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

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Summary

The Navy began procuring Arleigh Burke (DDG-51) class destroyers, also known as Aegis destroyers, in FY1985, and a total of 82 have been procured through FY2019. The Navy's proposed FY2020 budget requests funding for the procurement of three more DDG-51s, which would be the 83rd, 84th, and 85th ships in the class.

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

The Navy procured DDG-51s from FY1985 through FY2005, and resumed procuring them in FY2010. In FY2007-FY2009, during the time when the Navy was not procuring DDG-51s, the Navy procured three Zumwalt (DDG-1000) class destroyers. The Navy plans no further procurement of DDG-1000s. The Navy's proposed FY2020 budget requests \$155.9 million in procurement funding to help complete the total procurement cost of the three DDG-1000 class ships.

The Navy estimates the combined procurement cost of the three DDG-51s requested for procurement in FY2020 at \$5,463.0 million, or an average of \$1,821.0 million each. The ships have received \$363.7 million in prior-year Economic Order Quantity (EOQ) advance procurement (AP) funding (i.e., funding for up-front batch orders of components of DDG-51s to be procured under the FY2018-FY2022 MYP contract). The Navy's proposed FY2020 budget requests the remaining \$5,099.3 million in procurement funding needed to complete the estimated procurement cost of the three DDG-51s, as well as \$224.0 million in EOQ funding for DDG-51s to be procured in FY2021 and FY2022, bringing the total amount requested for the DDG-51 program for FY2020 to \$5,323.3 million, excluding outfitting and post-delivery costs.

The Navy wants to procure the first ship of a new class of large surface combatants in FY2025. Under the Navy's plan, FY2025 would be the final year of DDG-51 procurement.

Issues for Congress for FY2019 for the DDG-51 and DDG-1000 destroyer programs include the following:

- whether to approve, reject, or modify the Navy's FY2020 funding requests for the DDG-51 and DDG-1000 programs;
- cost, schedule, and technical risk in the Flight III DDG-51 effort; and
- the Navy's plan to shift the mission orientation of the DDG-1000s from an emphasis on naval surface fire support (NSFS) to an emphasis on surface strike.

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Introduction

This report presents background information and potential oversight issues for Congress on the Navy's Arleigh Burke (DDG-51) and Zumwalt (DDG-1000) class destroyer programs. The Navy's proposed FY2020 budget requests funding for the procurement of three DDG-51s. Decisions that Congress makes concerning destroyer procurement could substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

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

Background

Navy's Force of Large Surface Combatants (LSCs)

LSC Definition

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

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

LSC Force Levels

In December 2016, the Navy released a goal to achieve and maintain a Navy of 355 ships, including 104 LSCs. At the end of FY2018, the Navy's force of LSCs totaled 88 ships, including 22 Ticonderoga (CG-47) class cruisers³ and 66 Arleigh Burke (DDG-51) class destroyers. Under the Navy's FY2020 30-year (FY2020-FY2049) shipbuilding plan, the Navy is to achieve a force of 104 large surface combatants by FY2029.⁴

¹ See also CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke, and CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.

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

³ A total of 27 CG-47s were procured for the Navy between FY1978 and FY1988; the ships entered service between 1983 and 1994. The first five, which were built to an earlier technical standard, were judged by the Navy to be too expensive to modernize and were removed from service in 2004-2005.

⁴ For additional information, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke

DDG-51 Program

Overview

The DDG-51 program was initiated in the late 1970s.⁵ The DDG-51 (**Figure 1**) is a multi-mission destroyer with an emphasis on air defense (which the Navy refers to as anti-air warfare, or AAW) and blue-water (mid-ocean) operations.

Figure 1. DDG-51 Class Destroyer



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

DDG-51s, like the Navy's 22 Ticonderoga (CG-47) class cruisers, are equipped with the Aegis combat system, an integrated ship combat system named for the mythological shield that defended Zeus. CG-47s and DDG-51s consequently are often referred to as Aegis cruisers and Aegis destroyers, respectively, or collectively as Aegis ships. The Aegis system has been updated several times over the years. Existing DDG-51s (and also some CG-47s) are being modified to receive an additional capability for ballistic missile defense (BMD) operations.⁶

The first DDG-51 was procured in FY1985 and entered service in 1991. A total of 82 have been procured through FY2018, including 62 in FY1985-FY2005 and 20 in FY2010-FY2019. (In FY2007-FY2009, during the time when the Navy was not procuring DDG-51s, the Navy

⁵ 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.

