Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** DDG-51

1. Multiyear Procurement Description:

The DDG 51 Class acquisition provides for the rebuilding of the battle force surface combatant fleet. The proposed Multi-Year Procurement (MYP) acquisition strategy provides funding for nine ships (DDGs 117-125) between FY13-FY17. The nine ships will be awarded to Bath Iron Works (BIW) and Huntington Ingalls, Inc (formerly Northrop Grumman Ship Building (NGSB). The DDG 51 Class Program has awarded 62 ships (34 to BIW and 28 to NGSB) between 1985 and 2005. The last 34 ships awarded were Flight IIA ships. The FY98-FY01 (13 ships) and the FY02-FY05 (11 ships) ships were awarded as a MYP that produced over $1B in savings. After a 5 year production gap the DDG 51 Program was re-started in FY10 and four additional ships (DDGs 113-116) are planned for award before award of this proposed MYP. The current MYP plan is to contract for a total of nine Flight IIA ships in FY13; however, the Navy intends to introduce Flight III capability on one FY16 and two FY17 ships via ECP. Therefore, in total, the Department intends to procure six more Flight IIA ships in FY13-FY16 that provide Ballistic Missile Defense (BMD) capability. These ships will be able to track ballistic missiles of all ranges including Intercontinental Ballistic Missiles (ICBMs) and to intercept and destroy short- and medium-range ballistic missiles. These BMD equipped ships will operate with other BMD assets to provide advance warning for the defense of the nation, deployed U.S Forces, and U.S allies. One FY16 ship and two FY17 ships, in the Flight III configuration, will bring the capabilities of the Air and Missile Defense Radar to this platform.

The Navy's nine ship MYP acquisition strategy spans five years (FY13-FY17) and includes ship construction, AEGIS Weapon System (AWS) procurements, Vertical Launch System procurements, and Commercial Broadband Satellite Program. In order to achieve the savings afforded through the DDG 51 multi-year contracting strategy and avoid disruptions to Economic Order Quantity (EOQ) equipment production, the FY13 Budget Submission includes $466M of FY13 AP funding, $390M of FY14 AP, and $115M of FY15 AP (total $971M) to continue the MYP acquisition strategy through FY17 and complete Flight III design. The savings achieved through the MYP are estimated to be $1.538B compared to annual pricing. The MYP procurements represent a 8.7% savings over annual procurement prices.

2. Benefit to the Government:

a. Substantial Savings:

Savings and Cost Avoidance: A modified version of the Profit Related to Offers (PRO) concept, whereby work is allocated among the shipbuilders but competitive pressure is maintained to achieve realistic pricing, was central to the DDG 51 ship construction FY98-FY01 and FY02-FY05 MYP approach. PRO was successfully implemented on the FY 96/97 contracts as well. PRO has provided significant savings to the government. The DDG 51 Program intends to use competitive procurement for the future. The FY13-17 MYP will save the government approximately $1.538B compared to annual procurements.

b. Stability of Requirement:

The DDG 51 Class acquisition is structured to provide for timely replacement of battle force surface combatants. The Navy awarded 62 DDG 51 Class ships between 1985-2005. On January 26, 2009, OUSD(AT&L) Memorandum directed that the DDG 51 Program increase from 62 to 65 ships, with one ship in FY10 and two ships in FY11. The FY12 President's Budget Submission reflects an additional ten ships between FY12-FY17, for a total program of 75 ships. Currently the Navy has awarded 63 ships. 62 have delivered, and two are currently in production. Reductions in DDG 51 Class ship quantities during the MYP period would result in significant cancellation costs to the government, reducing or eliminating the stated potential savings.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** DDG-51

c. Stability of Funding:

The DDG 51 MYP is a critical component of the Navy's future years defense plan. The DDG 51 Class is a major surface combatant shipbuilding program and is given high priority by the Navy when allocating planned resources. The Department is committed to fund this MYP at the required level throughout the contract period.

d. Stable Configuration:

The DDG 51 Class program is technically mature. To date 65 ships have been awarded, including 37 Flight IIA ships. Of the 65 ships awarded, 61 have delivered, and four are in construction. The program has successfully implemented capability upgrades during production while continuing to maintain configuration stability. The FY02-05 MYP ships included Baseline 7 Phase I.R combat system upgrade. The Baseline 7 Phase I.R combat system was introduced on the second FY02 ship (DDG 104). A total of 10 ships with the Baseline 7 Phase I.R combat system were awarded as part of the FY02-05 MYP. The FY98-FY01 MYP consisted of 13 ships. The SPY-1D radar on the 3rd ship of the MYP (DDG 91) was successfully replaced with the SPY-1D(V). This evolutionary approach allows the program to successfully incorporate the latest technologies while sustaining configuration stability and mitigating cost and schedule risk. At contract award, the nine ships proposed in this multiyear will be of the same configuration (Flight IIA). However, it is anticipated that one FY16 and two FY17 ships will incorporate Flight III capability as an engineering change proposal to mitigate the impact of MYP pricing. The Flight III ECP will not be awarded until the Flight III Milestone Decision Authority approves the configuration. The new Flight III radar (AMDR-S) will not be part of the multi-year procurement.

The Flight III DDGs will utilize the same hull and major systems as current Flight IIA DDGs including LM 2500 propulsion gas turbines, Mk 41 Vertical Launch System, Mk 45 five inch Gun Weapon System, Mk 15 Phalanx Weapon System (CIWS), AN/SQQ-89 Undersea Warfare System and Tactical Tomahawk Weapon Control System. The principle dimensions and hull form will be unchanged from Flight IIA DDGs. The AN/SPY-1D(V) radar will be replaced with the AMDR-S radar and the ship's power and cooling systems will be upgraded to support the new radars. The deckhouse will be modified to accept the new radar arrays. The shipbuilding contracts will be fixed price incentive contracts, the same as previous DDG 51 Class ships. The overall ship design impact of these changes is estimated to be similar to those introduced on DDG 91 in FY98 as part of the FY98-FY01 MYP.

e. Realistic Cost Estimate:

Cost estimates reflect experience with AEGIS Class ships since 1978, including 27 delivered CG 47 Class ships, and 61 DDG 51 Class ships delivered through January 2012. Four additional DDG's are currently in construction.

The savings shown in these exhibits are based on historical experience, FY98-FY01 and FY02-FY05 MYP contract awards, and surveys of the Class Standard Equipment (CSE) vendors, AEGIS Weapon System, Vertical Launch System and other equipment vendors. There is a high degree of confidence the DDG 51 Class program can achieve the stated savings and procure the MYP ships within the funding identified.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** DDG-51

f. National Security:

Continued production of DDG-51 Class ships is needed to maintain the required fleet future surface combatant force level to include supporting the Ballistic Missile Defense mission. These BMD equipped ships will operate with other BMD assets to provide advance warning for the defense of the nation, deployed U.S Forces, and U.S allies vital to national security.

3. Source of Savings:

INFLATION - A comparison of constant FY13 and then year dollar estimates indicates savings attributed to inflation of $46M. This represents 3% of the total MYP savings.

VENDOR PROCUREMENT/SUBCONTRACTING – The MYP permits economic order quantity procurement, which reduces the cost of material and subcontractor effort by $152M. This represents 10% of the total MYP savings. The long-term commitment offered by the MYP stabilizes the shipbuilder and GFE industrial base resulting in:

- Stable employment levels and retention of skilled labor
- Less disruption on vendor delivery schedules; and
- Enhanced viability of the shipyards as well as other providers.

MANUFACTURING – The MYP allows continuous, stable construction of nine ships and related combat system components. Savings of $810M result from greater shipyard and vendor efficiency, improved employment stability, and improved overhead planning and capitalization. This represents 53% of the total MYP savings.

ENGINEERING - Savings of $530M are achieved through more efficient pre-production planning at the shipyard, vendor facilities, and Navy warfare centers. The MYP creates a known future workload that allows for more efficient planning minimizing perturbations in schedule impacts across the program. This multiyear allocation of nine ships is more cost effective than conducting separate annual procurements for the same number of ships. This represents 34% of the total MYP savings.

	$ in Millions
Inflation	$46.000
Vendor Procurement	$152.000
Manufacturing	$810.000
Design/Engineering	$530.000
Tool Design	$0.000
Support Equipment	$0.000
Other	$0.000
Workload Savings	$0.000
Total	**$1,538.000**

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** DDG-51

4. Advantages of the MYP:

The overall savings are achieved through lower hardware and engineering costs. Lower hardware costs result from economic order quantity procurements of shipbuilder material and major equipment; improved production efficiencies, as well as reduced production man-hours and overhead costs. Engineering hours reductions are achieved through industrial base stability resulting from known workload at contractor facilities and Navy Field Activities.

5. Impact on Defense Industrial Base:

IMPROVED COMPETITION

The Navy intends to use a competitive acquisition strategy for the FY13-FY17 MYP to ensure affordable costs and reasonable profits to the vendors.

ENHANCED INVESTMENT

The FY13-FY17 MYP provides a firm, stable business base to facilitate production planning at DDG 51 Class shipbuilders, GFE vendors and second and third tier vendors. DDG 51 shipbuilders and GFE vendors have achieved significant productivity improvements during DDG 51 production. The FY13-FY17 MYP contracts provide sufficient stability to justify capital investment needed to continue productivity improvements at both yards. Material cost savings are also achieved by expanded use of economic order quantity (EOQ) procurements.

IMPROVEMENT IN VENDOR SKILL LEVELS

The MYP allows the shipbuilder and GFE vendors greater flexibility in scheduling and workload planning. This enables the shipbuilders and GFE vendors to achieve a more stable prime and subcontractor workforce, resulting in enhanced productivity and lower personnel training costs. Use of multi-year contracting should result in higher retention rates, increased skill levels, and enhanced productivity at the vendor during the contract performance. These potential benefits are reflected in the MYP savings identified in these exhibits.

TRAINING PROGRAM

Since the MYP allows greater flexibility in scheduling and workload planning, shipbuilders and vendors will realize increased workforce stability. This improves worker retention and associated skill levels, and reduces hiring costs and training requirements. Supervisors and managers can be selected and trained to meet workforce requirements as well as to implement production improvements. Apprenticeship and trainee programs become more cost effective for a larger, longer procurement program. Additionally, multiyear contracting enables contractors to offer greater job security to employees, particularly at the subcontractor or vendor level.

PROGRESS PAYMENT (S)

The progress payments clauses in the FY98-FY01 and FY02-FY05 MYP ship construction contracts were modified to improve the flow of compensation to the shipbuilders, compared to previous contracts. Similar clauses are planned in the FY13-FY17 MYP construction contracts. GFE progress payment clauses remain similar to previous contracts.

USE OF MULTIYEAR CONTRACTORS (VENDORS)

Exhibit MYP-1, Multiyear Procurement Criteria

Date: February 2012

Appropriation / Budget Activity:
1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)

P-1 Item Nomenclature:
DDG-51

The government has previously entered into multiyear contracts with two shipbuilders, General Dynamics (BIW) and Huntington Ingalls, Inc. The Navy awarded multiyear shipbuilding contracts for multiple shipsets of selected Economic Order Quantity (EOQ) Materials with advanced procurement. The proposed FY13-FY17 MYP contracts will allow the shipyards to begin joint, bulk purchase of EOQ items, and will not preclude future modifications to add additional ships. The FY13 AP will be used to procure EOQ material to support ship construction contract material, Commercial Broadband Satellite Program, and AEGIS Weapon System (AWS) EOQ components through FY15. The FY14 AP will be used to procure Vertical Launch System and AWS EOQ components.

INCREASED PRODUCTION CAPACITY

The production rates during the multiyear period are executable. No increase in production capacity as a result of the MYP is anticipated or required. No acceleration in delivery schedule of DDG 51 Class ships is planned. Delivery of ships under the FY13-FY17 MYP is geared toward stabilizing workload, and maintaining the surface combatant industrial base. The proposed MYP results in less than two ships delivered per year, with each shipbuilder having approximately a 12 month interval between their respective deliveries. This represents a decrease from the current DDG 51 production rate of approximately two and one-half ships per year.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	9	9
Total Contract Price	$17,726.500	$16,188.500
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$1,538.000
% Cost Avoidance Over Annual		8.7%

Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - DDG-51 (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		2	1	2	2	2						9
Annual Procurement												
Gross Cost		3,497.0	1940.9	3533.0	4231.0	4524.6						17726.5
Less PY Adv Procurement		(96.3)	(97.4)	(96.3)	(49.5)	(100.8)						(440.3)
Net Procurement (= P-1)		3400.7	1843.5	3436.7	4181.5	4423.8						17286.2
Plus CY Adv Procurement	96.3	97.4	96.3	49.5	100.8							440.3
Weapon System Cost	96.3	3498.1	1939.8	3486.2	4282.2	4423.8						17726.5
Multiyear Procurement												
Gross Cost (P-1)		3149.4	1739.0	3185.2	3883.8	4231.1						16188.5
Less PY Adv Procurement		(100.7)	(114.1)	(298.4)	(375.4)	(183.0)						(1071.7)
Net Procurement (= P-1)		3048.7	1624.9	2886.8	3508.4	4048.1						15116.8
Advance Procurement												
'For FY13	100.7											100.7
'For FY14		114.1										114.1
'For FY15		228.3	70.2									298.4
'For FY16		110.2	150.0	115.2								375.4
'For FY17		13.7	169.3									183.0
Plus CY Adv Procurement	100.7	466.3	389.5	115.2								1071.7
Weapon System Cost	100.7	3515.0	2014.3	3002.0	3508.4	4048.1						16188.5
MultiyearSavings ($)	(4.4)	(16.9)	(74.5)	484.2	773.8	375.7						1538.0
Multiyear Savings (%) (total only)												8.7%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	96.0	2103.8	1762.2	2662.8	3537.3	3894.6	1555.3	892.1	656.2	389.3	176.9	17726.6
Multiyear	100.7	2265.0	1866.4	2338.5	2904.1	3481.9	1374.1	778.8	574.3	342.7	161.9	16188.5
Savings	(4.7)	(161.2)	(104.2)	324.2	633.2	412.7	181.1	113.4	81.9	46.6	15.0	1538.1

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-2122

Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - DDG-51 (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		2	1	2	2	2						9
Annual Procurement												
Gross Cost		3,497.0	1940.9	3533.0	4231.0	4524.6						17726.5
Less PY Adv Procurement		(96.3)	(97.4)	(96.3)	(49.5)	(100.8)						(440.3)
Net Procurement (= P-1)		3400.7	1843.5	3436.7	4181.5	4423.8						17286.2
Plus CY Adv Procurement	96.3	97.4	96.3	49.5	100.8							440.3
Contract Price	96.3	3498.1	1939.8	3486.2	4282.2	4423.8						17726.5
Multiyear Procurement												
Gross Cost (P-1)		3149.4	1739.0	3185.2	3883.8	4231.1						16188.5
Less PY Adv Procurement		(100.7)	(114.1)	(298.4)	(375.4)	(183.0)						(1071.7)
Net Procurement (= P-1)		3048.7	1624.9	2886.8	3508.4	4048.1						15116.8
Advance Procurement												
'For FY13	100.7											100.7
'For FY14		114.1										114.1
'For FY15		228.3	70.2									298.4
'For FY16		110.2	150.0	115.2								375.4
'For FY17		13.7	169.3									183.0
Plus CY Adv Procurement	100.7	466.3	389.5	115.2								1071.7
Contract Price	100.7	3515.0	2014.3	3002.0	3508.4	4048.1						16188.5
MultiyearSavings ($)	(4.4)	(16.9)	(74.5)	484.2	773.8	375.7						1538.0
Multiyear Savings (%) (total only)												8.7%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	96.0	2103.8	1762.2	2662.8	3537.3	3894.6	1555.3	892.1	656.2	389.3	176.9	17726.6
Multiyear	100.7	2265.0	1866.4	2338.5	2904.1	3481.9	1374.1	778.8	574.3	342.7	161.9	16188.5
Savings	(4.7)	(161.2)	(104.2)	324.2	633.2	412.7	181.1	113.4	81.9	46.6	15.0	1538.1

NOTE: Any remarks will appear on the next page

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-2122

Exhibit MYP-3 Total Contract Funding Plan (NAVY)	Date February 2012
PROCUREMENT	P-1 Line Item Nomenclature - DDG-51 (NAVY)

Remarks

FY12 AP for FY13 ship

FY13 and FY14 AP for 2 FY17 ships: shipbuilder EOQ (110.8M), 2 shipsets of VLS (70.8M), and 2 shipsets of CBSP.

