



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

JUL 17 2008

The Honorable Edward M. Kennedy
United States Senate
Washington, DC 20510

Dear Senator Kennedy,

During my testimony before the Senate Armed Services Committee, I was asked several questions about the estimated costs of the Navy's DDG 1000 program as compared to the estimated costs for continuing the DDG 51 program. I would like to offer to you my views on this subject.

There are two cases to consider for acquisition costs relative to the President's FY 2009 budget. The first case maintains the DDG 1000 program of record and restarts procuring additional DDG 51 ships beginning in FY 2009 and continuing for a few years. The last purchase of DDG 51 ships was in 2005 as part of a multi-year contract. The additional DDG 51 ships would be repeats of the latest production versions of the DDG 51 class. In this case the costs for one and two additional DDG 51 ships in FY 2009 are provided in the table below. The second case stops building DDG 1000 ships after the two lead ships, so there would be no FY 2009 DDG 1000 procurement. Instead, one or two DDG 51 ships would be procured. Again, it is essential to recognize that these numbers assume continuing DDG 51 procurement in all future years at quantities which are adequate to sustain the destroyer production industrial base. The Navy would likely see significant premiums added to the following prices if only one or two FY 2009 DDG 51's were purchased or if future DDG 51 production continued with quantities below minimum sustaining rates. The following table summarizes the costs for these two acquisition cost cases:

FY 2009 \$B	DDG 1000	DDG 51	DDG 51
Case 1			
Quantity	1	+1	+2
Cost	\$2.7	+\$2.1	+\$3.3
Case 2			
Quantity	-1	+1	+2
Cost	-\$2.7	+\$2.2	+\$3.5 to +\$3.6



It is important to recognize the following about these cost estimates:

- There would not be sufficient funding to procure two additional DDG 51 ships in FY 2009 at a cost less than or equal to one DDG 1000 ship.
- These estimates assume a smooth, problem-free restart of DDG 51 production and the Defense Department already has indications that a smooth restart may not be possible because of lost production sources or production experience.
- A single DDG 51 class ship in FY 2009, with no other DDG 51 ships to follow, would not support the current surface combatant industrial base, unless DDG 1000 production is continued consistent with the current Program of Record.
- Direct production hours for one DDG 1000 ship are about 2.5 times that of one additional DDG 51 ship. This validates DoD's experience that two to three DDG 51 destroyers need to be purchased annually to maintain the two yard surface combatant industrial base.
- The Navy estimates that an additional \$2.6-4.3 billion will be required to end DDG 1000 production at two ships.
- The RDT&E efforts for the DDG 1000 program must continue in order to deliver two complete ships and to support the Dual Band Radar for the CVN 21 program.

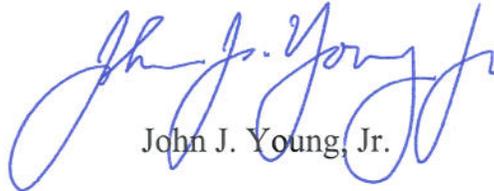
Next, I would like to address the annual Operating and Support (O&S) costs for each of the ship classes. The Department reports annual O&S costs to the Congress in the Selected Acquisition Record (SAR). The table below shows the annual O&S costs from the most recent SAR, reported as of December 2007, but the values are adjusted to FY 2005 dollars for comparison. As the table shows, there is about a \$10 million per year difference between the two classes, but this is based on estimates for the DDG 1000 ships as compared to several years of operating experience with the DDG 51 class ships.

FY 2005 \$M	DDG 1000	DDG 51
Mission Pay & Allowance	6.8	20.7
Unit Level Consumption	10.1	11.6
Intermediate Maintenance	0.7	0.7
Depot Maintenance	10.0	7.0
Contractor Support	0.0	0.9
Sustaining Support	14.2	3.0
Indirect	4.4	12.7
Other	--	--
Total (average annual O&S)	46.2	56.6

Of real importance, however, is the benefit the nation derives from these two very capable surface combatant classes. The Navy previously has completed detailed studies which demonstrate that, against certain threats, survivability is improved when a single DDG 1000 replaces a single DDG 51. Each of the DDG 1000 and DDG 51 class ships can perform effectively across a wide spectrum of naval warfare mission areas, but they also complement one another in certain specific mission applications. Here are just a few examples:

	DDG 1000	DDG 51
Naval Surface Fire Support	2 x 6in guns 70nm range	1 x 5in gun 13nm range
Anti-Submarine Warfare	Better in Littorals	Better in Open Ocean
Anti-Air Warfare	Better in Littorals	Better Area AAW
Aviation	2 helos or 1 helo plus 3 UAVs	2 helos
Mine Avoidance	Better in Littorals	Less Capable in Littorals

If you would like to discuss the DDG 1000 or other surface combatant ship acquisition programs further, please let me know.



John J. Young, Jr.