⁶ The modification for BMD operations includes, among other things, the addition of a new software program for the Aegis combat system and the arming of the ship with the SM-3, a version of the Navy's Standard Missile that is designed for BMD operations. For more on Navy BMD programs, CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O'Rourke.

procured three Zumwalt (DDG-1000) class destroyers, which are discussed below.) With a total of 82 ships funded through FY2019, the DDG-51 program is, in terms of number of hulls, one of the largest Navy shipbuilding programs since World War II.

Design Changes

The DDG-51 design has been modified over time. The first 28 DDG-51s (i.e., DDGs 51 through 78) are called Flight I/II DDG-51s. In FY1994, the Navy shifted DDG-51 procurement to the Flight IIA DDG-51 design, which incorporated a significant design change that included, among other things, the addition of a helicopter hangar. A total of 47 Flight IIA DDG-51s (i.e., DDG-79 through DDG-124, plus DDG-127)⁷ were procured through FY2016.

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

Multiyear Procurement (MYP)

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

Shipbuilders, Combat System Lead, and Radar Makers

DDG-51s are built by General Dynamics/Bath Iron Works (GD/BIW) of Bath, ME, and Huntington Ingalls Industries/Ingalls Shipbuilding (HII/Ingalls) of Pascagoula, MS. Lockheed is the lead contractor for the Aegis system installed on all DDG-51s. The SPY-1 radar—the primary radar for the Aegis system on Flight I/II and Flight IIA DDG-51s—is made by Lockheed. The AMDR—the primary radar for the Aegis system on Flight III DDG-51s—is made by Raytheon.

Modernization and Service Life Extension

The Navy is modernizing its existing DDG-51s (and its CG-47s) so as to maintain their mission and cost-effectiveness out to the end of their projected service lives. In April 2018, the Navy announced that it wants to extend the service lives of all DDG-51s to 45 years—an increase of 5 or 10 years over previous plans to operate DDG-51s to age 35 or 40. Doing this, the Navy has said, will permit the Navy to achieve a total of 355 ships by 2034, or about 20 years earlier than under the FY2019 budget submission, although the 355-ship fleet of the 2030s would have more destroyers and fewer ships of other kinds (including attack submarines and aircraft carriers) than called for in the 355-ship force-level goal.

Older CRS reports provide additional historical and background information on the DDG-51 program.⁸

⁷ The hull-number discontinuity regarding DDG-127 is an administrative consequence of the ship having been funded as a Congressional addition to the Navy's proposed FY2016 shipbuilding request.

⁸ See CRS Report 94-343, *Navy DDG-51 Destroyer Procurement Rate: Issues and Options for Congress*, by Ronald

DDG-1000 Program

In FY2007-FY2009, during the time when the Navy was not procuring DDG-51s, the Navy procured three Zumwalt (DDG-1000) class destroyers. The Navy plans no further procurement of DDG-1000s. The Navy's proposed FY2020 budget requests \$155.9 million in procurement funding to help complete the total procurement cost of the three DDG-1000 class ships.

The DDG-1000 is a multi-mission destroyer with an originally intended emphasis on naval surface fire support (NSFS) and operations in littoral (i.e., near-shore) waters. Consistent with that mission orientation, the ship was designed with two new-design 155mm guns called Advanced Gun Systems (AGSs). The AGSs were to fire a new 155mm, gun-launched, rocket-assisted guided projectile called the Long-Range Land-Attack Projectile (LRLAP, pronounced LUR-lap). DDG-1000s are designed carry 600 LRLAP rounds (300 for each gun), and to have additional LRLAP rounds brought aboard the ship while the guns are firing, which would create what Navy officials called an "infinite magazine." 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 \$800,000.⁹ The Navy began exploring options for procuring a less expensive (and less capable) replacement munition for the AGSs.