FY13 and FY14AP for 2 FY15 ships: 2 shipsets of AWS (115.8M), shipbuilder EOQ (111.0M), VLS (70.2M) and CBSP (1.4M)

FY13 and FY14AP for EOQ of 2 shipsets of VLS (70.6M), shipbuilder EOQ (111.2M), 1 shipset of AWS (58.0M), and 2 shipsets of CBSP. Includes detail design of first Flight III ship in FY16 (19M in FY14 and 115M in FY15).

FY13AP for FY14 ships is EOQ for shipbuilder (55.5M), EOQ for 1 set of AWS hardware (57.9M) and 1 set of CBSP equipment

Reflects End Cost of ships.

* Numbers may not add due to rounding.

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - DDG-51 (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Annual Proposal												
Then Year Cost	96.0	2103.8	1762.2	2662.8	3537.3	3894.6	1555.3	892.1	656.2	389.3	176.9	17726.6
Constant Year Cost	96.0	2068.4	1702.9	2528.6	3300.2	3569.8	1400.5	789.3	570.3	332.4	148.4	16507.0
Present Value	95.4	2033.0	1654.5	2428.6	3133.3	3350.4	1299.4	723.9	517.1	297.9	131.5	15665.0
Multiyear Proposal												
Then Year Cost	100.7	2265.0	1866.4	2338.5	2904.1	3481.9	1374.1	778.8	574.3	342.7	161.9	16188.5
Constant Year Cost	100.7	2226.9	1803.6	2220.7	2709.4	3191.5	1237.4	689.0	499.1	292.7	135.9	15107.0
Present Value	100.1	2188.7	1752.3	2132.9	2572.4	2995.4	1148.0	631.9	452.5	262.3	120.4	14357.0
Difference												
Then Year Cost	(4.7)	(161.2)	(104.2)	324.2	633.2	412.7	181.1	113.4	81.9	46.6	15.0	1538.1
Constant Year Cost	(4.7)	(158.4)	(100.7)	307.9	590.8	378.3	163.1	100.3	71.2	39.8	12.6	1400.1
Present Value	(4.7)	(155.7)	(97.8)	295.7	560.9	355.1	151.3	92.0	64.5	35.6	11.2	1308.1
Multiyear Savings ($)	(4.7)	(161.2)	(104.2)	324.2	633.2	412.7	181.1	113.4	81.9	46.6	15.0	1538.1

NOTE: MYP Procurement Period is 11 years. Real Interest Rate for MYP Procurement Period of 11 years is 1.01160000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1507 Weapons Procurement - Navy / Other Missiles (BA-02)	**P-1 Item Nomenclature:** Evolved SEASPARROW Missile (ESSM)

1. Multiyear Procurement Description:

This proposed multiyear procurement (MYP) covers the purchase of 194 Evolved SEASPARROW Missiles in FY 2013 through FY 2015 under a single three year fixed price type contract. This MYP has been structured to provide significant cost avoidance from a Single Year Procurement (SYP) approach while providing AUR ESSMs to the US fleet in the same or shorter time frame.

This MYP covers ESSMs only. MK25 canisters, which are required for launch from a MK41 VLS capable ship, are procured under a separate contract in conjunction with a number of other program offices.

2. Benefit to the Government:

a. Substantial Savings:

As proposed, the multi-year contract will exceed the 10% threshold for savings required under a multi-year procurement. Specifically, total cost avoidance attributable to this strategy are $52.2M compared to the estimated cost of three single year contracts.

Cost avoidance will be generated through increased economies of scale from larger quantities and the ability to manufacture the missile at an economic rate. This will significantly decrease the price of the missile for FY13-15. An unfunded cancellation ceiling liability of not more than $20M is estimated. The estimated price of the multi-year procurement is 17% below the estimated price of procuring 194 rounds over 3 separate year-by-year contracts in overall program costs and saves an estimated ~23% on the instant hardware contract. Procuring at a guaranteed production rate will also yield cost avoidances/savings. Allowing the contractor to manage Facilities and Subcontractors to a guaranteed production rate will reduce costs by allowing them to engage in activities including, but not limited to, reducing the number of production set-ups, reducing administrative costs, and receiving price breaks for raw materials and components.

Administrative costs are reduced because there is only one proposal, negotiation, and purchase order vice three separate SYP actions. These costs are reduced at the prime contractor level, since they have only one contract to negotiate with the government instead of three. Prime contractor costs will also be reduced at the subcontract level, since all tiers will only need to be entered into one time. Since some suppliers include proposal preparation and negotiation as a direct charge to the purchase order, there will be a dollar for dollar reduction in these cases and the cost avoidances will not get lost in the overhead rates.

b. Stability of Requirement:

The requirement for ESSMs has been consistently validated. The program of record (POR) for ESSM is 1420 rounds. Through FY12 only 47% of the ESSM program of record will have been procured. ESSM is the primary ship self defense weapon for CVNs. The 2010 Quadrennial Defense Review (QDR) recommended 10-11 aircraft carriers, all of which will employ ESSM. Additional rounds will be needed to meet fleet loadout and test program requirements, on LHD, LHA, DDG, CG and Zumwalt class ships. As large decks and DDGs come online, additional ESSMs will be needed for shipfill and test events.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1507 Weapons Procurement - Navy / Other Missiles (BA-02)	**P-1 Item Nomenclature:** Evolved SEASPARROW Missile (ESSM)

c. Stability of Funding:

Sufficient funding exists within the current budget controls to execute this procurement. The Navy has demonstrated a commitment to a stable funding stream for this procurement. The budget submission includes sufficient funding to execute the program.

d. Stable Configuration:

ESSM was found to be Operationally Suitable and Effective following the completion of its DT/OT period in 2003. The missile has been in full rate production since the FY03 contract. The 2,000th ESSM (US, Consortium and FMS customer total) will be produced in late calendar year 2011.

ESSM configuration is governed by a rigorous control process at both the Government and contractor facilities. ESSM is built in yearly "Lots." Each Lot consolidates all configuration changes to the missile and implements them simultaneously. ESSMs procured under the multi-year contract would be of the same Lot design. Concurrent procurement of material will ensure that sufficient parts exist to maintain the stable configuration.

e. Realistic Cost Estimate:

The cost estimates for the multi-year are based on 10 years of ESSM procurement history and established learning curves and quantity curves. The estimates have been provided by a cost estimator certified by the Society of Cost Estimating and analysis. The cost estimate was provided to NAVSEA05C for concurrence. NAVSEA05C concurred with the approach, methodology and assumptions used to derive the cost and with the results of the estimate on 9/7/11.

f. National Security:

The QDR and DPG emphasize the criticality of the planned Naval force structure, including CVNs for which ESSM is the primary defensive weapon. ESSM is deployed on CVN, LHA, LHD, DDG and CG class ships defending US interests at home and abroad. The current ESSM inventory is significantly lower than that of the program of record, making the procurement of additional ESSMs important for the protection of existing and future Navy ships.

Additionally, ESSM is the only weapon currently in production that is launched from the MK29 launcher on large decks. The RIM-7 missile is nearing the end of its service life. Development of a new weapon for the MK29 launcher, or development of a new launcher for large decks is not currently planned. As such continued production of ESSM is the only viable option to continue outfitting these ships with a self defense weapon.

Inflation	$4.600
Vendor Procurement	$28.600
Manufacturing	$19.000
Design/Engineering	$0.000
Tool Design	$0.000
Support Equipment	$0.000

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1507 Weapons Procurement - Navy / Other Missiles (BA-02)	**P-1 Item Nomenclature:** Evolved SEASPARROW Missile (ESSM)

Other	$0.000
Workload Savings	$0.000
Total	**$52.200**

4. Advantages of the MYP:

The proposed multi-year contract provides significant savings over a year-by-year contracting approach. It provides enhanced stability to the configuration of the missile by protecting against the potential loss of vendors at low procurement quantities. It also provides increased stability to the engineering base for the program by providing a predictable workload over the 3 year period. Each of these is a significant benefit over the year-by-year contracting approach.

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will have a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, which provides substantial cost avoidance. The stability of the prime multiyear contract will also foster improved competition at the subcontractor level, as the offer of a longer-term business arrangement will encourage more aggressive pursuit of a contract award. The contractor and subcontractors will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements such as those previously cited, which will yield long-term benefits in terms of product quality and cost.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	194	194
Total Contract Price	$229.682	$177.530
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 19.000
$ Cost Avoidance Over Annual		$52.152
% Cost Avoidance Over Annual		22.7%

Exhibit MYP-2 Total Program Funding Plan (NAVY)			Date February 2012			
PROCUREMENT			P-1 Line Item Nomenclature - Evolved SEASPARROW Missile (ESSM) (NAVY)			
	2013	2014	2015	2016	2017	TOTAL
Procurement Quantity	37	53	104			194
Annual Procurement						
Gross Cost	77.0	88.4	137.5			303.0
Less PY Adv Procurement						
Net Procurement (= P-1)	77.0	88.4	137.5			303.0
Plus CY Adv Procurement						
Weapon System Cost	77.0	88.4	137.5			303.0
Multiyear Procurement						
Gross Cost (P-1)	58.2	70.8	121.9			250.8
Less PY Adv Procurement						
Net Procurement (= P-1)	58.2	70.8	121.9			250.8
Advance Procurement						
Plus CY Adv Procurement						
Weapon System Cost	58.2	70.8	121.9			250.8
MultiyearSavings ($)	18.8	17.6	15.7			52.2
Multiyear Savings (%) (total only)						17.2%
Cancellation Ceiling, Funded						
Cancellation Ceiling, Unfunded		19.0	18.0			37.0
OUTLAYS						
Annual	43.1	64.8	104.7	60.3	30.2	303.0
Multiyear	39.1	57.2	94.7	52.6		243.5
Savings	3.9	7.6	10.0	7.7	30.2	59.5

NOTE: Any remarks will appear on the next page

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
03-2307

Exhibit MYP-2 Total Program Funding Plan (NAVY)	Date February 2012
PROCUREMENT	P-1 Line Item Nomenclature - Evolved SEASPARROW Missile (ESSM) (NAVY)

Remarks

Unfunded Cancellation ceiling is required to cover estimated cost impact of cancellation in any given year. Year two (FY14) cancellation would equate to year one (FY13) MYP savings and year 3 (FY15) cancellation would equate to Year 2 (FY14) MYP savings. It is estimated that MYP cancellation would increase the costs to annual procurment estimates.

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)			Date February 2012			
PROCUREMENT			P-1 Line Item Nomenclature - Evolved SEASPARROW Missile (ESSM) (NAVY)			
	2013	2014	2015	2016	2017	TOTAL
Procurement Quantity	37	53	104			194
Annual Procurement						
Gross Cost	51.5	66.4	111.8			229.7
Less PY Adv Procurement						
Net Procurement (= P-1)	51.5	66.4	111.8			229.7
Plus CY Adv Procurement						
Contract Price	51.5	66.4	111.8			229.7
Multiyear Procurement						
Gross Cost (P-1)	32.6	48.8	96.2			177.5
Less PY Adv Procurement						
Net Procurement (= P-1)	32.6	48.8	96.2			177.5
Advance Procurement						
Plus CY Adv Procurement						
Contract Price	32.6	48.8	96.2			177.5
MultiyearSavings ($)	18.8	17.6	15.7			52.2
Multiyear Savings (%) (total only)						22.7%
Cancellation Ceiling, Funded						
Cancellation Ceiling, Unfunded		19.0	18.0			37.0
OUTLAYS						
Annual	20.6	43.5	80.5	54.8	30.2	229.7
Multiyear	16.6	36.0	70.5	47.1		170.2
Savings	3.9	7.6	10.0	7.7	30.2	59.5

NOTE: Any remarks will appear on the next page

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)	Date February 2012
PROCUREMENT	P-1 Line Item Nomenclature - Evolved SEASPARROW Missile (ESSM) (NAVY)

Remarks

Unfunded Cancellation ceiling is required to cover estimated cost impact of cancellation in any given year. Year two (FY14) cancellation would equate to year one (FY13) MYP savings and year 3 (FY15) cancellation would equate to Year 2 (FY14) MYP savings. It is estimated that MYP cancellation would increase the costs to annual procurment estimates.

* Numbers may not add due to rounding.

Exhibit MYP-4 Present Value Analysis (NAVY)			Date February 2012			
PROCUREMENT			P-1 Line Item Nomenclature - Evolved SEASPARROW Missile (ESSM) (NAVY)			
	2013	2014	2015	2016	2017	TOTAL
Annual Proposal						
Then Year Cost	20.6	43.5	80.5	54.8	30.2	229.7
Constant Year Cost	20.6	42.8	77.9	52.1	28.2	221.6
Present Value	20.5	42.4	76.8	51.2	27.6	218.4
Multiyear Proposal						
Then Year Cost	16.6	36.0	70.5	47.1		170.2
Constant Year Cost	16.6	35.4	68.2	44.8		164.9
Present Value	16.6	35.2	67.7	44.4		163.8
Difference						
Then Year Cost	3.9	7.6	10.0	7.7	30.2	59.5
Constant Year Cost	3.9	7.5	9.7	7.3	28.2	56.6
Present Value	3.9	7.2	9.1	6.8	27.6	54.6
Multiyear Savings ($)	3.9	7.6	10.0	7.7	30.2	59.5

NOTE: MYP Procurement Period is 4 years. Real Interest Rate for MYP Procurement Period of 4 years is 1.00200000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** F/A-18E/F and EA-18G

1. Multiyear Procurement Description:

This proposed multiyear procurement (MYP III) covers the purchase of 116 F/A-18E/F aircraft and 58 EA-18G aircraft for a total of 174 aircraft in FY2010 through FY2014 under a single five-year fixed price incentive fee contract. The F/A-18E/F program includes three years of Low Rate Initial Production (LRIP) (FY1997-1999) and 15 years of Full Rate Production (FRP). The EA-18G program includes two years of LRIP (FY2007-FY2008) and four years of FRP. This MYP strategy has been structured to achieve significant savings ($797M) from the Single Year Procurement (SYP) while providing quantity flexibility for emergent requirements.

The MYP upfront investment for Cost Reduction Initiatives (CRI) will be funded over the life of the program.

