demonstrate full maturity for these technologies during operational testing.

However, two more recently identified critical technologies—one of which the Navy has yet to mature—face installation delays. As we reported in our last assessment, a communication system and an intelligence system were added to the program in 2020 to enable the new surface strike mission. The program office stated that the Chief of Naval Operations directed a delayed installation of these systems on Zumwalt class ships to shift the program's focus to integrating the Navy's new Conventional Prompt Strike (CPS) hypersonic weapon system. We evaluate the CPS program in a separate assessment in this report.

The Navy plans to complete operational testing on DDG 1000 in December 2023—a 12-month delay compared with the schedule during last year's assessment. According to the program office, weather, limited ship availability for testing, and test range and asset limitations contributed to this delay.

Further, the Navy delayed initial operational capability for DDG 1000 an additional 4 months during the past year. Initial operational capability is now planned for April 2023—over 6 years later than the program's approved acquisition program baseline date.

The other two ships continue to face delivery delays. DDG 1001 final delivery was delayed 12 months to September 2023. While the program is working toward the completion of combat systems installation and activation for the DDG 1002, program officials stated that DDG 1002 final delivery moved from fiscal year 2024 to early fiscal year 2025.

#### **Other Program Issues**

The Navy requested approximately \$160 million in research, development, test and evaluation funds across fiscal years 2022 and 2023 to support the CPS hypersonic weapon system's incorporation into DDG 1000 class ships. According to the program, it continued engineering design planning to support CPS integration initiated last year. This includes plans to replace the ship's advanced gun system with the CPS hypersonic weapon. The Navy plans to install the hypersonic weapon system on the DDG 1000 during a maintenance period in fiscal year 2024.

According to the program, the start of the maintenance period and hypersonic weapon system installation on DDG 1000 will not be affected if operational testing—now scheduled to take place immediately prior to the maintenance period—is not completed as planned. The program stated that, in the event that operational testing is delayed until a

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<sup>39</sup> Source: Navy briefing for CRS and the Congressional Budget Office (CBO) on the DDG-1000 program, April 30, 2014.

date during DDG 1000's scheduled maintenance period, the DDG 1001 would be used for the testing instead.

However, the CPS program office noted that significant scope and challenges associated with the first-time integration of CPS may present risks to achieving DDG 1000's installation schedule. In reviewing CPS program office information on critical technologies, we found that significant work remains for the program to demonstrate technology maturity. DDG 1000 program officials stated that they are closely monitoring the delivery of CPS hypersonic weapon missile tubes and both program offices are working to mitigate any risks to ensure the timely integration of CPS into Zumwalt class ships. However, if the hypersonic weapon is not ready for integration on the DDG 1000 at the time of the aforementioned maintenance period, the Navy may have to extend the duration of the planned maintenance period or wait for the next scheduled period to incorporate the system on the ship.

### **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 program office stated that it is making significant progress in construction, testing, activation, and sustainment of the Zumwalt class ships. It noted that DDG 1000 completed radar signature and anti-air warfare testing as well as a special trial conducted by the Navy Board of Inspection and Survey. It added that the DDG 1000 participated in operations from August 2022 to November 2022. For DDG 1001, the program office stated that the ship participated in aviation and survivability test events and fleet exercises. Further, the program office noted that DDG 1002 is currently undergoing combat systems installation and activation at Huntington Ingalls Industries' Pascagoula, MS shipyard. According to the program office, the Zumwalt class is on track to be the first platform to field a long-range precision hypersonic capability by integrating the CPS weapon system.<sup>40</sup>

## **January 2023 DOT&E Report**

A January 2023 report from DOD's Director, Operational Test and Evaluation (DOT&E)—DOT&E's annual report for FY2022—stated the following regarding the DDG-1000 program:

### **TEST ADEQUACY**

DDG 1000 testing to date was conducted in accordance with the DOT&E-approved test plan, observed by DOT&E, and progressed towards an adequate collection of data to support operational effectiveness and suitability assessments. FY22 testing assessed Anti-Submarine Warfare (ASW), SUW [surface warfare], and Anti-Air Warfare (AAW).

- ASW: USS Michael Monsoor executed Torpedo Defense testing in October 2021 in Nanose Bay, Canada. Testing of the ship's ASW capability against a submarine was postponed.
- SUW: USS Zumwalt executed SUW testing in November and December 2021 in the Southern California operational area. The SUW operational test (OT) is complete and adequate for DOT&E to make an assessment.
- AAW: USS Zumwalt performed six integrated developmental/operational test events and an OT event in 2Q/3QFY22 [second quarter/third quarter of FY2022] that were adequate to support DOT&E's AAW assessment. The Navy intends to conduct additional AAW OT events in FY24. The Navy continues to develop the combat system modeling and

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<sup>40</sup> Government Accountability Office, *Weapon Systems Annual Assessment[:] Programs Are Not Consistently Implementing Practices That Can Help Accelerate Acquisitions*, GAO-23-106059, June 2023, p. 144.

simulation (M&S) test bed, which is required to complete OT. The Navy expects to commence AAW M&S testing in FY24.