The Navy to date has not announced a replacement munition for the AGSs.¹⁰ In the meantime, it was reported in December 2017 that, due to shifts in the international security environment and resulting shifts in Navy mission needs, the mission orientation of the DDG-1000s will be shifted from an emphasis on NSFS to an emphasis on surface strike, meaning the use of missiles to attack surface ships and perhaps also land targets.¹¹

Under this new plan, the mix of missiles carried in the 80 vertical launch system (VLS) tubes of each DDG-1000 may now feature a stronger emphasis on anti-ship and land-attack cruise missiles. The two AGSs on each DDG-1000 will, for the time being at least, remain for the most part dormant, pending a final decision on whether to procure a replacement munition for the AGSs (which would require modifying the AGSs and their below-deck munition-handling equipment, since both were designed specifically for LRLAP), or instead pursue another option, such as removing the AGSs and their below-deck equipment and replacing them with additional VLS tubes.

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

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

⁹ 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.

¹⁰ See Sam LaGrone, "No New Round Planned For Zumwalt Destroyer Gun System; Navy Monitoring Industry," *USNI News*, January 11, 2018; Richard Abott, "Navy Still Has No Plans For DDG-1000 Gun Ammo," *Defense Daily*, January 12, 2018: 1-2.

¹¹ Megan Eckstein, "New Requirements for DDG-1000 Focus on Surface Strike," *USNI News*, December 4, 2017. See also Richard Abott, "Navy Will Focus Zumwalt On Offensive Surface Strike," *Defense Daily*, December 5, 2017; David B. Larter, "The Navy's Stealth Destroyers to Get New Weapons and a New Mission: Killing Ships," *Defense News*, February 15, 2018.

Surface Combatant Construction Industrial Base

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

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

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

FY2020 Funding Request

The Navy estimates the combined procurement cost of the three DDG-51s requested for procurement in FY2020 at \$5,463.0 million, or an average of \$1,821.0 million each. The ships have received \$363.7 million in prior-year Economic Order Quantity (EOQ) advance procurement (AP) funding (i.e., funding for up-front batch orders of components of DDG-51s to be procured under the FY2018-FY2022 MYP contract). The Navy's proposed FY2020 budget requests the remaining \$5,099.3 million in procurement funding needed to complete the estimated procurement cost of the three DDG-51s, as well as \$224.0 million in EOQ funding for DDG-51s to be procured in FY2021 and FY2022, bringing the total amount requested for the DDG-51 program for FY2020 to \$5,323.3 million, excluding outfitting and post-delivery costs.

The Navy's proposed FY2020 budget also requests \$155.9 million in procurement funding to help complete the total procurement cost of the three DDG-1000 class ships.

Issues for Congress

FY2020 Funding Request

One issue for Congress for FY2020 is whether to approve, reject, or modify the Navy's FY2020 funding requests for the DDG-51 and DDG-1000 programs. In considering this issue, Congress may consider, among other things, whether the Navy has accurately priced the work it is proposing to fund for FY2020.

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

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

October 2018 CBO Report

An October 2018 Congressional Budget Office (CBO) report on the cost of the Navy's shipbuilding programs stated the following about the Flight III DDG-51:

To meet combatant commanders' goal of improving future ballistic missile defense capabilities beyond those provided by existing DDG-51s—and to replace 15 Ticonderoga class cruisers when they are retired in the 2020s—the Navy plans to substantially modify the design of the DDG-51 Flight IIA destroyer to create a Flight III configuration. That modification would incorporate the new Air and Missile Defense Radar (AMDR), now under development, which will be larger and more capable than the radar on current DDG-51s. For the AMDR to operate effectively in the new Flight III configuration, however, the ships must have a greater capacity to generate electrical power and cool major systems.

With those improvements incorporated into the design of the Flight III and the associated increases in the ships' displacement, CBO expects that the average cost per ship over the entire production run would be \$1.8 billion in 2018 dollars—about 15 percent more than the Navy's estimate of \$1.6 billion. Costs could be higher or lower than CBO's estimate, however, depending on the eventual cost and complexity of the AMDR and the associated changes to the ship's design to integrate the new radar.¹²

April 2018 GAO Report

An April 2018 Government Accountability Office (GAO) report assessing selected DOD acquisition programs stated the following in its assessment of the Flight III DDG-51:

Current Status

The Navy continues to undertake Flight III detail design activities, which have included extensive changes to the ship's hull, mechanical, and electrical systems to incorporate the SPY-6 radar and restore weight and stability safety margins within the ship. Both Flight III shipbuilders completed zone design activities—three-dimensional modeling of the individual areas within the ship—by December 2017, before the start of lead ship construction. All four of Flight III's critical technologies are mature and undergoing testing. To help reduce technical risk, the Navy plans to field all but one of the critical technologies—the SPY-6 radar—on other ship classes before integration with Flight III.