A unique feature of this MYP is quantity flexibility. The government will have the right to increase the quantity in an amount not to exceed 54 aircraft in any year (after the first year) at the time of initial funding for that year. This provision provides the government with the ability to increase quantities to procure emergent requirements for more aircraft without breaking the MYP or disturbing the savings/cost avoidance already established in the budget.

The EA-18G Airborne Electronic Attack (AEA) kit is not part of this procurement, only the airframe structure and Contractor Furnished Equipment (CFE) avionics will be procured under the MYP III contract.

2. Benefit to the Government:

a. Substantial Savings:

Implementation of this proposed MYP will yield a significant savings through the terms of the contract. Specifically, total savings for FY2010-FY2014 attributable to this multiyear strategy are $797M. The MYP III fixed price incentive fee contract type has a 50/50 incentive share with the contractor and a 50/50 share for overrun costs.

Savings will be generated as a result of CRI investments of $100M that would not meet the contractor's Internal Rate of Return objectives under a SYP of 174 aircraft. MYP I and MYP II lessons learned were reviewed and incorporated into the MYP III strategy for affordability. A cancellation ceiling is anticipated for a Not to Exceed (NTE) amount of $100M of Non-recurring funding; the exact cancellation provisions will be negotiated. Several CRIs that can only be accomplished in a MYP environment have been identified and will be matured for consideration for the MYP III CRI program.

In addition to the cost avoidance generated through these investments and initiatives, procuring at a guaranteed rate of minimum production will also yield cost avoidances/savings. Allowing the contractor to manage Facilities and Subcontractors to a guaranteed production rate will reduce costs by allowing them to engage in activities including, but not limited to, reducing the number of production set-ups, reducing administrative costs, and receiving price breaks for raw materials and components.

Reducing the number of set-ups can provide a significant cost avoidance/savings when producing components or materials with high set-up to run ratios and the dollar value of the component is low. Sheet metal procurement and low value castings and forgings are examples of areas in which lower prices can be negotiated with suppliers based on

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** F/A-18E/F and EA-18G

reduced set-up costs associated with larger quantity procurements.

Administrative costs are reduced because there is only one proposal, negotiation, and purchase order vice five separate SYP actions. These costs are reduced at the prime contractor level, since they have only one contract to negotiate with the government instead of five. Prime contractor costs will also be reduced at the subcontract level, since all tiers will only need to be entered into one time. Since some suppliers include proposal preparation and negotiation as a direct charge to the purchase order, there will be a dollar for dollar reduction in these cases and the cost avoidances will not get lost in the overhead rates. Another administrative reduction is realized in production planning. Cost avoidances/savings will be gained because production line administrative processes will be performed only once, rather than five times under a SYP strategy.

Many electronics components have minimum buy quantities, which may not be met under a SYP, driving up unit costs and total cost. MYP quantities will allow the prime contractor and subcontractors at all tiers to exceed minimum order quantities and capture the cost avoidance on these components. Typically suppliers will provide price discounts to lock in business. Given this five-year contract, suppliers will have a larger total business base and therefore greater stability. Suppliers will be capable of finding innovative processes and be able to justify capital investments necessary to reduce costs. Some of these cost reductions will be passed on to the customer in the form of price reductions. In addition to these types of process innovations and capital investments, subcontractor competition is expected to be greater based on larger purchase volumes.

b. Stability of Requirement:

The requirement for the F/A-18E/F has been consistently validated, supporting the first and second multi-year procurement of 423 aircraft through the end of FY09. The 2010 Quadrennial Defense Review (QDR) recommended 10-11 aircraft carriers and 10 aircraft wings. Currently these aircraft wings are comprised of F/A-18 E/F aircraft and therefore the requirement for an additional 174 aircraft remains valid.

The Airborne Electronic Attack Analysis of Alternatives (AEA AOA) clearly identified the need for Airborne Electronic Attack through 2030. The Navy reviewed the recommendations of the AOA, and selected the F/A-18F platform to host the AEA core capability to meet these requirements; it was designated as the EA-18G weapon system.

The EA-18G approach, integrating the AEA capability into the F/A-18F platform, was determined to be the lowest risk option available to the Navy that minimized capability gap as the current EA-6B becomes increasingly unaffordable. The USN decided to procure 26 EA-18G aircraft as the replacement for the Expeditionary EA-6B aircraft in December 2009. The current inventory objective is 114 aircraft.

c. Stability of Funding:

The Navy has demonstrated its commitment to a stable funding stream for the F/A-18E/F and EA-18G multiyear through every step of this year's budget process by fully funding the requirement. This commitment was reaffirmed by top level Navy leadership through its support in the final budget submission. Funding support for the FA-18E/F and the EA-18G has consisently been demonstrated by both the Navy and the Congress through implementation of two previous MYP contracts.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** F/A-18E/F and EA-18G

Defense Planning Guidance (DPG) has fixed the total program and Future Year Defense Plan (FYDP) quantities. This document emphasizes the criticality of the F/A-18E/F to overall DoD aviation planning and demonstrates the Department's commitment to properly fund this weapon system to the quantities proposed in the multiyear plan.

d. Stable Configuration:

As of September 2011, F/A-18E/F Super Hornet aircraft have flown over 917,401 hours. The F/A-18E/F program continues to remain on cost and deliver ahead of schedule. To date, 423 FRP aircraft deliveries have been completed in accordance with or prior to the contract delivery schedule. This brings the total deliveries to 485 aircraft, of which 404 were production (62 LRIP) and seven were Engineering and Manufacturing Demonstration (EMD) aircraft.

As of September 2011, EA-18G aircraft have flown over 28,750 hours. The EA-18G aircraft has successfully completed its Operational Evaluation period, was found to be operationally effective and suitable, and has achieved Initial Operating Capability (IOC). Additionally, one Fleet Replacement Squadron has been stood up and four operational fleet squadrons have achieved Safe for Fight status.

Future upgrades are planned. The F/A-18E/F and EA-18G have and will continue to have a stable design and a planned roadmap of pre-planned avionics enhancements. The contractors' unrivaled technical success, production and field experience garnered from the F/A-18A/B/C/D program, and substantial knowledge gained over two consecutive MYPs, provide a technically mature design with which to enter another MYP procurement.

e. Realistic Cost Estimate:

The estimate for both the cost of the MYP contract and anticipated cost avoidance through the use of the MYP for F/A-18E/F and EA-18G are realistic. The current independent cost estimate was developed by the Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) group and is based on proven estimating techniques and on a significant amount of F/A-18A/B/C/D/E/F production history. The approach, methodology, and assumptions used to derive the estimate were validated by the Office of the Secretary of Defense (OSD) Cost Analysis Improvement Group (CAIG) during the Defense Acquisition Board (DAB) Review in March 1997 and again jointly validated by the Naval Center for Cost Analysis (NCCA) and the OSD CAIG during the Milestone III Review in March 2000. Additionally, the Cost Assessment and Program Evaluation (CAPE) validated the FRP estimate for the EA-18G in 2009.

The independent single-year cost estimate developed by CAPE, when compared to the proposed MYP strategy, validates the projected savings under a multiyear scenario. Additionally, the projected multiyear savings are within historical projected savings ranges. The updated cost estimate to support the multiyear procurement, like all life-cycle cost estimates previously performed by the Cost Analysis Improvement Group (CAIG), now CAPE, is not consistent with the 80% confidence level specified in the Weapon System Acquisition Reform Act of 2009, section 101, subsection 2334(d)(1). The estimate is, like all previous CAIG estimates, built upon a product-oriented work breakdown structure, based on historical cost information to the maximum extent possible, and most importantly, based on conservative assumptions that are consistent with actual demonstrated successful contractor and government performance. Based on the cost analysis performed from actuals from the past two MYP contracts, there is a high degree of confidence in the F/A-18E/F and EA-18G cost estimates, as well as in the estimated savings associated with the proposed multiyear procurement.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** F/A-18E/F and EA-18G

f. National Security:

The QDR and DPG emphasize the criticality of the F/A-18E/F and EA-18G to the overall National Security Strategy and demonstrate the Department's commitment to properly fund these weapon systems to the quantities proposed in the multiyear plan. The National Security implications are two-fold; the first is maintaining the industrial base for carrier-launched aircraft, the second is providing a credible fleet asset until the procurement of the F-35 Joint Strike Fighter (JSF) is in sufficient quantities. The F/A-18E/F production line is the only active line capable of building carrier-based fighter aircraft. Until the Joint Strike Fighter is built and fielded, the F/A-18E/F remains the navy's mainstay fighter aircraft. The Chief of Naval Operations and the Commandant of the Marine Corps signed a Memorandum of Understanding in August 2002 directing the integration of all DoN Tactical Aviation (TACAIR). By creating a more modern, capable, reliable, affordable, and smaller force, the DoN TACAIR integration plan reduced the procurement objective from 548 to 460 F/A-18E/F aircraft (plus 2 aircraft to replace those used in the EA-18G SDD program). The F/A-18E/F Current Program of Record is 565, which includes the following quantity changes: addition of 32 aircraft in PB08; decrease of 4 aircraft (moved to EA-18G program); addition of 3 supplemental aircraft in FY07; addition of 13 supplemental aircraft in FY08; addition of 9 aircraft in FY10; addition of 9 supplemental aircraft in FY11 and an addition of 41 aircraft in FY12-14. The EA-18G Current Program of Record Estimate is 114 which includes the following aircraft changes: 1 additional supplemental aircraft in FY07; 3 supplemental aircraft in FY08; and an addition of 26 Expeditionary aircraft in PB11.

3. Source of Savings:

The estimate for both the cost of the MYP contract and anticipated cost avoidance through the use of the MYP for F/A-18E/F and EA-18G are realistic. The current independent cost estimate was developed by the Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) group and is based on proven estimating techniques and on a significant amount of F/A-18A/B/C/D/E/F production history. The approach, methodology, and assumptions used to derive the estimate were validated by the Office of the Secretary of Defense (OSD) Cost Analysis Improvement Group (CAIG) during the Defense Acquisition Board (DAB) Review in March 1997 and again jointly validated by the Naval Center for Cost Analysis (NCCA) and the OSD CAIG during the Milestone III Review in March 2000. Additionally, the Cost Assessment and Program Evaluation (CAPE) validated the FRP estimate for the EA-18G in 2009.

	$ in Millions
Inflation	$64.400
Vendor Procurement	$245.000
Manufacturing	$269.100
Design/Engineering	$215.800
Tool Design	$2.700
Support Equipment	$0.000
Other	$0.000
Workload Savings	$0.000
Total	**$797.000**

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** F/A-18E/F and EA-18G

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant savings/cost avoidance of $797M and provide quantity flexibility for emergent requirements. The government will have the right to increase the quantity not to exceed 54 aircraft in any year (after the first year) at the time of initial funding for that year. The ability to increase quantities also benefits the government by providing an ability to procure emergent requirements for more aircraft without breaking the MYP or disturbing savings/cost avoidance already established in baseline.

Implementation of this proposed MYP will yield significant savings through the terms of the contract. Specifically, total savings for FY2010-2014 attributable to this multiyear strategy are $797M. The MYP III fixed price incentive fee contract type has a 50/50 incentive share with the contractor and a 50/50 for overrun costs.

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will have a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, which provides substantial cost avoidance. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements such as those previously cited, which will yield long-term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster improved competition at the subcontractor level, as the offer of a longer-term business arrangement will encourage more aggressive pursuit of a contract award. The contractor and subcontractors will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the F/A-18E/F and EA-18G.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	174	174
Total Contract Price	$8,410.378	$7,637.524
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$772.854
% Cost Avoidance Over Annual		9.2%

Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F and EA-18G (NAVY)							
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Procurement Quantity		40	43	40	38	13						174
Annual Procurement												
Gross Cost		3033.0	3285.7	3587.8	3,496.8	1251.8	8.1					14663.2
Less PY Adv Procurement		(100.8)	(73.1)	(46.1)	(91.4)	(30.3)						(341.7)
Net Procurement (= P-1)		2932.2	3212.6	3541.6	3405.4	1221.5	8.1					14321.5
Plus CY Adv Procurement	78.6	71.2	46.1	91.4	30.3							317.6
Weapon System Cost	78.6	3003.4	3258.8	3633.0	3435.7	1221.5	8.1					14639.1
Multiyear Procurement												
Gross Cost (P-1)		3033.0	3197.9	3280.9	3154.0	1192.4	8.1					13866.2
Less PY Adv Procurement		(100.8)	(73.1)	(46.1)	(91.4)	(30.3)						(341.7)
Net Procurement (= P-1)		2932.2	3124.7	3234.8	3062.6	1162.1	8.1					13524.5
Advance Procurement												
'For FY10	100.8											100.8
'For FY11		73.1										73.1
'For FY12			46.1									46.1
'For FY13				91.4								91.4
'For FY14					30.3							30.3
Plus CY Adv Procurement	100.8	73.1	46.1	91.4	30.3							341.7
Weapon System Cost	100.8	3005.3	3170.9	3326.2	3092.9	1162.1	8.1					13866.2
MultiyearSavings ($)	(22.2)	(1.9)	87.9	306.8	342.8	59.4						772.9
Multiyear Savings (%) (total only)												5.3%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded			100.0									100.0
OUTLAYS												
Annual	10.22	420.31	1588.5	2621.5	3188.3	3157.1	2162.3	1035.0	376.2	79.2	0.5	14639.1
Multiyear	10.22	420.31	1577.1	2548.3	3000.7	2916.0	1992.6	954.3	346.8	75.4	0.5	13842.1
Savings			11.4	73.3	187.5	241.1	169.7	80.7	29.4	3.8		796.9

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0143
01-0145

Exhibit MYP-2, Total Program Funding Plan
(MYP, Page 6 of 8)

Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F and EA-18G (NAVY)							
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Procurement Quantity		40	43	40	38	13						174
Annual Procurement												
Gross Cost		1737.0	1931.9	2026.2	1,913.9	825.5						8434.5
Less PY Adv Procurement		(100.8)	(73.1)	(46.1)	(91.4)	(30.3)						(341.7)
Net Procurement (= P-1)		1636.2	1858.8	1980.0	1822.5	795.2						8092.7
Plus CY Adv Procurement	78.6	71.2	46.1	91.4	30.3							317.6
Contract Price	78.6	1707.5	1905.0	2071.4	1852.8	795.2						8410.4
Multiyear Procurement												
Gross Cost (P-1)		1737.0	1844.1	1719.3	1571.0	766.0						7637.5
Less PY Adv Procurement		(100.8)	(73.1)	(46.1)	(91.4)	(30.3)						(341.7)
Net Procurement (= P-1)		1636.3	1770.9	1673.2	1479.7	735.7						7295.8
Advance Procurement												
'For FY10	100.8											100.8
'For FY11		73.1										73.1
'For FY12			46.1									46.1
'For FY13				91.4								91.4
'For FY14					30.3							30.3
Plus CY Adv Procurement	100.8	73.1	46.1	91.4	30.3							341.7
Contract Price	100.8	1709.4	1817.1	1764.6	1510.0	735.7						7637.5
MultiyearSavings ($)	(22.2)	(1.9)	87.9	306.8	342.8	59.4						772.9
Multiyear Savings (%) (total only)												9.2%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded			100.0									100.0
OUTLAYS												
Annual	10.22	251.84	920.1	1515.3	1819.7	1778.2	1240.9	604.6	218.8	50.9		8410.4
Multiyear	10.22	251.84	908.6	1442.0	1632.1	1537.0	1071.2	523.9	189.3	47.1		7613.4
Savings			11.4	73.3	187.5	241.1	169.7	80.7	29.4	3.8		796.9

* Numbers may not add due to rounding.