Cyber survivability testing is planned in FY23 on USS Zumwalt. Strike Warfare operational testing is targeted in FY23 and FY24 on USS Michael Monsoor. The Navy is developing an OASuW [Offensive Anti-Surface Warfare] operational test strategy for DOT&E approval in the next TEMP [Test and Evaluation master Plan] revision.

The Navy has not funded or planned an adequate ship survivability assessment against underwater threat weapons, to include a demonstration of residual mission capability after such engagements, through a full-ship shock trial. This assessment was not complete prior to initial deployment of USS Zumwalt in 4QFY22 [fourth quarter of FY2022]. DOT&E issued an Early Fielding Report in November 2022.

The Navy has not updated vulnerability and recoverability M&S meant to support the LFT&E [Live Fire Test and Evaluation] survivability assessment of the DDG 1000 class to reflect the ship as built. Further, the Navy does not intend to update, validate, or accredit LFT&E survivability assessments prior to completing their LFT&E program in FY23. DOT&E will not be able to provide an assessment of the Zumwalt class's vulnerability to threat weapons without the results from validated survivability M&S that models the ship design as built.

In FY22, the Navy completed a series of Failure and Recoverability Mode (FARM) tests aboard USS Michael Monsoor to assess the capability of the class's mission systems to recover from system failures and to determine the effectiveness of damage control response. The scope of these tests were limited due to ongoing installation of Zumwalt-class mission systems and communication systems, as well as software updates and availability of auxiliary equipment due to ongoing maintenance.

Despite the test limitations, FARM testing provided valuable insight into how integrated systems and software respond to non-standard operating environments that can result from battle damage.

## **PERFORMANCE**

### **EFFECTIVENESS**

Not enough data are yet available to provide a preliminary assessment of DDG 1000 operational effectiveness. The AAW live missile events conducted on the DDG 1000 and previously on the Self Defense Test Ship highlighted performance limitations that may restrict operational effectiveness in the AAW mission. Final assessment of Zumwalt-class offensive surface strike effectiveness will be reported in a classified report following the completion of the live missile events in FY27. DOT&E issued an Early Fielding Report in November 2022 due to the Navy's deployment of USS Zumwalt in 4QFY22.

### **SUITABILITY**

Not enough data are yet available to provide a preliminary assessment of Zumwalt-class operational suitability.

### **SURVIVABILITY**

Due to vulnerability and recoverability M&S not yet being validated or reflecting the ship as-built, data are insufficient to assess Zumwalt-class survivability against threat weapons. Further, no data are yet available to assess DDG 1000 in a cyber-contested environment.

FARM testing aboard DDG 1001 identified equipment responses that were previously unknown. The Navy will evaluate potential changes as part of class modernization and sustainment.

## **RECOMMENDATIONS**

The Navy should:

1. Complete IOT&E [Initial Operational Test and Evaluation] in accordance with the DOT&E-approved test plan.
2. Complete revision of the TEMP that includes an adequate test strategy for the delivered OASuW capability.
3. Complete development and validate the combat system M&S test bed, to include debris, missile, radar, and electronic warfare models.
4. Document the risk to the warfighter associated with incomplete component shock qualification and lack of full-ship shock trial prior to deployment.
5. Work with DOT&E to develop an updated LFT&E strategy in FY23 to evaluate the as-built survivability of the DDG 1000 class with the next TEMP update, including updated survivability M&S and remaining shipboard testing.
6. Sufficiently fund modernization and sustainment of the DDG 1000 class to include improvements determined from FARM testing.<sup>41</sup>

## **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.<sup>42</sup>

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.<sup>43</sup> 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

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<sup>41</sup> Department of Defense, Director, Operational Test and Evaluation, *FY2022 Annual Report*, January 2023, pp. 173-174.

<sup>42</sup> 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.

<sup>43</sup> 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.

acquisition unit cost (PAUC)—one of two measures used under the Nunn-McCurdy provision for measuring cost growth<sup>44</sup>—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.<sup>45</sup> 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.
- 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.<sup>46</sup>

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

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<sup>44</sup> 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.

<sup>45</sup> 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.

<sup>46</sup> 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.

the cost to integrate the dual-band radar into the Navy's new Gerald R. Ford (CVN-78) class aircraft carriers.<sup>47</sup> 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."<sup>48</sup>

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.)

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.<sup>49</sup>

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<sup>47</sup> Source: Undated Navy information paper on CVN-78 cost issues, provided by Navy Office of Legislative Affairs to CRS on March 19, 2012.

<sup>48</sup> Cid Standifer, "Volume Radar Contracted For DDG-1000 Could Be Shifted To CVN-79," *Inside the Navy*, July 26, 2010. See also Joseph Trevithick and Tyler Rogoway, "Navy's Troubled Stealth Destroyers May Have Radars Replaced Before Ever Sailing On A Mission," *The Drive*, October 15, 2020.

<sup>49</sup> Christopher J. Castelli, "Pentagon Approves Key Milestone For Multibillion-Dollar Destroyer," *Inside the Navy*, November 22, 2010.



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