A draft Test and Evaluation Master Plan for Flight III is under review within DOD. The Director, Operational Test and Evaluation (DOT&E) and the Navy are deliberating whether Flight III initial operational test and evaluation will include the use of a self-defense test ship equipped with the Aegis combat system and SPY-6 radar. The Navy currently does not plan to provide funding for this modified self-defense test ship, contending there are other means to validate performance. However, DOT&E reports that it will not be able to fully determine Flight III's defensive capabilities without it.

In June and September 2017, the Navy modified existing Flight IIA multiyear procurement contracts—contracts that allow the Navy to procure multiple years' worth of ships on a single contract action—to include construction of the first two Flight III ships, with the Flight III configuration upgrades incorporated. Huntington Ingalls plans to begin construction of DDG 125 in May 2018; Bath Iron Works will begin DDG 126 in April

¹² Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2019 Shipbuilding Plan*, October 2018, p. 22.

2019. For later Flight III ships, Congress has authorized the Navy to enter into multiyear procurement contracts for up to 15 additional ships.

Program Office Comments

We provided a draft of this assessment to the program office for review and comment. The program office provided technical comments, which we incorporated where appropriate. Navy officials noted the DDG 51 program has successfully delivered 65 ships since program inception in 1985 and made awards for 77 ships to date. They said that Flight III design efforts are stable and on track, with planned completion prior to Flight III construction.¹³

Regarding the AMDR specifically, the report stated the following:

Technology Maturity

The program assessed AMDR's four critical technologies as mature. Although the program has continued to further demonstrate the AN/SPY-6(V)1 system's performance and capabilities, as indicated by our attainment of production knowledge section, we believe that the program cannot demonstrate the full maturity of critical technologies until they are tested in their realistic, at-sea environment.

As part of radar development, the contractor built a full-scale, single-face radar array, which the Navy has used extensively for developmental testing. This production-representative array is undergoing live ballistic missile defense and anti-air and anti-surface warfare testing through mid-2018 at the Navy's Pacific Missile Range Facility. In April 2019, the Navy plans to integrate the array and an initial version of the Aegis combat system—which integrates ship sensors and weapon systems to engage threats—planned for DDG 51 Flight III at a land-based test site to support further testing. However, the Navy will not test the full integrated radar and Aegis combat system until both are installed on the lead ship, sometime in 2022.

In spring 2017, AMDR completed software development to support core AN/SPY-6(V)1 capabilities prior to entering production. Remaining software development includes software updates—occurring through 2020—that are intended to enhance radar defense capabilities and integrate the radar with the combat system.

Design Stability and Production Readiness

AMDR entered low-rate initial production for three AN/SPY-6(V)1 radars in May 2017—4 months ahead of schedule—with core system hardware and software complete, a stable design, and production capabilities that meet DOD guidelines, but which fall short of industry best practices. Program officials stated AMDR also realized an overall reduction in procurement cost from the original independent cost estimate due to a better understanding of ownership, production, and material costs realized during development.

The AMDR program office plans to procure more than two-thirds of the total radars prior to operational testing completion. The Navy deliberately planned for AMDR to begin production prior to the start of Aegis upgrade software development, a prerequisite for operational testing, to allow time for key radar technologies to mature and for the design to stabilize, minimizing the risk of beginning combat system development with insufficient radar knowledge. However, the concurrency between AMDR's schedule for Aegis combat system integration, land- and sea-based testing, and production dictates that the Navy will need to address any deficiencies yet to be identified for radar integration with the Aegis upgrade after production is underway or complete for many of the radars. Any retrofitting needed to address these deficiencies could increase costs.