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01-0143
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Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F and EA-18G (NAVY)							
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Annual Proposal												
Then Year Cost	10.2	251.8	920.1	1515.3	1819.7	1778.2	1240.9	604.6	218.8	50.9		8410.4
Constant Year Cost	10.2	246.9	884.3	1427.9	1681.1	1610.5	1101.9	526.3	186.7	42.6		7718.5
Present Value	10.1	238.3	833.4	1314.2	1510.9	1413.6	944.5	440.6	152.6	34.0		6892.1
Multiyear Proposal												
Then Year Cost	10.2	251.8	908.6	1442.0	1632.1	1537.0	1071.2	523.9	189.3	47.1		7613.4
Constant Year Cost	10.2	246.9	873.4	1358.9	1507.8	1392.1	951.2	456.1	161.6	39.4		6997.6
Present Value	10.1	238.3	823.1	1250.6	1355.2	1221.9	815.3	381.8	132.1	31.5		6259.8
Difference												
Then Year Cost			11.4	73.3	187.5	241.1	169.7	80.7	29.4	3.8		796.9
Constant Year Cost			11.0	69.0	173.2	218.4	150.7	70.2	25.1	3.2		720.9
Present Value			10.3	63.5	155.7	191.7	129.2	58.8	20.5	2.5		632.3
Multiyear Savings ($)			11.4	73.3	187.5	241.1	169.7	80.7	29.4	3.8		796.9

NOTE: MYP Procurement Period is 10 years. Real Interest Rate for MYP Procurement Period of 10 years is 1.02400000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0143
01-0145

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Helicopter Airframes

1. Multiyear Procurement Description:

This proposed Multi-Year Procurement (MYP) covers the purchase of 193 Navy MH-60 helicopter airframes in FY2012 through FY2016 under a single, five year fixed price type contract. The MYP strategy is structured to achieve $347.4 Million (TY$) in Navy cost avoidance over the five year period within the Navy Aircraft Procurement appropriation. This proposed Navy MH-60R/S MYP contract follows a currently executing (FY2007 through FY2011) joint Service MYP between the Army, Navy and Sikorsky Aircraft Corporation for H-60 helicopters. These MYP exhibits document the Navy only portion of the overall Army and Navy MYP for H-60 airframes. The Army portion of the MYP exhibits will be incorporated at PB budget submission so that one overall MYP exhibit for H-60 airframes can be submitted to OSD(C). The MYP will include a Variation in Quantity Clause allowing for minor fluctuation of aircraft quantities from the PB12 profile. The Army and Navy met SECDEF certification requirements 1 March 2011.

2. Benefit to the Government:

a. Substantial Savings:

Implementation of this proposed MYP will yield significant opportunity for cost avoidance through the term of the contract. Specifically, cost avoidance for FY2012 through FY2016 attributable to this MYP strategy is estimated at $347.4 Million (TY$). This level of avoidance is based on a comparison of the estimated prices for five single year contracts to the estimated price for one five year multiyear contract.

Administrative costs are reduced since there is only one proposal, negotiation, and purchase order instead of a string of five single year procurement actions. These costs are reduced to the prime contractor, since they have only one contract to negotiate with the government vice five. Prime contractor costs will also be reduced as subcontracts at all tiers will only be entered into once. Since some suppliers include proposal preparation and negotiation as a direct charge to the purchase order, there will be a dollar for dollar reduction in these cases and the cost avoidance will not get lost in overhead rates. Another administrative reduction is realized in production planning. Cost avoidance will be gained as production line administrative processes will only be performed once, rather than five times under single year procurement. Additionally, the workload on the Government's acquisition workforce will be reduced via the MYP, resulting in greater efficiency in other MH-60 acquisition operations.

The prime contractor sets the standard for the vendors that support his contract commitments and, as new processes and innovations are implemented at the prime facility, the vendors are encouraged to adopt those elements that enhance their performance. The stability of long term commitments supported by multiyear contracts provides the collateral required to support their financial investments.

Many electronics components have minimum buy quantities which may not be met under single year procurements, driving up unit costs so that total cost is artificially high. Multiyear procurement quantities will allow the prime contractor and subcontractors at all tiers to exceed minimum order quantities and capture cost avoidance on these components. Typically suppliers will provide price discounts to lock in business. Given a five year contract, suppliers will have greater total business and stability. Therefore, they will be capable of finding innovative processes and be able to justify capital investments necessary to reduce costs. Some of these cost reductions will be passed on to the customer in the form of price reductions. In addition to these types of process innovations and capital investments, competition is expected to be greater based on larger purchase volumes and obsolescence risks and costs are expected to be minimized.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Helicopter Airframes

b. Stability of Requirement:

The requirement for both the MH-60R and MH-60S aircraft is well documented within the Navy. The Navy's total MH-60 requirement is set forth in the Navy Aviation Plan 2030. Both the MH-60R and MH-60S are key components in the Navy's investment strategy for long range recapitalization and modernization requirements needed to support the tenets of the maritime strategy. The MH-60R Operational Requirements Document (ORD) was approved by the Joint Requirements Oversight Council (JROC) in August 1992 and the latest revision which updated the document to a Capability Production Document was approved in November 2005. The MH-60S Operational Requirements Document (ORD) was approved in August 2002 and the latest revision (ORD Update 2) was approved by the JROC in February 2008.

c. Stability of Funding:

The Service Acquisition Executive (SAE) conducted a review of the MH-60R program in March 2006 and directed the program to proceed to full rate production. The SAE conducted a review of the MH-60S program in August 2002 and directed the program to proceed to full rate production. Independent cost estimates were conducted to support both of these milestone decisions. Funding support for the MH-60R and MH-60S has consistently been shown by both the Navy and the Congress.

d. Stable Configuration:

The MH-60R airframe will be in its sixth year and the MH-60S airframe will be in its eleventh year of full-rate production in FY12 and will be produced in basically the same configurations that have been utilized in previous years. There have been some configuration changes during that period to allow for changing mission requirements or to improve on the producibility or reliability of the system. The Navy portion of the proposed contract will procure two distinct airframe configurations; the MH-60R and the MH-60S. Commonality between the configurations is substantial.

e. Realistic Cost Estimate:

The procurement cost estimate for the MH-60R and MH-60S airframe is realistic. The estimates are based on many years of historical cost data/actuals and the most accurate cost data to date, as well as data provided by the contractor in the Spring/Summer 2010. The contract is a five year Firm Fixed Price contract.

f. National Security:

As a principle element of the Defense Planning Guidance (DPG), the Department of the Navy developed its Transformation Roadmap. The Roadmap describes the key naval concepts, capabilities, initiatives, processes and programs that will guide the transformation efforts of the Navy. Naval transformation will support joint transformation by delivering new military capabilities that will greatly expand the sovereign options available to joint force commanders to project power, assure access, and protect and advance America's interests worldwide in the face of emergent threat technologies and strategies. One of these naval concepts is Sea Shield. Sea Shield permits the joint force to operate effectively despite adversary efforts to deny theater access to U.S. forces. It achieves these goals by exploiting global sea control to defeat area denial threats including aircraft, missiles, small littoral surface combatants, mines, and submarines. Concepts and capabilities are being developed to counter the threats from quiet diesel submarines operating near the coast and mines in and beyond the surf zone. The MH-60R/S aircraft are key components in providing these capabilities. MH-60R/S are lethal and flexible platforms that offers the force commander multiple options to conduct a capabilities based response to future threats. MH-60R/S systems directly support five of

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Helicopter Airframes

the nine joint capability areas to include force application, battle space awareness, protection, building partnerships and logistics.

3. Source of Savings:

This MYP strategy has been structured to achieve significant cost avoidance ($347.4 Million) and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace five independent years of planning. This strategy maintains the capability to produce additional aircraft to maintain an industrial base necessary to meet the production requirements of current and future helicopter systems. Cost avoidance resulting from economic order quantities and independent planning result in benefit to industry and government.

	Annual Contracts	MYP Contracts
Quantity	193	193
Total Contract Price	$3,771.4	$3,424.1
$ Cost Avoidance Over Annual		$ 347.4*
% of Cost Avoidance Over Annual		9.2%

*MH-60R/S programs are budgeted to support a follow-on MYP strategy and not annual contracting. If MYP is not approved, the $347.4M in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

	$ in Millions
Inflation	$16.000
Vendor Procurement	$121.100
Manufacturing	$158.900
Design/Engineering	$0.000
Tool Design	$0.000
Support Equipment	$0.000
Other	$51.400
Workload Savings	$0.000
Total	**$347.400**

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost avoidance ($347.4 Million) and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace five independent years of planning. This strategy maintains the capability to produce additional aircraft to maintain an industrial base necessary to meet the production requirements of current and future helicopter systems. Cost avoidance resulting from economic order quantities and independent planning result in benefit to industry and government.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Helicopter Airframes

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will also yield a favorable impact on the industrial base. The stability afforded by the use of a multiyear procurement will allow the prime contractor to enter into long term agreements with suppliers, at every tier, which provide substantial cost avoidance. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements which yield long term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster improved competition at the sub contractor level, as the offer of a longer term business arrangement will encourage more aggressive pursuit of a contract award. The contractor and subcontractor will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the Navy MH-60.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	193	193
Total Contract Price	$3,771.423	$3,424.052
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$347.371
% Cost Avoidance Over Annual		9.2%

Exhibit MYP-2 Total Program Funding Plan (NAVY)								Date February 2012						
PROCUREMENT								P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)						
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Procurement Quantity		42	37	37	39	38								193
Annual Procurement														
Gross Cost		1453.4	1,302.0	1420.2	1681.7	1776.6								7633.9
Less PY Adv Procurement		(195.0)	(195.0)	(218.9)	(274.6)	(301.0)								(1184.5)
Net Procurement (= P-1)		1258.5	1107.0	1201.3	1407.1	1475.5								6449.3
Plus CY Adv Procurement	195.0	272.9	246.5	308.1	162.0									1184.5
Weapon System Cost	195.0	1531.4	1353.5	1509.4	1569.1	1475.5								7633.9
Multiyear Procurement														
Gross Cost (P-1)		1371.1	1236.7	1363.1	1612.3	1703.3								7286.5
Less PY Adv Procurement		(195.0)	(195.0)	(224.1)	(282.5)	(310.4)								(1207.0)
Net Procurement (= P-1)		1176.1	1041.7	1138.9	1329.9	1392.9								6079.5
Advance Procurement														
'For FY12	195.0													195.0
'For FY13		195.0												195.0
'For FY14		71.9	152.2											224.1
'For FY15		9.7	97.2	175.6										282.5
'For FY16		6.8	5.7	135.9	162.0									310.4
Plus CY Adv Procurement	195.0	283.5	255.2	311.4	162.0									1207.0
Weapon System Cost	195.0	1459.6	1296.8	1450.4	1491.9	1392.9								7286.5
MultiyearSavings ($)		71.8	56.7	59.0	77.2	82.7								347.4
Multiyear Savings (%) (total only)														4.6%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	29.2	307.7	871.3	1225.3	1388.1	1487.6	1273.2	673.4	246.1	95.9	28.5	7.4		7633.9
Multiyear	29.2	296.9	834.1	1173.2	1329.5	1418.6	1208.6	638.3	233.2	90.8	27.0	7.0		7286.5
Savings		10.8	37.2	52.1	58.6	69.1	64.6	35.2	12.9	5.1	1.5	0.4		347.4

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)								Date February 2012						
PROCUREMENT								P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)						
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Procurement Quantity		42	37	37	39	38								193
Annual Procurement														
Gross Cost		741.2	684.0	706.7	812.1	827.4								3771.4
Less PY Adv Procurement		(89.9)	(91.5)	(79.0)	(101.5)	(112.5)								(474.3)
Net Procurement (= P-1)		651.3	592.4	627.8	710.6	715.0								3297.1
Plus CY Adv Procurement	89.9	91.5	79.0	101.5	112.5									474.3
Contract Price	89.9	742.8	671.4	729.2	823.1	715.0								3771.4
Multiyear Procurement														
Gross Cost (P-1)		658.9	618.6	649.6	742.8	754.1								3424.1
Less PY Adv Procurement		(89.9)	(91.5)	(84.2)	(109.3)	(121.9)								(496.8)
Net Procurement (= P-1)		569.0	527.1	565.4	633.4	632.3								2927.2
Advance Procurement														
'For FY12	89.9													89.9
'For FY13		91.5												91.5
'For FY14		5.2	79.0											84.2
'For FY15		2.9	4.9	101.5										109.3
'For FY16		2.3	3.7	3.3	112.5									121.9
Plus CY Adv Procurement	89.9	102.0	87.6	104.8	112.5									496.8
Contract Price	89.9	671.1	614.7	670.2	745.9	632.3								3424.1
MultiyearSavings ($)		71.8	56.7	59.0	77.2	82.7								347.4
Multiyear Savings (%) (total only)														9.2%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	13.5	147.4	423.6	599.4	685.5	746.9	635.4	332.7	122.1	47.3	14.1	3.6		3771.4
Multiyear	13.5	136.6	386.3	547.3	626.9	677.8	570.8	297.5	109.3	42.2	12.6	3.2		3424.1
Savings		10.8	37.2	52.1	58.6	69.1	64.6	35.2	12.9	5.1	1.5	0.4		347.4

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0179
01-0182

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012									
PROCUREMENT					P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Annual Proposal														
Then Year Cost	13.5	147.4	423.6	599.4	685.5	746.9	635.4	332.7	122.1	47.3	14.1	3.6		3771.4
Constant Year Cost	13.5	144.9	409.6	569.9	640.9	686.6	574.3	295.7	106.7	40.7	11.9	3.0		3497.8
Present Value	13.4	141.8	395.0	541.7	600.4	634.0	522.7	265.3	94.3	35.5	10.3	2.5		3256.9
Multiyear Proposal														
Then Year Cost	13.5	136.6	386.3	547.3	626.9	677.8	570.8	297.5	109.3	42.2	12.6	3.2		3424.1
Constant Year Cost	13.5	134.3	373.6	520.4	586.1	623.1	515.9	264.5	95.5	36.3	10.6	2.6		3176.5
Present Value	13.4	131.5	360.3	494.7	549.1	575.4	469.6	237.2	84.4	31.6	9.1	2.2		2958.5
Difference														
Then Year Cost		10.8	37.2	52.1	58.6	69.1	64.6	35.2	12.9	5.1	1.5	0.4		347.4
Constant Year Cost		10.6	36.0	49.5	54.8	63.5	58.4	31.3	11.2	4.4	1.3	0.3		321.3
Present Value		10.4	34.7	47.0	51.3	58.6	53.1	28.0	9.9	3.8	1.1	0.3		298.4
Multiyear Savings ($)		10.8	37.2	52.1	58.6	69.1	64.6	35.2	12.9	5.1	1.5	0.4		347.4

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01220000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Mission Avionics/Common Cockpit

1. Multiyear Procurement Description:

This proposed Multi-Year Procurement (MYP) covers the purchase of 193 Navy MH-60 Mission Avionics suites/systems in FY2012 through FY2016 under a single, five year fixed price type contract. This procurement includes 131 MH-60R Mission Avionics suites. This encompasses the procurement and installation of the Multi-Mode Radar, Electronic Support Measures, Weapon stations, Equipment racks, Sensor operators station, and Common Cockpit. This contract also procures the installation of mission system government furnished equipment; which includes but is not limited to the Forward Looking Infrared Radar, Airborne Low Frequency Sonar, and Integrated Self-Defense systems. This MYP will also include the procurement of 62 Common Cockpits for MH-60S. The MYP strategy is structured to achieve $168.2 Million (TY$) in cost avoidance over the five year period within the Navy Aircraft Procurement appropriation. This proposed Navy MH-60R/S MYP contract follows a currently executing (FY2007 through FY2011) MYP with Lockheed Martin Systems Integration for MH-60R Mission Avionics Systems.

