

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
September 2023**Appropriation / Budget Activity:**

2032 Missile Procurement - Army / Other Missiles (BA-02)

P-1 Item Nomenclature:

PATRIOT Advanced Capability (PAC-3) Missile Segment Enhancement (MSE)

1. Multiyear Procurement Description:

This proposed Multiyear Procurement (MYP) covers the purchase of PAC-3 Missile Segment Enhancement (MSE) Missiles in FY 2024 through FY 2026 under a firm-fix-price three year contract. The MYP has an estimated cost savings under 3% (~\$79.9M) when compared to three annual contracts. This MYP contract, scheduled to be awarded on 30 December 2023, will be certified by the Secretary of Defense 30 days prior to award. The Request for Proposal (RFP) is planned to be released with a minimum total multi-year quantity of 692 for the three years, with an overarching contract option for 1,000 PAC-3 MSE Missiles available for supplemental US and FMS missile procurements.

2. Benefit to the Government:**a. Substantial Savings:**

This multiyear contract may provide the U.S. Government savings in cost. Implementation of this proposed MYP may yield savings through the term of the contract. Specifically, savings for the FY2024 through FY2026 attributable to this MYP strategy is estimated at ~\$79.9 million (TY\$), for a total of ~3%

b. Stability of Requirement:

The PAC-3 MSE a key enabler of the Army Modernization Priorities in support of Air and Missile Defense and the funding line is approved through the current Future Year Defense Program (FYDP). The minimum need for the PAC-3 MSE is not expected to decrease during the contemplated contract period, and there are high demand signals for the PAC-3 MSE for both the US and our FMS partners. The requirement for the PAC-3 MSE is well documented within the Army. The PAC-3 MSE program is post FRP decision and procurements are set to meet maximum production rate quantities through the next few years.

c. Stability of Funding:

The funding for the PAC-3 MSE Missile is stable. The Army has consistently included funding for the PAC-3 MSE Missile in its budget submissions. Congress has provided funding for production in excess of the President's Budget over recent years in the form of supplemental PDI and tranche funding. The PAC-3 MSE is an ACAT 1C program approved for Full Rate Production in 2018. Funding support for the PAC-3 MSE has consistently been shown by both the Army and the Congress.

d. Stable Configuration:

The PAC-3 MSE Missile will be in its tenth year of production in FY 2024. The missile has undergone several gained inherent capabilities which allow for changing mission requirements, addressing emerging threats, and integrating as part of the Army Integrated Air and Missile Defense.

e. Realistic Cost Estimate:

Nominal savings anticipated. Additional funds for advanced procurement totaling \$252M will be used for long lead items and does not substantially impact the Program Office Estimate.

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f. National Security:

The Army’s PAC-3 MSE is a surface-to-air missile designed to defeat tactical ballistic missiles and other aerial threats. The MSE is the latest version of PAC-3 missiles integrated into the PATRIOT system, which includes radars, launchers, and a command and control system. The PAC-3 MSE improves upon earlier PAC-3 variants and provides a more lethal interceptor with expanded range and accuracy against complex threats. The PAC-3 MSE is an integral part of the Army’s Integrated Air and Missile Defense.

3. Source of Savings:

	<u>\$ in Millions</u>
Inflation	\$ 0.0000
Vendor Procurement	\$ 79.8450
Manufacturing	\$ 0.0000
Design/Engineering	\$ 0.0000
Tool Design	\$ 0.0000
Support Equipment	\$ 0.0000
Other	\$ 0.0000
Workload Savings	\$ 0.0000
Total	\$ 79.8450

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost savings (~\$79.9M) and reduces the risk of delayed deliveries through the advance procurement of long lead items. Cost savings resulting from economic order quantities and independent planning may result in benefit to industry and government. In addition to providing potential cost savings, MYP will provide the following benefits: (1) provide a long-term commitment to industry, stabilizing employment and the industrial base; (2) reduce disruptions in vendor delivery schedules; and (3) improve procurement stability. MYP would permit the use of Advance Procurement (AP) and economic order quantity (EOQ) procurement to reduce the cost of subcontractor effort, material, and components enabling greater production efficiencies and cost savings.

5. Impact on Defense Industrial Base:

Implementation of this MYP may yield a favorable impact on the industrial base. The stability afforded by implementing multiyear procurement allows the prime contractor to enter into long term agreements with suppliers at every tier which may provide 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 also fosters 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 the subcontractor are at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements and fabrication process improvements. The ability for the

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Government and industry to enter into a long-term agreement allows industry the opportunity to place capital investments up front which may reduce the overall cost of the PAC-3 MSE Missiles.

6. Multiyear Procurement Summary:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	692	692
Total Contract Price	\$2,661.509	\$2,581.663
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$79.846
% Cost Avoidance Over Annual		3.0%

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Exhibit MYP-4 Present Value Analysis (ARMY)						Date: September 2023									
PROCUREMENT						P-1 Line Item Nomenclature - PATRIOT Advanced Capability (PAC-3) Missile Segment									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		TOTAL	
Annual Proposal															
Then Year Cost															
Constant Year Cost															
Present Value															
Multiyear Proposal															
Then Year Cost	731.3	741.7												1473.0	
Constant Year Cost	704.3	701.0												1405.3	
Present Value	704.3	701.0												1405.3	
Difference															
Then Year Cost	(731.3)	(741.7)												(1473.0)	
Constant Year Cost	(704.3)	(701.0)												(1405.3)	
Present Value	(704.3)	(701.0)												(1405.3)	
Multiyear Savings (\$)	(731.3)	(741.7)												(1473.0)	

NOTE: MYP Procurement Period is 3 years. Real Interest Rate for MYP Procurement Period of 3 years is 0.99300000%.
(OMB Circular No. A-94, January 2023)

* Numbers may not add due to rounding.