¹³ Government Accountability Office, *Weapon Systems Annual Assessment[:] Knowledge Gaps Pose Risks to Sustaining Recent Positive Trends*, GAO-18-360SP, April 2018, p. 114.

Other Program Issues

AMDR entered production without an approved Test and Evaluation Master Plan. DOD's Director, Operational Test and Evaluation (DOT&E) has expressed concern for several years that the Navy's proposed test approach cannot provide for realistic operational conditions without including the use of an unmanned self-defense test ship equipped with AN/SPY-6(V)1 and Aegis. In 2016, the Deputy Secretary of Defense directed the Navy to include funding for such a test ship in its budget planning. However, in December 2017, program officials stated that the Navy does not plan to request funds for the test ship. Instead, the Navy expects to complete initial operational test and evaluation for DDG 51 Flight III, AN/SPY-6(V)1, and Aegis upgrade through a segmented test approach that includes land-based tests, tests on a manned Flight III ship, and models and simulation. DOT&E reaffirmed to us in late 2017 that for initial operational test and evaluation, the only way to adequately demonstrate the required self-defense capability for Flight III is to test AN/SPY-6(V)1 and Aegis aboard an unmanned test ship.

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 also stated that AMDR is executing on schedule, within budget, and remains on schedule for delivery to the DDG 51 Flight III program. It also said that the current developmental test phase, which began at Pacific Missile Range Facility in August 2016, included live testing to demonstrate surface warfare and integrated air and missile defense capabilities. According to the program office, the combat systems integration test event completed in May 2017 led to lessons learned for both the radar and combat system that will enable improvements in interfaces. The program office also said that modeling indicates the ability to support the needs of the Aegis operational requirements for Flight III.

Additionally, the program office reiterated its position that the required self-defense capability for Flight III can be demonstrated without the use of a AN/SPY-6(V)1 and Aegis equipped unmanned test ship through a combination of land- and sea-based testing on the first Flight III ship and simulation of previous test data.¹⁴

Change in DDG-1000 Mission Orientation

Another potential oversight issue for Congress for FY2019 concerns the Navy's plan to shift the mission orientation of the DDG-1000s from an emphasis on NSFS to an emphasis on surface strike. Potential oversight questions for Congress include the following:

- What is the Navy's analytical basis for shifting the ships' mission orientation?
- What are the potential costs of implementing this shift? How much of these costs are in the Navy's FY2019 budget submission?
- How cost-effective will it be to operate and support DDG-1000s as ships with an emphasis on surface strike?
- When does the Navy plan to decide on whether to procure a replacement munition for the ships' AGSs, or instead pursue another option, such as removing the AGSs and their below-deck equipment and installing additional VLS tubes? What would be the cost of the latter option, and how many additional VLS tubes could be installed?

¹⁴ Government Accountability Office, *Weapon Systems Annual Assessment[:] Knowledge Gaps Pose Risks to Sustaining Recent Positive Trends*, GAO-18-360SP, April 2018, p. 81.

- If the ships will operate with their AGSs for the most part dormant, to what degree will that reduce the return on investment (ROI) involved in developing, procuring, operating, and sporting the DDG-1000s?

Legislative Activity for FY2020

Summary of Congressional Action on FY2020 Funding Request

Table 1 summarizes congressional action on the Navy’s FY2020 procurement funding requests for the DDG-51 and DDG-1000 programs.

Table 1. Congressional Action on FY2020 Funding Request

Millions of dollars, rounded to nearest tenth

	Request	Authorization			Appropriation		
		HASC	SASC	Conf.	HAC	SAC	Conf.
DDG-51 program	5,323.3						
DDG-1000 program	155.9						

Source: Table prepared by CRS based on Navy’s FY2020 budget submission, committee and conference reports, and explanatory statements on FY2019 National Defense Authorization Act and FY2020 DOD Appropriations Act.

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

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.¹⁵ The DDG-1000 (**Figure A-1**) is a multi-mission destroyer with an originally intended emphasis on naval surface fire support (NSFS) and operations in littoral (i.e., near-shore) waters. (NSFS is the use of naval guns to provide fire support for friendly forces operating ashore.)