The MYP will include a Variation in Quantity Clause allowing for minor fluctuation of aircraft quantities from the PB12 profile.

2. Benefit to the Government:

a. Substantial Savings:

Implementation of this proposed MYP will yield significant opportunity for cost avoidance through the term of the contract. Specifically, cost avoidance for FY2012 through FY2016 attributable to this MYP strategy is estimated at $168.2 Million (TY$).

The cost avoidance associated with the MH-60 Mission Avionics MYP will principally be achieved as a result of Economic Order Quantity (EOQ) investments. Procuring select components at economic order quantities also will reduce costs by reducing the number of production set-ups, reducing administrative costs, receiving price breaks for raw materials and components, minimizing obsolescence risks/costs and further stabilizing the MH-60 supply chain.

Administrative costs are reduced since there is only one proposal, negotiation, and purchase order instead of a string of five single year procurement actions. These costs are reduced to the prime contractor, since they have only one contract to negotiate with the government vice five. Prime contractor costs will also be reduced as subcontracts at all tiers will only be entered into once. Since some suppliers include proposal preparation and negotiation as a direct charge to the purchase order, there will be a dollar for dollar reduction in these cases and the cost avoidance will not get lost in overhead rates. Another administrative reduction is realized in production planning. Cost avoidance will be gained as production line administrative processes will only be performed once, rather than five times under single year procurement. Additionally, the workload on the Government's acquisition workforce will be reduced via the MYP, resulting in greater efficiency in other MH-60 acquisition operations.

Many electronics components have minimum buy quantities which may not be met under single year procurements, driving up unit costs so that total cost is artificially high. Multiyear procurement quantities will allow the prime contractor and subcontractors at all tiers to exceed minimum order quantities and capture cost avoidance on these components. Typically suppliers will provide price discounts to lock in business. Given a five year contract, suppliers will have greater total business and stability. Therefore, they will be capable of finding innovative processes and be able to justify capital investments necessary to reduce costs. Some of these cost reductions will be

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Mission Avionics/Common Cockpit

passed on to the customer in the form of price reductions. In addition to these types of process innovations and capital investments, competition is expected to be greater based on larger purchase volumes and obsolescence risks and costs are expected to be minimized.

b. Stability of Requirement:

The requirement for both the MH-60R and MH-60S aircraft is well documented within the Navy. The Navy's total MH-60 requirement is set forth in the Navy Aviation Plan 2030. Both the MH-60R and MH-60S are key components in the Navy's investment strategy for long range recapitalization and modernization requirements needed to support the tenets of the maritime strategy. The MH-60R Operational Requirements Document (ORD) was approved by the Joint Requirements Oversight Council (JROC) in August 1992 and the latest revision which updated the document to a Capability Production Document was approved in November 2005. The MH-60S Operational Requirements Document (ORD) was approved in August 2002 and the latest revision (ORD Update 2) was approved by the JROC in February 2008.

c. Stability of Funding:

The Service Acquisition Executive (SAE) conducted a review of the MH-60R program in March 2006 and directed the program to proceed to full rate production. The SAE conducted a review of the MH-60S program in August 2002 and directed the program to proceed to full rate production. Independent cost estimates were conducted to support both of these milestone decisions. Funding support for the MH-60R and MH-60S has consistently been shown by both the Navy and the Congress.

d. Stable Configuration:

The MH-60R mission avionics is mature technology that was found to be operationally effective and suitable with all mission system performance meeting or exceeding threshold requirements. The mission systems have been in production since 2001 and entered full rate production in 2006. The MH-60R/S Common Cockpit was found to be operationally effective and suitable during Operational Evaluation and entered full rate production in August 2002. The Common Cockpit system has been deployed in the Fleet since August 2002.

e. Realistic Cost Estimate:

The procurement cost estimate for both the MH-60R/MH-60S Mission Avionics (which includes Common Cockpit) are realistic. The estimates are based on several years of historical cost data/actuals and the most accurate cost data to date as well as data provided by the contractor in April 2009. The contract is a five year Firm Fixed Price contract.

f. National Security:

As a principle element of the Defense Planning Guidance (DPG), the Department of the Navy developed its Transformation Roadmap. The Roadmap describes the key naval concepts, capabilities, initiatives, processes and programs that will guide the transformation efforts of the Navy. Naval transformation will support joint transformation by delivering new military capabilities that will greatly expand the sovereign options available to joint force commanders to project power, assure access, and protect and advance America's interests worldwide in the face of emergent threat technologies and strategies. One of these naval concepts is Sea Shield. Sea Shield permits the joint force to

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Mission Avionics/Common Cockpit

operate effectively despite adversary efforts to deny theater access to U.S. forces. It achieves these goals by exploiting global sea control to defeat area denial threats including aircraft, missiles, small littoral surface combatants, mines, and submarines. Concepts and capabilities are being developed to counter the threats from quiet diesel submarines operating near the coast and mines in and beyond the surf zone. The MH-60R/S aircraft are key components in providing these capabilities. MH-60R/S are lethal and flexible platforms that offers the force commander multiple options to conduct a capabilities based response to future threats. MH-60R/S systems directly support five of the nine joint capability areas to include force application, battle space awareness, protection, building partnerships and logistics.

3. Source of Savings:

The estimates are based on several years of historical cost data/actuals and the most accurate cost data to date as well as data provided by the contractor in April 2009. The contract is a five year Firm Fixed Price contract.

	Annual Contracts	MYP Alternate
Quantity	193	193
Total Contract Price	$1,623.7	$1,455.5
$ Cost Avoidance Over Annual		$ 168.2*
% of Cost Avoidance Over Annual		10.4%

*MH-60R/S programs are budgeted to support a follow-on MYP strategy and not annual contracting. If MYP is not approved, the $168.2M in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

	$ in Millions
Inflation	$18.100
Vendor Procurement	$91.200
Manufacturing	$58.900
Design/Engineering	$0.000
Tool Design	$0.000
Support Equipment	$0.000
Other	$0.000
Workload Savings	$0.000
Total	**$168.200**

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost avoidance ($168.2 Million) and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace five independent years of planning. This strategy maintains the capability to produce additional aircraft to maintain an industrial base necessary to meet the production requirements of current and future helicopter systems. Cost avoidance resulting from economic order quantities and independent planning result in benefit to industry

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** MH-60R/S Mission Avionics/Common Cockpit

and government.

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will also yield a favorable impact on the industrial base. The stability afforded by the use of a multiyear procurement will allow the prime contractor to enter into long term agreements with suppliers, at every tier, which provide substantial cost avoidance. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements which yield long term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster improved competition at the sub contractor level, as the offer of a longer term business arrangement will encourage more aggressive pursuit of a contract award. The contractor and subcontractor will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the Navy MH-60.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	193	193
Total Contract Price	$1,623.659	$1,455.500
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$168.159
% Cost Avoidance Over Annual		10.4%

Exhibit MYP-2 Total Program Funding Plan (NAVY)								Date February 2012						
PROCUREMENT								P-1 Line Item Nomenclature - MH-60R/S Mission Avionics/Common Cockpit (NAVY)						
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Procurement Quantity		42	37	37	39	38								193
Annual Procurement														
Gross Cost		1375.6	1,258.7	1390.8	1668.0	1761.5								7454.7
Less PY Adv Procurement		(197.0)	(195.5)	(182.7)	(228.6)	(237.3)								(1041.0)
Net Procurement (= P-1)		1178.6	1063.2	1208.1	1439.5	1524.2								6413.6
Plus CY Adv Procurement	197.0	206.0	186.1	224.0	227.9									1041.0
Weapon System Cost	197.0	1384.7	1249.3	1432.2	1667.3	1524.2								7454.7
Multiyear Procurement														
Gross Cost (P-1)		1371.1	1236.7	1363.1	1612.3	1703.3								7286.5
Less PY Adv Procurement		(195.0)	(195.0)	(224.1)	(282.5)	(310.4)								(1207.0)
Net Procurement (= P-1)		1176.1	1041.7	1138.9	1329.9	1392.9								6079.5
Advance Procurement														
'For FY12	195.0													195.0
'For FY13		195.0												195.0
'For FY14		71.9	152.2											224.1
'For FY15		9.7	97.2	175.6										282.5
'For FY16		6.8	5.7	135.9	162.0									310.4
Plus CY Adv Procurement	195.0	283.5	255.2	311.4	162.0									1207.0
Weapon System Cost	195.0	1459.6	1296.8	1450.4	1491.9	1392.9								7286.5
MultiyearSavings ($)	2.0	(75.0)	(47.5)	(18.2)	175.5	131.4								168.2
Multiyear Savings (%) (total only)														2.3%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	29.5	286.5	797.6	1130.2	1327.6	1495.2	1306.4	691.5	253.8	99.1	29.7	7.6		7454.7
Multiyear	29.2	296.9	834.1	1173.2	1329.5	1418.6	1208.6	638.3	233.2	90.8	27.0	7.0		7286.5
Savings	0.3	(10.4)	(36.5)	(43.0)	(2.0)	76.6	97.7	53.3	20.5	8.3	2.7	0.7		168.2

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)									Date February 2012					
PROCUREMENT									P-1 Line Item Nomenclature - MH-60R/S Mission Avionics/Common Cockpit (NAVY)					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Procurement Quantity		42	37	37	39	38								193
Annual Procurement														
Gross Cost		286.7	248.9	254.7	386.9	446.4								1623.7
Less PY Adv Procurement		(74.5)	(72.7)	(66.4)	(94.6)	(110.7)								(418.8)
Net Procurement (= P-1)		212.2	176.2	188.3	292.4	335.8								1204.8
Plus CY Adv Procurement	74.5	72.7	66.4	94.6	110.7									418.8
Contract Price	74.5	284.9	242.6	282.8	403.0	335.8								1623.7
Multiyear Procurement														
Gross Cost (P-1)		282.2	226.9	226.9	331.3	388.2								1455.5
Less PY Adv Procurement		(72.5)	(72.2)	(107.9)	(148.5)	(183.8)								(584.9)
Net Procurement (= P-1)		209.7	154.7	119.1	182.8	204.4								870.6
Advance Procurement														
'For FY12	72.5													72.5
'For FY13		72.2												72.2
'For FY14		66.7	41.2											107.9
'For FY15		6.8	92.3	49.4										148.5
'For FY16		4.5	2.0	132.5	44.8									183.8
Plus CY Adv Procurement	72.5	150.1	135.5	182.0	44.8									584.9
Contract Price	72.5	359.8	290.2	301.0	227.5	204.4								1455.5
MultiyearSavings ($)	2.0	(75.0)	(47.5)	(18.2)	175.5	131.4								168.2
Multiyear Savings (%) (total only)														10.4%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	11.2	72.5	171.7	228.4	274.8	330.6	293.1	153.9	56.9	22.2	6.7	1.7		1623.7
Multiyear	10.9	83.0	208.2	271.4	276.8	254.0	195.4	100.6	36.3	13.9	4.0	1.0		1455.5
Savings	0.3	(10.4)	(36.5)	(43.0)	(2.0)	76.6	97.7	53.3	20.5	8.3	2.7	0.7		168.2

* Numbers may not add due to rounding.

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012									
PROCUREMENT					P-1 Line Item Nomenclature - MH-60R/S Mission Avionics/Common Cockpit (NAVY)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		TOTAL
Annual Proposal														
Then Year Cost	11.2	72.5	171.7	228.4	274.8	330.6	293.1	153.9	56.9	22.2	6.7	1.7		1623.7
Constant Year Cost	11.2	71.3	166.0	217.2	256.9	303.9	265.0	136.8	49.7	19.0	5.7	1.4		1504.1
Present Value	11.1	69.8	160.1	206.4	240.7	280.6	241.2	122.7	44.0	16.6	4.9	1.2		1399.2
Multiyear Proposal														
Then Year Cost	10.9	83.0	208.2	271.4	276.8	254.0	195.4	100.6	36.3	13.9	4.0	1.0		1455.5
Constant Year Cost	10.9	81.6	201.3	258.0	258.8	233.5	176.6	89.4	31.8	11.9	3.4	0.8		1358.1
Present Value	10.8	79.8	194.2	245.3	242.4	215.6	160.7	80.2	28.1	10.4	2.9	0.7		1271.2
Difference														
Then Year Cost	0.3	(10.4)	(36.5)	(43.0)	(2.0)	76.6	97.7	53.3	20.5	8.3	2.7	0.7		168.2
Constant Year Cost	0.3	(10.3)	(35.3)	(40.9)	(1.8)	70.4	88.3	47.3	18.0	7.1	2.3	0.5		146.0
Present Value	0.3	(10.0)	(34.1)	(38.8)	(1.7)	65.0	80.4	42.5	15.9	6.2	2.0	0.5		128.0
Multiyear Savings ($)	0.3	(10.4)	(36.5)	(43.0)	(2.0)	76.6	97.7	53.3	20.5	8.3	2.7	0.7		168.2

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01220000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** VIRGINIA Class Submarine

1. Multiyear Procurement Description:

The VIRGINIA Class Submarine Program deploys a more affordable nuclear-powered attack submarine with multi-mission capability, SEAWOLF or better stealth, and enhanced performance in littoral areas. The program is currently executing a Multi-Year Procurement (MYP) contract with a build rate of one ship per year in FY09 and FY10 and two ships per year in FY11 through FY13. The Future Years Defense Plan (FYDP) in the FY13 Authorization Act assumes enactment of the FY14 Appropriations Act with MYP authority and includes a nine-ship, five-year MYP strategy with a build profile of one ship in FY14 and two per year from FY15 through FY18. Due to complexity of shipbuilding contracts, much of the proposal development, as well as negotiations between the Department of the Navy (DON) and the shipbuilders, will take place in FY2013. Receiving MYP authority in FY13 will help facilitate negotiation efforts. In order to achieve the cost savings afforded through this strategy, Economic Order Quantity (EOQ) funding for the twentieth through the twenty-seventh ships is required in FY14-FY16 in the amounts of $760M, $720M, and $300M, respectively. The Navy's ability to sustain its $2 billion (FY05 dollars) per hull cost reduction goal for the program is predicated on MYP contracting and sustained build rate of two ships per year.

The Congressionally mandated shipbuilder teaming arrangement between General Dynamics Electric Boat (GDEB) and Huntington Ingalls Industries Newport News Shipbuilding (HII-NNS) is assumed to continue for the duration of the MYP.

This submission is intended to satisfy congressional notification requirements.

