

Why GAO Did This Study

The USS *Port Royal*, one of the Navy's newest cruisers, ran aground in 2009. Although it was repaired by the Navy, it was slated for decommissioning in fiscal year 2015. Two separate mandates directed the Navy to comprehensively assess the condition of the ship before its decommissioning. This report evaluates the extent to which (1) the Navy's 2013 assessment and report to Congress addressed congressional direction; and (2) Navy's decision to decommission the *Port Royal* aligns with current information and Navy decommissioning requirements.

GAO reviewed the Navy's assessment and supporting documentation. In addition, GAO interviewed Navy personnel who performed the assessment or evaluated the results. GAO also interviewed officials from the independent organizations that reviewed the Navy's assessment and discussed the findings of their reviews. Finally, GAO interviewed Navy officials responsible for maintaining the *Port Royal* and officials involved with the decommissioning decision.

What GAO Recommends

GAO recommends the Secretary of Defense direct the Secretary of the Navy to reevaluate the decision to decommission the *Port Royal* in light of the Navy's 2013 assessment and internal and external experts' assessments subsequently provided to the Navy. The Department of Defense concurred with GAO's recommendation, and the Navy has subsequently decided to retain the *Port Royal* and place it in a phased modernization program along with several other ships.

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MILITARY CAPABILITIES

Navy Should Reevaluate Its Plan to Decommission the USS *Port Royal*

What GAO Found

The Navy's 2013 report to Congress on the *Port Royal's* material condition partially addressed congressional reporting requirements but has likely overstated modernization costs should the ship be retained in service. While the Navy acknowledges that it did not obtain an independent structural assessment as required by one of the mandates, the Navy found the condition of the ship to be comparable to other cruisers when its own technical experts assessed the ship. For example, in addressing the congressional requirements, the Navy assessed the *Port Royal's* structure and found the condition of the superstructure and interior hull to be typical of other cruisers in the class, indicating its suitability for continued use. The mandate also required that the Navy's assessments be reviewed by experts. GAO found that the Navy's assessment was reviewed by the Naval Sea Systems Command Engineering Directorate, the Navy's technical authority, and by independent boards of subject-matter experts from the Department of Defense and industry—the Board of Inspection and Survey and the American Bureau of Shipping, respectively. All three reviewers generally concurred with the assessment. Finally, the Navy's report to Congress included some combat-system modernization upgrades that are not consistent with plans for similar cruisers. Removal of these costs would reduce the total cost to repair and modernize the *Port Royal* from \$712 million to \$406 million.

On the basis of current information, the Navy's plan to decommission the *Port Royal* is not aligned with decommissioning requirements. Navy officials told GAO that, in 2011, they decided to decommission the *Port Royal* based on certain factors included in the Navy's decommissioning policy; however, the 2013 assessment revealed that the Navy's original assumptions about those factors were inaccurate. Specifically, the Navy made negative assumptions about the ship's material condition, repair and modernization costs, and the effect of the 2009 grounding. The Navy's policy on the retirement of naval vessels identifies not only material condition and life-cycle costs as key factors to be considered when determining which ships to retire, but also estimated service life and operational effectiveness. According to officials, the Navy assumed in 2011 that the *Port Royal* was in poor material condition, that the grounding had created hidden maintenance problems, and that midlife costs would be very expensive; therefore, they planned to decommission the *Port Royal* in part to avoid these modernization and other operating and maintenance costs. However, the Navy's 2013 assessment showed that the *Port Royal's* material condition is similar to other cruisers and that the grounding should have no significant effect on the ship's future maintenance needs or costs relative to other cruisers. GAO found that, in terms of its estimated service life and capabilities, the *Port Royal* has some advantages. The ship is the youngest cruiser in its class and has more service life remaining than any other cruiser. The *Port Royal* also has some key capabilities that many of the Navy's other cruisers lack, including a ballistic missile defense capability that is highly sought after by combatant commanders. Navy officials are aware of the findings of subsequent assessments, but, at the time of GAO's review, did not have plans to reevaluate their decision. Unless the Navy reevaluates its decision, it risks prematurely decommissioning a ship that could provide many additional years of service, as well as needed ballistic missile defense capability.