Figure A-1. DDG-1000 Class Destroyer



Source: U.S. Navy photo I51207-N-ZZ999-435, posted December 8, 2015, with a caption that reads in part: “The future USS Zumwalt (DDG 1000) is underway for the first time conducting at-sea tests and trials in the Atlantic Ocean Dec. 7, 2015.”

The DDG-1000 was originally intended to replace, in a technologically more modern form, the large-caliber naval gun fire capability that the Navy lost when it retired its Iowa-class battleships in the early 1990s,¹⁶ to improve the Navy’s general capabilities for operating in defended littoral

¹⁵ The program was originally designated DD-21, which meant destroyer for the 21st century. In November 2001, the program was restructured and renamed DD(X), meaning a destroyer whose design was in development. In April 2006, the program’s name was changed again, to DDG-1000, meaning a guided missile destroyer with the hull number 1000.

¹⁶ The Navy in the 1980s reactivated and modernized four Iowa (BB-61) class battleships that were originally built during World War II. The ships reentered service between 1982 and 1988 and were removed from service between 1990 and 1992.

waters, and to introduce several new technologies that would be available for use on future Navy ships. The DDG-1000 was also intended to serve as the basis for a planned cruiser called CG(X) that was subsequently canceled.¹⁷

The DDG-1000 is to have a reduced-size crew of 175 sailors (147 to operate the ship, plus a 28-person aviation detachment), compared to roughly 300 on the Navy's Aegis destroyers and cruisers, so as to reduce its operating and support (O&S) costs. The ship incorporates a significant number of new technologies, including an integrated electric-drive propulsion system¹⁸ and automation technologies enabling its reduced-sized crew.

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

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

The first DDG-1000 was commissioned into service on October 15, 2016, although its delivery date was revised in the Navy's FY2018 budget submission to May 2018, and revised further in the Navy's FY2019 budget submission to December 2018, creating an unusual situation in which a ship was commissioned into service more than two years prior to its delivery date. The delivery dates for the second and third ships were revised in the Navy's FY2018 budget submission to May 2020 and December 2021, respectively, and were revised further in the Navy's FY2019 budget submission to September 2020 and September 2022, respectively.¹⁹

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:²⁰

¹⁷ For more on the CG(X) program, see CRS Report RL34179, *Navy CG(X) Cruiser Program: Background for Congress*, by Ronald O'Rourke.

¹⁸ 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.

¹⁹ 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.

²⁰ The DD-21 program was part of a Navy surface combatant acquisition effort begun in the mid-1990s and called the SC-21 (Surface Combatant for the 21st Century) program. The SC-21 program envisaged a new destroyer called DD-21 and a new cruiser called CG-21. When the Navy announced the Future Surface Combatant Program in 2001, development work on the DD-21 had been underway for several years, while the start of development work on the CG-

- a **destroyer called DD(X)** for the precision long-range strike and naval gunfire mission;
- a **cruiser called CG(X)** for the air defense and ballistic missile mission; and
- a **smaller combatant called the Littoral Combat Ship (LCS)** to counter submarines, small surface attack craft (also called “swarm boats”), and mines in heavily contested littoral (near-shore) areas.²¹

On April 7, 2006, the Navy announced that it had redesignated the DD(X) program as the DDG-1000 program. The Navy also confirmed in that announcement that the first ship in the class, DDG-1000, is to be named the *Zumwalt*, in honor of Admiral Elmo R. Zumwalt, the Chief of Naval operations from 1970 to 1974. The decision to name the first ship after Zumwalt was made by the Clinton Administration in July 2000, when the program was still called the DD-21 program.²²

New Technologies

The DDG-1000 incorporates a significant number of new technologies, including a wave-piercing, tumblehome hull design for reduced detectability,²³ a superstructure made partly of large sections of composite (i.e., fiberglass-like) materials rather than steel or aluminum, an integrated electric-drive propulsion system,²⁴ a total-ship computing system for moving information about the ship, automation technologies enabling its reduced-sized crew, a dual-band radar, a new kind of vertical launch system (VLS) for storing and firing missiles, and two copies of a new 155mm gun called the Advanced Gun System (AGS).