2. Benefit to the Government:

a. Substantial Savings:

The overall savings are achieved through lowered hardware costs resulting from escalation/inflation avoidance, large lot procurement of shipbuilder material and major equipment, improved manufacturing efficiencies, and lower production man-hours and overhead costs. Achieving these savings requires funding stability.

b. Stability of Requirement:

The VIRGINIA Class program is an affordable replacement for retiring LOS ANGELES Class attack submarines. The VIRGINIA Class is optimized to be a more capable submarine meeting both the peacetime and warfighting requirements of the 21st century. The VIRGINIA Class is a 30 submarine program, of which fourteen ships are either delivered or under construction and four more are under contract as part of the FY09-FY13 MYP contract currently being executed. All EOQ funds have been received to procure MYP items for ships under the Block III contract. In addition, advance procurement funding for nuclear and long lead items has been received for the eleventh through the eighteenth ships. EOQ material buys, Contractor Furnished Equipment (CFE) procurements and combat system integration and test requirements were approved, funded, and placed in FY09-FY11. EOQ in FY14-FY16 is required for future similar purchases under the FY14-FY18 MYP contract.

c. Stability of Funding:

The VIRGINIA Class MYP is a critical component of the Navy's FYDP. The VIRGINIA Class is one of the Navy's largest ship procurement programs. The Department is

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** VIRGINIA Class Submarine

committed to fund this MYP at the required level throughout the contract period, as it is the most economical means of meeting the attack submarine requirement cited above.

d. Stable Configuration:

The VIRGINIA Class program technology is mature. The design, including supporting technical logistics products, is complete and stable. The Integrated Production Process Development (IPPD) application utilizing computer-aided design identified potential construction problems before construction efforts began, resulting in the most successful ship or submarine design program in the Navy's history. Eight ships have been delivered, six are under construction, and four more are under contract. The first four ships of the Block III contract, NORTH DAKOTA (SSN 784), JOHN WARNER (SSN 785), SSN 786 and SSN 787 are under construction .The program has begun the increased production to two ships per year in FY11 with the construction start of SSN 787 on 2 September 2011. The VIRGINIA class submarine program reached a significant benchmark with the approval of Milestone III, authorization of Full Rate Production, and the declaration of Full Operational Capability in September 2010. USS VIRGINIA (SSN 774) started Extended Dry-docking Selected Restricted Availability (EDSRA) on 1 October 2010.

e. Realistic Cost Estimate:

The cost estimates shown in these exhibits are based on historical shipbuilding and submarine program experience; the IPPD contract structure and actual performance on the first submarines under construction. There is a high degree of confidence the VIRGINIA Class program can achieve the projected savings and complete the ships procured under the MYP within the funding identified.

In support of the Milestone III Full Rate Production decision the Navy prepared a Service Cost Position (SCP), which was approved by the Cost Review Board on 14 June 2010. The Office of the Secretary of Defense Cost Assessment and Program Evaluation (CAPE) also completed an Independent Cost Estimate (ICE). The total acquisition cost delta between the SCP and the ICE was $80 million in the FYDP (FY12-16). Taken together, the similarity in the CAPE and SCP estimates and the historical program experience, demonstrates the program has realistic cost estimates.

f. National Security:

Production of VIRGINIA Class submarines is needed to maintain the required attack submarine fleet force level. The Navy's MYP strategy as discussed herein is the most cost-effective way to meet national security requirements.

3. Source of Savings:

Manufacturing – Construction schedule reduction to 60 months will result in savings identified in the table above. This is dependent on material in-yard-need dates being met and process improvements. EOQ funds allow for shipbuilders to ensure that material is available to support a shortened construction span. Shipbuilder studies indicate that traditional one-year Advance Procurement (AP) will not be sufficient to ensure in-yard-need dates are met for a reduced construction span build plan. Initiatives such as Lean and Capital Expenditures (CAPEX) support the process improvements needed to realize a 60 month construction schedule.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** VIRGINIA Class Submarine

Other/Workload Savings – Under an MYP contract, the shipbuilders are assured of the build rate over the five years of the contract (FY14-18) which reduces risk of workload fluctuations. Reduced risk of workload fluctuation is estimated to reduce costs for a nine-ship MYP contract compared to a standard contract with options.

Material – Material savings has two components: vendor procurement and inflation adjustment. The CFE portion of the material savings is based on an extrapolation of the vendor studies conducted in support of the FY04-08 and FY09-13 MYP contracts. The commitment of a MYP contract allows the shipbuilders to place purchase orders for all nine shipsets of major components and meet vendor cash flow requirements with EOQ funds. The Government Furnished Equipment (GFE) savings is based on the savings achieved in the FY04-08 and FY09-13 MYP contracts.

Vendor Procurement – The MYP permits EOQ procurement, which reduces the cost of subcontractor effort, material and components. The long-term commitment offered by MYP stabilizes the shipbuilder and GFE industrial base resulting in:

- increased competition through market entry attractiveness
- shipyard negotiating leverage with vendor base
- less disruption of vendor delivery schedules
- stable employment levels and retention of skilled labor

Inflation Adjustment – These savings result from buying out-year ship material and component requirements earlier as part of EOQ purchases. The avoidance of the OSD portion of the inflation (without vendor base adjustment) indicates savings attributed to inflation.

	$ in Millions
Inflation	$1,225.000
Vendor Procurement	$2,163.000
Manufacturing	$404.000
Design/Engineering	$0.000
Tool Design	$0.000
Support Equipment	$0.000
Other	$696.000
Workload Savings	$0.000
Total	**$4,488.000**

4. Advantages of the MYP:

The Navy achieves substantially reduced costs from this strategy of a nine-ship, five-year MYP with EOQ material procurement. The Navy, the shipbuilders, and the industrial base all benefit from reduced hardware costs due to inflation avoidance, large lot vendor procurement of shipbuilder material and major equipment, and improved procurement stability.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1611 Shipbuilding and Conversion - Navy / Other Warships (BA-02)	**P-1 Item Nomenclature:** VIRGINIA Class Submarine

5. Impact on Defense Industrial Base:

Market Entry Attractiveness – The manufacture of submarine equipment represents a niche market for many suppliers. Profiles of single or partial submarine acquisitions per year have historically prevented suppliers from entering the marketplace due to the inability to confidently project recovery of start-up costs. The FY14-FY18 MYP contracting strategy will solidify the Navy's commitment to a stable submarine production program.

Enhanced Investment - The FY14-FY18 MYP provides a firm business base to facilitate production planning at VIRGINIA Class shipbuilders and second and third-tier vendors. Both VIRGINIA Class shipbuilders have achieved significant productivity improvements through the VIRGINIA Class Submarine's Integrated Production Process Development (IPPD, Design-Build) contract. The FY14-FY18 MYP contract will provide sufficient stability to justify capital investments, similar to the CAPEX investments used in the Block II contract, needed to continue productivity improvements at both yards and within the vendor base.

Improvement in Skill Levels - The MYP allows the shipbuilders greater flexibility in scheduling and workload planning. This enables the shipbuilder to achieve a more stable prime and subcontractor workforce, resulting in enhanced productivity, lower training costs and attractive job opportunities for new employees. The manufacture of submarine equipment requires a labor force that possesses unique skill sets not routinely found in the shipbuilding industry. Use of MYP contracting should result in higher retention rates and increased skill levels, while enhancing productivity in both the shipbuilders and in the vendor base. The potential benefits are reflected in the MYP savings identified in these exhibits.

Training Program – Since the MYP allows the shipbuilders greater flexibility in scheduling and workload planning, the shipbuilders should realize increased workforce stability. This should improve worker retention and skill levels and reduce hiring costs and training requirements. Where training is required, the benefits (i.e., productivity improvements, new or improved skill levels) are potentially greater when compared to an annual procurement environment. Apprenticeship and trainee programs become more cost effective for a larger, more stable MYP program. Additionally, multiyear contracting should enable contractors to offer greater job security to employees, particularly at the subcontractor or vendor level.

Use of Multiyear Contracts for Vendor Equipment - The government will enter into a single multiyear contract with the teamed shipbuilders: Electric Boat Corporation, a General Dynamics Company, and Newport News Shipbuilding, a division of Huntington Industries. This will decrease the shipbuilders' risk in entering into multiyear contracts with their vendors. Multiyear contracting authority will also create opportunities for the Navy to enter multiyear equipment contracts for government furnished equipment. Preliminary estimates indicate the Navy will be able to achieve equivalent savings for government furnished equipment to those expected by the shipbuilder.

Increased Production Capacity – The production rates during the multiyear period are executable. Only minor increases in production capacity for jigs and fixtures is anticipated or required. Delivery of submarines under the FY14-FY18 MYP is geared toward stabilizing workload and reducing overall ship end cost.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	9	9
Total Contract Price	$31,096.739	$26,609.157
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$4,487.582
% Cost Avoidance Over Annual		14.4%

Exhibit MYP-2 Total Program Funding Plan (NAVY)							Date February 2012									
PROCUREMENT							P-1 Line Item Nomenclature - VIRGINIA Class Submarine (NAVY)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
Procurement Quantity			1	2	2	2	2									9
Annual Procurement																
Gross Cost			3312.1	6461.2	6820.4	7031.0	7472.0									31096.7
Less PY Adv Procurement			(858.4)	(1669.6)	(1768.5)	(1829.7)	(1909.2)									(8035.5)
Net Procurement (= P-1)			2453.7	4791.6	5051.9	5201.3	5562.8									23061.2
Plus CY Adv Procurement	988.2	915.6	1744.0	1803.1	1881.5	703.2										8035.5
Weapon System Cost	988.2	915.6	4197.7	6594.7	6933.3	5904.5	5562.8									31096.7
Multiyear Procurement																
Gross Cost (P-1)			2973.6	5669.7	5783.2	5940.0	6242.6									26609.2
Less PY Adv Procurement			(835.1)	(1831.6)	(2123.8)	(2328.7)	(2423.8)									(9542.9)
Net Procurement (= P-1)			2138.6	3838.1	3659.4	3611.4	3818.8									17066.3
Advance Procurement																
'For FY14	559.2	275.8														835.1
'For FY15	429.0	599.1	803.5													1831.6
'For FY16			1284.8	839.0												2123.8
'For FY17			189.9	1365.4	773.3											2328.7
'For FY18			189.9	239.8	1294.0	700.1										2423.8
Plus CY Adv Procurement	988.2	874.9	2468.1	2444.2	2,067.3	700.1										9542.9
Weapon System Cost	988.2	874.9	4606.6	6282.4	5726.8	4311.4	3818.8									26609.2
MultiyearSavings ($)		40.7	(409.0)	312.3	1206.6	1593.0	1743.9									4487.6
Multiyear Savings (%) (total only)																14.4%
Cancellation Ceiling, Funded																
Cancellation Ceiling, Unfunded																
OUTLAYS																
Annual	58.1	253.5	655.8	1609.8	3001.3	4229.2	5006.4	5291.5	4356.8	3067.0	2017.1	1087.1	285.6	174.3	3.1	31096.7
Multiyear	58.1	251.1	1386.7	2188.8	2917.8	3531.8	4006.0	4112.9	3306.8	2286.2	1464.6	772.0	204.4	119.8	2.2	26609.2
Savings		2.4	(730.9)	(579.0)	83.5	697.5	1000.5	1178.5	1050.1	780.8	552.5	315.1	81.2	54.5	1.0	4487.6

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)							Date February 2012									
PROCUREMENT							P-1 Line Item Nomenclature - VIRGINIA Class Submarine (NAVY)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
Procurement Quantity			1	2	2	2	2									9
Annual Procurement																
Gross Cost			3312.1	6461.2	6820.4	7031.0	7472.0									31096.7
Less PY Adv Procurement			(858.4)	(1669.6)	(1768.5)	(1829.7)	(1909.2)									(8035.5)
Net Procurement (= P-1)			2453.7	4791.6	5051.9	5201.3	5562.8									23061.2
Plus CY Adv Procurement	988.2	915.6	1744.0	1803.1	1881.5	703.2										8035.5
Contract Price	988.2	915.6	4197.7	6594.7	6933.3	5904.5	5562.8									31096.7
Multiyear Procurement																
Gross Cost (P-1)			2973.6	5669.7	5783.2	5940.0	6242.6									26609.2
Less PY Adv Procurement			(835.1)	(1831.6)	(2123.8)	(2328.7)	(2423.8)									(9542.9)
Net Procurement (= P-1)			2138.6	3838.1	3659.4	3611.4	3818.8									17066.3
Advance Procurement																
'For FY14	559.2	275.8														835.1
'For FY15	429.0	599.1	803.5													1831.6
'For FY16			1284.8	839.0												2123.8
'For FY17			189.9	1365.4	773.3											2328.7
'For FY18			189.9	239.8	1294.0	700.1										2423.8
Plus CY Adv Procurement	988.2	874.9	2468.1	2444.2	2,067.3	700.1										9542.9
Contract Price	988.2	874.9	4606.6	6282.4	5726.8	4311.4	3818.8									26609.2
MultiyearSavings ($)		40.7	(409.0)	312.3	1206.6	1593.0	1743.9									4487.6
Multiyear Savings (%) (total only)																14.4%
Cancellation Ceiling, Funded																
Cancellation Ceiling, Unfunded																
OUTLAYS																
Annual	58.1	253.5	655.8	1609.8	3001.3	4229.2	5006.4	5291.5	4356.8	3067.0	2017.1	1087.1	285.6	174.3	3.1	31096.7
Multiyear	58.1	251.1	1386.7	2188.8	2917.8	3531.8	4006.0	4112.9	3306.8	2286.2	1464.6	772.0	204.4	119.8	2.2	26609.2
Savings		2.4	(730.9)	(579.0)	83.5	697.5	1000.5	1178.5	1050.1	780.8	552.5	315.1	81.2	54.5	1.0	4487.6

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-2013

Exhibit MYP-4 Present Value Analysis (NAVY)								Date February 2012								
PROCUREMENT								P-1 Line Item Nomenclature - VIRGINIA Class Submarine (NAVY)								
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
Annual Proposal																
Then Year Cost	58.1	253.5	655.8	1609.8	3001.3	4229.2	5006.4	5291.5	4356.8	3067.0	2017.1	1087.1	285.6	174.3	3.1	31096.7
Constant Year Cost	58.1	249.2	633.7	1528.7	2800.1	3876.5	4508.4	4681.5	3787.0	2619.1	1692.3	896.0	231.3	138.7	2.5	27703.1
Present Value	57.7	244.1	612.1	1456.1	2630.3	3591.1	4118.8	4217.9	3364.9	2295.0	1462.4	763.6	194.4	115.0	2.0	25125.5
Multiyear Proposal																
Then Year Cost	58.1	251.1	1386.7	2188.8	2917.8	3531.8	4006.0	4112.9	3306.8	2,286.2	1464.6	772.0	204.4	119.8	2.2	26609.2
Constant Year Cost	58.1	246.9	1340.1	2078.5	2722.2	3237.2	3607.4	3638.8	2874.2	1952.3	1228.7	636.3	165.5	95.3	1.7	23883.5
Present Value	57.7	241.8	1294.3	1979.8	2557.1	2998.9	3295.7	3278.5	2553.9	1710.8	1061.8	542.3	139.1	79.0	1.4	21792.2
Difference																
Then Year Cost		2.4	(730.9)	(579.0)	83.5	697.5	1000.5	1178.5	1050.1	780.8	552.5	315.1	81.2	54.5	1.0	4487.6
Constant Year Cost		2.4	(706.3)	(549.9)	77.9	639.3	900.9	1042.7	912.7	666.8	463.6	259.7	65.8	43.4	0.8	3819.6
Present Value		2.3	(682.2)	(523.7)	73.2	592.2	823.1	939.4	811.0	584.3	400.6	221.3	55.3	35.9	0.6	3333.3
Multiyear Savings ($)		2.4	(730.9)	(579.0)	83.5	697.5	1000.5	1178.5	1050.1	780.8	552.5	315.1	81.2	54.5	1.0	4487.6

NOTE: MYP Procurement Period is 15 years. Real Interest Rate for MYP Procurement Period of 15 years is 1.01400000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** V-22 Osprey

1. Multiyear Procurement Description:

This proposed follow-on multiyear procurement (MYP) covers the purchase of 98 V-22 aircraft in FY2013 through FY2017 under a single, five-year, fixed-price type contract. This procurement includes 91 MV-22 and 7 CV-22 aircraft. The MYP strategy is structured to achieve $852.4 Million (TY$) in savings over the five-year period within the Aircraft Procurement, Navy; Aircraft Procurement, Air Force; and Defense-Wide Procurement appropriations. This proposed MYP contract follows nine years of Low Rate Initial Production (LRIP)(FY1997-2005), two years of Full Rate Production (FY2006-2007), and five years of production under the initial MYP (FY2008-FY2012). Note the 7 CV-22 aircraft are being jointly procured by Air Force and Special Operations Command (SOCOM).