Shipbuilders and Combat System Prime Contractor

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

Under a DDG-1000 acquisition strategy approved by the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD AT&L) on February 24, 2004, the first DDG-1000 was to have been built by HII/Ingalls, the second ship was to have been built by GD/BIW, and contracts for building the first six were to have been equally divided between HII/Ingalls²⁵ and GD/BIW.

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).

²¹ 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.

²² For more on Navy ship names, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O’Rourke.

²³ 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.

²⁴ 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.

²⁵ 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.²⁶

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

²⁶ Christopher P. Cavas, “Will Bath Build Second DDG 1000?” *Defense News*, January 12, 2009: 1, 6.

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

Reduction in Procurement to Three Ships

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

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

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

In retrospect, the Navy's 2008 reversal in its destroyer procurement plans can be viewed as an early indication of the ending of the post-Cold War era (during which the Navy focused its planning on operating in littoral waters against the land- and sea-based forces of countries such as Iran and North Korea) and the shift in the international security environment to a new situation featuring renewed great power competition (during which the Navy is now focusing its planning more on being able to operate in mid-ocean waters against capable naval forces from near-peer competitors such as China and Russia).²⁷

Increase in Estimated Procurement Cost

As shown in **Table A-1** below, the estimated combined procurement cost for all three DDG-1000s, as reflected in the Navy's annual budget submission, has grown by \$4,218.4 million, or 47.0%, since the FY2009 budget (i.e., the budget for the fiscal year in which the third DDG-1000 was procured).

²⁷ For additional discussion, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke, and CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

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

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

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

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

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

The Navy states that the cost growth shown through FY2015 in the table reflects, among other things, a series of incremental, year-by-year movements away from an earlier Navy cost estimate for the program, and toward a higher estimate developed by the Cost Assessment and Program Evaluation (CAPE) office within the Office of the Secretary of Defense (OSD). As one consequence of a Nunn-McCurdy cost breach experienced by the DDG-1000 program in 2010 (see discussion below), the Navy was directed to fund the DDG-1000 program to CAPE's higher cost estimate for the period FY2011-FY2015, and to the Navy's cost estimate for FY2016 and beyond. The Navy states that it implemented this directive in a year-by-year fashion with each budget submission from FY2010 through FY2015, moving incrementally closer each year through FY2015 to CAPE's higher estimate. The Navy stated in 2014 that even with the cost growth shown in the table, the DDG-1000 program as of the FY2015 budget submission was still about 3% *below* the program's rebaselined starting point for calculating any new Nunn-McCurdy cost breach on the program.²⁸

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

²⁸ Source: Navy briefing for CRS and the Congressional Budget Office (CBO) on the DDG-1000 program, April 30, 2014.

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.²⁹

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.³⁰ Since the DDG-1000 program has roughly \$9.3 billion in research and development costs, truncating the program to three ships increased to roughly \$3.1 billion the average amount of research and development costs that are included in the average acquisition cost (i.e., average research and development cost plus procurement cost) of each DDG-1000. The resulting increase in program acquisition unit cost (PAUC)—one of two measures used under the Nunn-McCurdy provision for measuring cost growth³¹—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.³² 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-

²⁹ 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.

³⁰ 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.

³¹ 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.

³² 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.

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.³³

Regarding the figure of \$300 million net total cost savings in the above passage, the Navy during 2011 determined that eliminating the SPY-4 VSR from the DDG-1000 increased by \$54 million the cost to integrate the dual-band radar into the Navy's new Gerald R. Ford (CVN-78) class aircraft carriers.³⁴ 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."³⁵

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.

³³ 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.

³⁴ Source: Undated Navy information paper on CVN-78 cost issues, provided by Navy Office of Legislative Affairs to CRS on March 19, 2012.

³⁵ Cid Standifer, "Volume Radar Contracted For DDG-1000 Could Be Shifted To CVN-79," *Inside the Navy*, July 26, 2010.

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-1000.³⁶

Technical Risk and Test and Evaluation Issues

April 2018 GAO Report

An April 2018 GAO report assessing selected major DOD weapon acquisition programs stated the following of the DDG-1000 program:

Technology Maturity and Design Stability

Several DDG 1000 critical technologies continue to approach maturity, although the program reports it has released 100 percent of its basic and functional design work, which the program office considers a stable design. As the program continues to mature each technology into a final form, fit, and function, the program may need to revise its basic and functional design to accommodate necessary changes, which could compromise the program’s design stability.