The MYP will include a Variation in Quantity clause and/or an Options clause allowing for minor fluctuation of aircraft quantities from the PB-13 budget position.

2. Benefit to the Government:

a. Substantial Savings:

Implementation of this proposed MYP will yield substantial savings through the term of the contract. Specifically, savings for FY2013 through FY2017 attributable to this MYP strategy is estimated at $852.4 Million (TY$), for a total of 11.6%.

Overhead rates are projected to be lower as a result of stable and continuous production. A MYP provides a stable production base which alleviates year-to-year fluctuation of forward pricing rates. In addition, the long term stable procurement increases the likelihood the prime contractor will include other potential aircraft buys (i.e., Foreign Military Sales (FMS) and Other Government Aircraft sales) in the assumed business base pricing for all five years of the planned MYP.

Labor costs are projected to be significantly lower due to enhanced workforce stability. This stability is based on an expected lower employee turnover from having a guaranteed minimum production base to forecast labor needs, and avoiding hiring spikes and sudden layoffs. In addition, the more stable workforce will minimize loss of learning accumulated from previous multiyear procurements.

Material costs are projected to be significantly lower in MYP. Annual procurements result in aircraft quantities potentially fluctuating from year to year. A fluctuating business base leads to increased number of purchase orders compared to MYP. The prospect of a long term, five year buy enables prime contractor to secure Long Term Agreements (LTAs) with suppliers and make greater use of Economic Order Quantity (EOQ) buys, as well as utilize work force more efficiently. A MYP allows prime contractor to be more aggressive in the pursuit of LTAs with major suppliers.

Similarly, reducing the number of setups can provide significant savings when producing components or materials with high setup-to-run ratios, where the dollar value of the component or material is low. Low-value castings, sheet metal procurements, and forgings are examples of areas in which lower prices can be negotiated with suppliers based on reduced setup costs associated with larger quantity procurements.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** V-22 Osprey

Multiyear buys support broadening the competitive base with opportunity for participation by suppliers not otherwise willing or able to compete for single year procurements, particularly in cases involving high startup costs. In addition, the contractor is more likely to second source items and drive costs down, which would be less incentivized in a Single Year Procurement (SYP) environment. The contractor is also more motivated to improve productivity through investment in capital facilities, equipment and advanced manufacturing technology.

Many electronic components have minimum-buy quantities that may not be met under single-year procurements, driving up unit costs so that total cost is artificially high. MYP quantities will allow the prime contractor and subcontractors at all tiers to meet or exceed minimum-order quantities and capture cost avoidance on many components. Typically, suppliers will provide price discounts to lock in business. Given a five-year contract, suppliers will have greater total business and stability. Therefore, they will be incentivized to find innovative processes and be able to justify capital investments necessary to reduce costs. Some of these cost reductions will be passed on to the customer in the form of price reductions. In addition to these types of process innovations and capital investments, competition is expected to be greater based on larger purchase volumes, and obsolescence risks and costs (principal concerns in electronic components) are expected to be minimized.

In general, parts obsolescence is minimized in a multiyear environment, as suppliers utilize EOQ buys and lifetime buys, maintaining efficient production and minimizing disruption. The contractor and its suppliers are more likely to go out on risk to protect parts identified as no longer available in the marketplace. Under a SYP, the contractor and its suppliers would be less inclined to continue this practice because of the uncertainty of future aircraft quantities and contract awards.

Since some suppliers include proposal preparation and negotiation as a direct charge to the purchase order, there will be a dollar for dollar reduction in these cases and the cost avoidance will not get lost in overhead rates. The contractor and its suppliers--in addition to the Government--will avoid the costs associated with submittal, evaluation and negotiation of proposals for each single year contract, as well as the subsequent post-award audits for each single year contract.

In addition, more favorable labor costs, material costs and overhead rates are anticipated to have a synergistic impact on the overall cost of this MYP buy. The business base impact from more stable planning in terms of labor force, material orders and overhead rates can be captured by the government as well as continued inflation benefits from a stable buy utilizing economic material orders.

Profit in a MYP is also expected to be lower than in a SYP. The stability and predictability of a MYP should result in lower risk to the contractor, more favorable cost of capital, and improved opportunity cost calculations. The end result should be a lower percentage of profit relative to total costs.

b. Stability of Requirement:

The requirement for a Medium Lift Replacement (MLR) aircraft is well documented within the Services. The Joint Multi-Mission Vertical Lift Aircraft (JMVX) Operational Requirements Document (ORD) was approved by the Joint Requirements Oversight Council (JROC) in April 1995. The latest revision to the JMVX ORD (ORD Change 4) was approved in February 2005. The current V-22 Capability Production Document (CPD) is dated September 2010. The MV-22 continues to be a top priority of the Marine Corp; similary, CV-22 is one of USSOCOM's top priorities in prosecuting terrorism and insurgent activities. If either of the Services has a need for additional aircraft during the term of the MYP, the contract will provide a mechanism by which the quantity of aircraft can be increased.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** V-22 Osprey

c. Stability of Funding:

The Defense Acquisition Board (DAB) conducted a review of the V-22 program in September 2005 and directed the program to proceed to full rate production. In 2001, the Quadrennial Defense Review validated the Department's requirement for the V-22 and accelerated the production profile to speed deployment. The Navy, Air Force, and SOCOM have demonstrated commitment to a stable funding stream for the MV-22 and CV-22 through every phase of the budgeting process by fully funding the requirement across the Future Years Defense Program (FYDP). Funding support for the program has been consistently shown by the military services and the Congress.

d. Stable Configuration:

The V-22 aircraft has completed over 130,000 flight hours. There are currently 13 operational squadrons meeting the Fleet operational demands, including those supporting combat operations in Operation Enduring Freedom (OEF) and on Marine Expeditionary Unit (MEU) deployments.

The V-22 program successfully completed its Operational Evaluation period in 2005, and was found to be operationally effective and suitable. The program reached initial operational capability (IOC) for the Marine Corps' MV-22 in June 2007 and USSOCOM's CV-22 in March 2009. At the end of the current MYP contract, the program will have delivered 16 production lots of aircraft. The V-22's demonstrated stability supports contract award of the second MYP and aircraft production beginning in FY2013 (Lot 17).

e. Realistic Cost Estimate:

The current cost estimate is realistic and based upon the current multiyear contract extrapolated out to a follow-on MYP. The estimates are based on historical cost data/actuals for 14 production lots of aircraft, as well as a series of data/information provided by the contractor in January-July 2011. Review and validation by Secretary of Defense Office of Cost Assessment and Program Evaluation (CAPE) is planned to complete by February 2012.

f. National Security:

The Quadrennial Defense Review and Defense Planning Guidance have set total V-22 production quantities. These documents emphasize the criticality of the V-22 to the overall National Security Strategy and demonstrate the Department's commitment to properly fund this weapon system to the quantities proposed in the multiyear plan. The V-22 provides the armed forces and national leaders with a multi-mission aircraft capable of worldwide self-deployability, which allows for the continued execution of global military commitments while significantly reducing demands on finite strategic sealift and airlift assets.

The Marine Corps' Operational Maneuver from the Sea foresees warfare that requires tactically adaptive, technologically agile, opportunistic, and exploitative forces. Individuals and forces must be able to rapidly reorganize and reorient across a broad range of new tasks and missions in fluid operational environments. Additionally, the U.S. Special Operations Command (USSOCOM) variant (CV-22) is capable of penetrating politically or militarily denied areas to support special operations missions and collateral special operations activities (Executive Order 12333 (Special Activities)). Finally, dominant maneuver will provide U.S. forces with overwhelming and asymmetric advantages to accomplish assigned operational tasks. The dominant maneuver concept requires more flexible strategic and tactical sea and airlift. Procurements of the Marine Corps' MV-22 and Special Operations Force's CV-22 tiltrotor aircraft are examples of the Department's effort to improve long and medium range lift for national security objectives.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** V-22 Osprey

3. Source of Savings:

This proposed follow-on multiyear procurement (MYP) covers the purchase of 98 V-22 aircraft in FY2013 through FY2017 under a single, five-year, fixed-price type contract. This procurement includes 91 MV-22 and 7 CV-22 aircraft. The MYP strategy is structured to achieve $852.4 Million (TY$) in savings over the five-year period within the Aircraft Procurement, Navy; Aircraft Procurement, Air Force; and Defense-Wide Procurement appropriations. This proposed MYP contract follows nine years of Low Rate Initial Production (LRIP)(FY1997-2005), two years of Full Rate Production (FY2006-2007), and five years of production under the initial MYP (FY2008-FY2012). Note the 7 CV-22 aircraft are being jointly procured by Air Force and Special Operations Command (SOCOM).

The MYP will include a Variation in Quantity clause and/or an Options clause allowing for minor fluctuation of aircraft quantities from the PB-13 budget position.

	Annual Contracts	MYP Contracts
Quantity	98	98
Total Contract Price	$7,352.8	$6,500.4
$ Cost Avoidance Over Annual		$ 852.4*
% of Cost Avoidance Over Annual		11.6%

* V-22 programs are budgeted to support a follow-on multiyear strategy and not annual contracting. If MYP is not approved, the $852.4M savings will need to be added to program funding levels to ensure that annual contracts are executable. There is no cancellation ceiling.

	$ in Millions
Inflation	$145.500
Vendor Procurement	$156.800
Manufacturing	$513.400
Design/Engineering	$0.000
Tool Design	$0.000
Support Equipment	$0.000
Other	$36.700
Workload Savings	$0.000
Total	**$852.400**

4. Advantages of the MYP:

This MYP strategy has been structured to achieve substantial savings ($852.4M) and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace five independent years of planning. Savings resulting from economic order quantities, manufacturing initiatives, and independent planning result in significant benefit to industry and the Government.

Exhibit MYP-1, Multiyear Procurement Criteria	Date: February 2012
Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	**P-1 Item Nomenclature:** V-22 Osprey

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will yield a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, which will provide substantial cost avoidance. Such long-term agreements incentivize both the prime contractor and subcontractors to invest in process improvements that yield long-term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster improved competition at the subcontractor level, as the offer of a longer term business arrangement will encourage more aggressive pursuit of a contract award. The prime contractor and subcontractors will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the Government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the V-22.

6. Multiyear Procurement Summary:

	Annual Contracts	MultiYear Contract
Quantity	98	98
Total Contract Price	$7,352.841	$6,500.401
Cancellation Ceiling (highest point)		
Funded		$ 0.000
Unfunded		$ 0.000
$ Cost Avoidance Over Annual		$852.440
% Cost Avoidance Over Annual		11.6%

Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		17	18	19	19	18						91
Annual Procurement												
Gross Cost		1,451.2	1642.0	1808.5	1753.6	1722.1						8377.4
Less PY Adv Procurement		(63.8)	(69.4)	(74.7)	(75.9)	(67.4)						(351.2)
Net Procurement (= P-1)		1387.4	1572.6	1733.7	1677.6	1654.7						8026.1
Plus CY Adv Procurement	63.8	69.4	74.7	75.9	67.4							351.2
Weapon System Cost	63.8	1456.8	1647.4	1809.7	1745.1	1654.7						8377.4
Multiyear Procurement												
Gross Cost (P-1)	50.0	1366.9	1509.8	1618.8	1545.9	1503.8						7595.2
Less PY Adv Procurement		(63.8)	(70.5)	(77.5)	(77.8)	(74.1)						(363.7)
Net Procurement (= P-1)	50.0	1303.1	1439.2	1541.3	1468.1	1429.7						7231.5
Advance Procurement												
'For FY13	63.8											63.8
'For FY14		70.5										70.5
'For FY15		31.8	45.8									77.5
'For FY16		29.6	5.9	42.3								77.8
'For FY17		22.3	3.5		48.2							74.1
Plus CY Adv Procurement	63.8	154.2	55.2	42.3	48.2							363.7
Weapon System Cost	113.8	1457.3	1494.4	1583.6	1516.3	1429.7						7595.2
MultiyearSavings ($)	(50.0)	(0.5)	152.9	226.1	228.7	225.0						782.2
Multiyear Savings (%) (total only)												9.3%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	8.3	213.6	786.9	1306.3	1596.4	1721.9	1485.7	832.1	320.2	105.9		8377.4
Multiyear	14.8	232.7	782.2	1225.3	1438.1	1518.7	1293.4	721.3	277.2	91.5		7595.2
Savings	(6.5)	(19.1)	4.7	81.0	158.3	203.2	192.4	110.8	43.0	14.4		782.2

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		17	18	19	19	18						91
Annual Procurement												
Gross Cost		1,166.3	1289.9	1425.5	1450.1	1405.1						6736.9
Less PY Adv Procurement		(59.1)	(63.6)	(69.0)	(70.2)	(61.9)						(323.8)
Net Procurement (= P-1)		1107.3	1226.2	1356.5	1379.9	1343.2						6413.2
Plus CY Adv Procurement	59.1	63.6	69.0	70.2	61.9							323.8
Contract Price	59.1	1170.9	1295.2	1426.7	1441.8	1343.2						6736.9
Multiyear Procurement												
Gross Cost (P-1)	50.0	1082.0	1157.6	1235.9	1242.5	1186.8						5954.7
Less PY Adv Procurement		(59.1)	(64.8)	(71.8)	(72.0)	(68.5)						(336.2)
Net Procurement (= P-1)	50.0	1023.0	1092.8	1164.1	1170.4	1118.2						5618.5
Advance Procurement												
'For FY13	59.1											59.1
'For FY14		64.8										64.8
'For FY15		31.8	40.0									71.8
'For FY16		29.6	5.9	36.5								72.0
'For FY17		22.3	3.5		42.7							68.5
Plus CY Adv Procurement	59.1	148.5	49.5	36.5	42.7							336.2
Contract Price	109.1	1171.5	1142.3	1200.6	1213.1	1118.2						5954.7
MultiyearSavings ($)	(50.0)	(0.5)	152.9	226.1	228.7	225.0						782.2
Multiyear Savings (%) (total only)												11.6%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	7.7	174.7	631.1	1036.4	1269.5	1388.7	1205.6	675.9	261.5	86.0		6736.9
Multiyear	14.2	193.7	626.4	955.3	1111.2	1185.4	1013.2	565.2	218.5	71.6		5954.7
Savings	(6.5)	(19.1)	4.7	81.0	158.3	203.2	192.4	110.8	43.0	14.4		782.2