To date the Navy has fully matured 5 of 12 critical technologies with plans to demonstrate most of the remaining technologies during post-delivery availability and combat systems activation. In November 2016, program officials reported that the Navy canceled its planned acquisition of the long-range land-attack projectile—a critical technology—due to the munition’s high cost per round. DDG 1000 destroyers planned to rely on these munitions for precision fires and offensive operations. The Navy evaluated 5 other munition options but none could meet DDG 1000’s requirements. Consequently, the Navy has decided not to pursue a replacement munition, guided or unguided, in the near term—

³⁶ Christopher J. Castelli, “Pentagon Approves Key Milestone For Multibillion-Dollar Destroyer,” *Inside the Navy*, November 22, 2010.

effectively rendering the gun systems useless for combat operations in the foreseeable future.

The planned date for completion of software development for the class has slipped to September 2018, a 9-month slip since last year, due to delays in starting combat system activation trials. These trials will mark the first time that DDG 1000's total ship computing environment, including software, is integrated with system-representative hardware.

The DDG 1000 design was not stable at lead ship fabrication start in 2009—an approach inconsistent with best practices—although the Navy and its shipbuilders reported otherwise at the time. Ongoing development and shipboard testing of technologies have resulted in design changes that have led to significant schedule delays and cost increases.

Production Readiness

The HM&E systems for all three ships of the class have been delivered or are approaching completion. Delivery of the lead ship's HM&E was 18 months behind schedule due in part to challenges completing electrical work associated with the lead ship's power system, a critical technology which provides energy to DDG 1000's propulsion and combat systems simultaneously.

When the lead ship's HM&E was delivered in May 2016, the Navy identified over 320 serious deficiencies that could impact ship operation or safety. Program officials noted the lead ship will not complete final contract trials, foregoing an opportunity to identify and mitigate technical and design deficiencies prior to completing construction of the remaining two ships. As of October 2017, the two remaining ships in the class were 97 and 67 percent complete, with HM&E delivery expected in March 2018 and March 2020, respectively.

Other Program Issues

The Chief of Naval Operations (CNO) recently approved a change in DDG 1000's primary focus from land attack to offensive surface strike. Following a decision to cancel procurement of the long-range land attack projectile, the Navy developed seven courses of action that include, among other things, outlining new missions and associated modifications for the ship. Upon completing these efforts, the Navy, in a January 2018 decision memorandum, changed the ship's mission and, among other things, tasked the program office with examining the cost and schedule implications of removing the gun systems and replacing them with additional launch cells, in addition to providing a summary of requirements to restart DDG 1000 production beyond the three current ships. The DDG 1000's current baseline does not yet reflect the changes resulting from the CNO's decision. Any changes to the baseline may further delay the program's schedule. Since last year, delays in the start of combat system activation and integrating new capability have resulted in an additional 1-year delay to the lead ship's initial operational capability date. Mission change notwithstanding, DDG 1000 will not be ready to deploy until 2021—5 years after the Navy accepted delivery of the HM&E systems.

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, as the lead ship in the Zumwalt class, DDG 1000 has experienced technical and producibility challenges not uncommon to first-of-class ships. It also stated that lessons learned from the lead ship are being applied to follow-on ships, as evidenced by reductions in DDG 1001 and DDG 1002 production labor hours. DDG 1001 completed acceptance trials in February 2018, and according to the program, demonstrated a sharp reduction in deficiencies as compared to the lead ship. The program anticipates preliminary acceptance of DDG 1001 in March 2018 followed by combat system activation in the ship's San Diego homeport later this year. Additionally, the program stated that DDG

1002 construction is 74 percent complete. The program said that in November 2017, after a review of mission requirements, Navy leadership refocused the primary mission of the Zumwalt class on lethal, offensive fires against targets afloat and ashore. The program stated that the Navy's fiscal year 2019 budget request supports this change.³⁷

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³⁷ Government Accountability Office, *Weapon Systems Annual Assessment[:] Knowledge Gaps Pose Risks to Sustaining Recent Positive Trends*, GAO-18-360SP, April 2018, p. 87.

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