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0164

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Annual Proposal												
Then Year Cost	7.7	174.7	631.1	1036.4	1269.5	1388.7	1205.6	675.9	261.5	86.0		6736.9
Constant Year Cost	7.7	171.8	610.1	984.7	1185.1	1273.6	1086.3	598.4	227.4	73.5		6218.5
Present Value	7.6	169.0	593.6	947.7	1128.1	1199.2	1011.8	551.2	207.3	66.2		5881.7
Multiyear Proposal												
Then Year Cost	14.2	193.7	626.4	955.3	1111.2	1185.4	1013.2	565.2	218.5	71.6		5954.7
Constant Year Cost	14.2	190.5	605.6	907.7	1037.3	1087.2	913.0	500.3	190.1	61.2		5507.0
Present Value	14.1	187.4	589.2	873.6	987.5	1023.7	850.3	460.9	173.2	55.1		5215.0
Difference												
Then Year Cost	(6.5)	(19.1)	4.7	81.0	158.3	203.2	192.4	110.8	43.0	14.4		782.2
Constant Year Cost	(6.5)	(18.8)	4.5	77.0	147.7	186.4	173.3	98.1	37.4	12.3		711.5
Present Value	(6.5)	(18.4)	4.4	74.1	140.6	175.5	161.5	90.3	34.1	11.1		666.7
Multiyear Savings ($)	(6.5)	(19.1)	4.7	81.0	158.3	203.2	192.4	110.8	43.0	14.4		782.2

NOTE: MYP Procurement Period is 10 years. Real Interest Rate for MYP Procurement Period of 10 years is 1.01100000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (SOCOM)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity												0
Annual Procurement												
Gross Cost		106.1	81.3									187.4
Less PY Adv Procurement		(2.9)	(2.2)									(5.1)
Net Procurement (= P-1)		103.3	79.1									182.4
Plus CY Adv Procurement	2.9	2.2										5.1
Weapon System Cost	2.9	105.5	79.1									187.4
Multiyear Procurement												
Gross Cost (P-1)		98.0	72.8									170.8
Less PY Adv Procurement		(2.9)	(2.2)									(5.1)
Net Procurement (= P-1)		95.2	70.6									165.8
Advance Procurement												
'For FY13	2.9											2.9
'For FY14		2.2										2.2
Plus CY Adv Procurement	2.9	2.2										5.1
Weapon System Cost	2.9	97.4	70.6									170.8
MultiyearSavings ($)		8.1	8.5									16.6
Multiyear Savings (%) (total only)												8.9%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	0.4	14.8	51.2	62.1	37.2	16.7	5.1					187.4
Multiyear	0.4	13.7	47.0	56.4	33.6	15.1	4.5					170.8
Savings		1.1	4.2	5.7	3.6	1.6	0.5					16.6

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0164

Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (SOCOM)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity												0
Annual Procurement												
Gross Cost		69.7	55.8									125.5
Less PY Adv Procurement		(2.9)	(2.2)									(5.1)
Net Procurement (= P-1)		66.9	53.6									120.4
Plus CY Adv Procurement	2.9	2.2										5.1
Contract Price	2.9	69.1	53.6									125.5
Multiyear Procurement												
Gross Cost (P-1)		61.6	47.3									108.9
Less PY Adv Procurement		(2.9)	(2.2)									(5.1)
Net Procurement (= P-1)		58.7	45.1									103.8
Advance Procurement												
'For FY13	2.9											2.9
'For FY14		2.2										2.2
Plus CY Adv Procurement	2.9	2.2										5.1
Contract Price	2.9	61.0	45.1									108.9
MultiyearSavings ($)		8.1	8.5									16.6
Multiyear Savings (%) (total only)												13.2%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	0.4	10.1	34.1	41.4	25.0	11.2	3.4					125.5
Multiyear	0.4	9.0	29.9	35.8	21.4	9.6	2.9					108.9
Savings		1.1	4.2	5.7	3.6	1.6	0.5					16.6

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (SOCOM)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Annual Proposal												
Then Year Cost	0.4	10.1	34.1	41.4	25.0	11.2	3.4					125.5
Constant Year Cost	0.4	9.9	32.9	39.4	23.3	10.2	3.1					119.2
Present Value	0.4	9.8	32.4	38.4	22.6	9.9	3.0					116.4
Multiyear Proposal												
Then Year Cost	0.4	9.0	29.9	35.8	21.4	9.6	2.9					108.9
Constant Year Cost	0.4	8.9	28.9	34.0	20.0	8.8	2.6					103.5
Present Value	0.4	8.8	28.4	33.2	19.3	8.5	2.5					101.0
Difference												
Then Year Cost		1.1	4.2	5.7	3.6	1.6	0.5					16.6
Constant Year Cost		1.0	4.1	5.4	3.3	1.5	0.5					15.8
Present Value		1.0	4.0	5.3	3.2	1.4	0.5					15.4
Multiyear Savings ($)		1.1	4.2	5.7	3.6	1.6	0.5					16.6

NOTE: MYP Procurement Period is 7 years. Real Interest Rate for MYP Procurement Period of 7 years is 1.00700000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (USAF)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		4	3									7
Annual Procurement												
Gross Cost		344.7	268.9									613.6
Less PY Adv Procurement		(20.0)	(15.0)									(35.0)
Net Procurement (= P-1)		324.7	253.9									578.6
Plus CY Adv Procurement	20.0	15.0										35.0
Weapon System Cost	20.0	339.7	253.9									613.6
Multiyear Procurement												
Gross Cost (P-1)		314.2	245.8									560.0
Less PY Adv Procurement		(20.0)	(15.0)									(35.0)
Net Procurement (= P-1)		294.2	230.8									525.0
Advance Procurement												
'For FY13	20.0											20.0
'For FY14		15.0										15.0
Plus CY Adv Procurement	20.0	15.0										35.0
Weapon System Cost	20.0	309.2	230.8									560.0
MultiyearSavings ($)		30.5	23.1									53.6
Multiyear Savings (%) (total only)												8.7%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	2.6	51.8	168.1	200.9	120.3	53.7	16.3					613.6
Multiyear	2.6	47.8	153.5	183.0	109.5	48.9	14.8					560.0
Savings		4.0	14.6	17.9	10.8	4.9	1.5					53.6

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (USAF)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		4	3									7
Annual Procurement												
Gross Cost		279.1	211.3									490.4
Less PY Adv Procurement		(20.0)	(15.0)									(35.0)
Net Procurement (= P-1)		259.1	196.3									455.4
Plus CY Adv Procurement	20.0	15.0										35.0
Contract Price	20.0	274.1	196.3									490.4
Multiyear Procurement												
Gross Cost (P-1)		248.6	188.2									436.8
Less PY Adv Procurement		(20.0)	(15.0)									(35.0)
Net Procurement (= P-1)		228.6	173.2									401.8
Advance Procurement												
'For FY13	20.0											20.0
'For FY14		15.0										15.0
Plus CY Adv Procurement	20.0	15.0										35.0
Contract Price	20.0	243.6	173.2									436.8
MultiyearSavings ($)		30.5	23.1									53.6
Multiyear Savings (%) (total only)												10.9%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	2.6	43.2	135.7	159.3	94.7	42.3	12.6					490.4
Multiyear	2.6	39.3	121.1	141.4	83.9	37.4	11.1					436.8
Savings		4.0	14.6	17.9	10.8	4.9	1.5					53.6

NOTE: FY 2012 Advanced Procurement (AP) funds will be executed prior to the award of the planned FY 2013 MYP contract. Subsequent to the planned FY 2013 MYP contract award, the FY 2012 AP funds will be incorporated in the FY 2013 MYP contract as a separate contract line item (CLIN).

* Numbers may not add due to rounding.

Exhibit MYP-4 Present Value Analysis (NAVY)					Date February 2012							
PROCUREMENT					P-1 Line Item Nomenclature - V-22 Osprey (USAF)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Annual Proposal												
Then Year Cost	2.6	43.2	135.7	159.3	94.7	42.3	12.6					490.4
Constant Year Cost	2.6	42.5	131.1	151.4	88.4	38.8	11.3					466.1
Present Value	2.6	42.1	128.9	147.7	85.6	37.3	10.8					455.0
Multiyear Proposal												
Then Year Cost	2.6	39.3	121.1	141.4	83.9	37.4	11.1					436.8
Constant Year Cost	2.6	38.6	117.0	134.3	78.3	34.3	10.0					415.2
Present Value	2.6	38.2	115.0	131.1	75.9	33.0	9.5					405.3
Difference												
Then Year Cost		4.0	14.6	17.9	10.8	4.9	1.5					53.6
Constant Year Cost		3.9	14.1	17.0	10.1	4.5	1.3					50.9
Present Value		3.9	13.9	16.6	9.8	4.3	1.3					49.7
Multiyear Savings ($)		4.0	14.6	17.9	10.8	4.9	1.5					53.6

NOTE: MYP Procurement Period is 7 years. Real Interest Rate for MYP Procurement Period of 7 years is 1.00700000%.
(OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.

Exhibit MYP-2 Total Program Funding Plan (All Services)					Date February 2012							
All Services					P-1 Line Item Nomenclature - V-22 Osprey							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		21	21	19	19	18						98.0
Annual Procurement												
Gross Cost		1902.0	1992.3	1808.5	1753.6	1722.1						9178.4
Less PY Adv Procurement		(86.6)	(86.6)	(74.7)	(75.9)	(67.4)						(391.3)
Net Procurement (= P-1)		1815.4	1905.7	1733.7	1677.6	1654.7						8787.1
Plus CY Adv Procurement	86.6	86.6	74.7	75.9	67.4							391.3
Weapon System Cost	86.6	1902.0	1980.4	1809.7	1745.1	1654.7						9178.4
Multiyear Procurement												
Gross Cost (P-1)	50.0	1779.1	1828.4	1618.8	1545.9	1503.8						8326.0
Less PY Adv Procurement		(86.6)	(87.7)	(77.5)	(77.8)	(74.1)						(403.8)
Net Procurement (= P-1)	50.0	1692.5	1740.6	1541.3	1468.1	1429.7						7922.2
Advance Procurement												
'For FY13	86.6											86.6
'For FY14		87.7										87.7
'For FY15		31.8	45.8									77.5
'For FY16		29.6	5.9	42.3								77.8
'For FY17		22.3	3.5		48.2							74.1
Plus CY Adv Procurement	86.6	171.4	55.2	42.3	48.2							403.8
Weapon System Cost	136.6	1863.9	1795.8	1583.6	1516.3	1429.7						8326.0
MultiyearSavings ($)	(50.0)	38.1	184.6	226.1	228.7	225.0						852.4
Multiyear Savings (%) (total only)												9.3%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	11.3	280.2	1006.2	1569.3	1753.9	1792.4	1507.1	832.1	320.2	105.9		9178.4
Multiyear	17.8	294.2	982.7	1464.7	1581.2	1582.7	1312.7	721.3	277.2	91.5		8,326.0
Savings	(6.5)	(14.1)	23.5	104.7	172.6	209.7	194.4	110.8	43.0	14.4		852.4

* Numbers may not add due to rounding.

Exhibit MYP-3 Total Contract Funding Plan (All Services)					Date February 2012							
All Services					P-1 Line Item Nomenclature - V-22 Osprey							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Procurement Quantity		21	21	19	19	18						98.0
Annual Procurement												
Gross Cost		1515.1	1557.0	1425.5	1450.1	1405.1						7352.8
Less PY Adv Procurement		(81.9)	(80.9)	(69.0)	(70.2)	(61.9)						(363.8)
Net Procurement (= P-1)		1433.2	1476.1	1356.5	1379.9	1343.2						6989.0
Plus CY Adv Procurement	81.9	80.9	69.0	70.2	61.9							363.8
Contract Price	81.9	1514.1	1545.1	1426.7	1441.8	1343.2						7352.8
Multiyear Procurement												
Gross Cost (P-1)	50.0	1392.3	1393.1	1235.9	1242.5	1186.8						6500.4
Less PY Adv Procurement		(81.9)	(82.0)	(71.8)	(72.0)	(68.5)						(376.3)
Net Procurement (= P-1)	50.0	1310.3	1311.0	1164.1	1170.4	1118.2						6124.1
Advance Procurement												
'For FY13	81.9											81.9
'For FY14		82.0										82.0
'For FY15		31.8	40.0									71.8
'For FY16		29.6	5.9	36.5								72.0
'For FY17		22.3	3.5		42.7							68.5
Plus CY Adv Procurement	81.9	165.7	49.5	36.5	42.7							376.3
Contract Price	131.9	1476.0	1360.5	1200.6	1213.1	1118.2						6500.4
MultiyearSavings ($)	50.0-	38.1	184.6	226.1	228.7	225.0						852.4
Multiyear Savings (%) (total only)												11.6%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	10.7	228.0	800.8	1237.2	1389.1	1442.1	1221.6	675.9	261.5	86.0		7352.8
Multiyear	17.2	242.0	777.3	1132.5	1216.5	1232.4	1027.2	565.2	218.5	71.6		6,500.4
Savings	(6.5)	(14.1)	23.5	104.7	172.6	209.7	194.4	110.8	43.0	14.4		852.4

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
01-0164

Exhibit MYP-4 Present Value Analysis
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Exhibit MYP-4 Present Value Analysis (All Services)					Date February 2012							
All Services					P-1 Line Item Nomenclature - V-22 Osprey							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Annual Proposal												
Then Year Cost	10.7	228.0	800.8	1237.2	1389.1	1442.1	1221.6	675.9	261.5	86.0		7352.8
Constant Year Cost	10.7	224.2	774.2	1175.5	1296.7	1322.6	1100.7	598.4	227.4	73.5		6803.8
Present Value	10.6	220.8	754.9	1133.9	1236.4	1246.4	1025.5	551.2	207.3	66.2		6453.1
Multiyear Proposal												
Then Year Cost	17.2	242.0	777.3	1132.5	1216.5	1232.4	1027.2	565.2	218.5	71.6		6500.4
Constant Year Cost	17.2	238.0	751.5	1076.0	1135.6	1130.3	925.6	500.3	190.1	61.2		6025.6
Present Value	17.1	234.4	732.6	1037.9	1082.7	1065.2	862.3	460.9	173.2	55.1		5721.4
Difference												
Then Year Cost	(6.5)	(14.1)	23.5	104.7	172.6	209.7	194.4	110.8	43.0	14.4		852.4
Constant Year Cost	(6.5)	(13.8)	22.7	99.4	161.1	192.3	175.2	98.1	37.4	12.3		778.2
Present Value	(6.5)	(13.6)	22.2	96.0	153.6	181.2	163.2	90.3	34.1	11.1		731.7
Multiyear Savings ($)	(6.5)	(14.1)	23.5	104.7	172.6	209.7	194.4	110.8	43.0	14.4		852.4

NOTE: MYP Procurement Period is 10 years. Real Interest Rate for MYP Procurement Period of 10 years is 1.01100000%. (OMB Circular No. A-94, February 3, 2011)

* Numbers may not add due to rounding.