

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

1507 Weapons Procurement - Navy / Other Missiles (BA-02)

**P-1 Item Nomenclature:**

Standard Missile (SM-6)

**1. Multiyear Procurement Description:**

This multiyear procurement (MYP) provides for the procurement of up to 825 Standard Missile-6 (SM-6) Block IA guided missiles for fiscal year (FY) 2024- through FY 2028 program. Advance procurement for economic order quantities begin in FY 2024. This is a five year MYP contract.

This multiyear contract uses Economic Order Quantity Advance Procurement funding to provide the U.S. Government maximum savings in price. Advance Procurement funding will enable material and component suppliers and subcontractors with sufficient lead time to support the planned delivery schedule within the context of the multiyear funding, prices, and cancellation ceilings.

The SM-6 program is one of the core Department of the Navy missile programs and is approved through the current Future Years Defense Program. The Navy requirement for SM-6 is well documented in the Capability Production Document signed January 2, 2009, by the Joint Requirements Oversight Council.

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

Implementation of this proposed multiyear procurement (MYP) will yield substantial savings through the term of the contract. Specifically, savings for FY 2024 through FY 2028 attributable to this MYP strategy is estimated at \$508.2 million for a total of 13.6 percent contract savings.

**b. Stability of Requirement:**

SM-6 Block I achieved Full Operational Capability (FOC) in December 2017; SM-6 Block IA achieved FOC in 1QFY2023. A total of 856 SM-6 Block I/IA All Up Rounds (AURs) have been delivered to date. The minimum need for the material to be purchased is expected to remain substantially unchanged during the planned contract period. The SM-6 Block IA/IB production rate, procurement rate and total quantities increases across the FYDP ramping up from 125 AURs in FY 2024 up to 300 AURs in FY 2028.

The FY 2024 through FY 2028 MYP is planned for SM-6 Block IAU configuration. This configuration includes an Electronics Unit upgrade to the guidance section. There is a high degree of confidence the SM-6 program can achieve the stated savings and procure the MYP missiles within the funding identified.

**c. Stability of Funding:**

Sufficient funding exists within current budget controls to execute this procurement plan. The SM-6 program is one of the core Department of the Navy missile programs and is approved through the current Future Year Defense Program. The Navy has demonstrated its commitment to a stable funding stream for the SM-6 MYP through every step of this year's budget process by fully funding the requirement. The commitment was reaffirmed by top level Navy and DoD leadership through its support in the final budget submission.

**d. Stable Configuration:**

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SM-6 Block I achieved Full Operational Capability (FOC) in December 2017; SM-6 Block IA achieved FOC in 1QFY2023. A total of 856 SM-6 Block I/IA All Up Rounds (AURs) have been delivered to date. The minimum need for the material to be purchased is expected to remain substantially unchanged during the planned contract period. The SM-6 Block IA/IB production rate, procurement rate and total quantities increases across the FYDP ramping up from 125 AURs in FY 2024 up to 300 AURs in FY 2028. Only SM-6 Block IA missiles will be procured under the multi-year contract; and are expected to be of the same design. Concurrent Standard Missile procurement of material will ensure that sufficient parts exist to maintain a stable configuration.

**e. Realistic Cost Estimate:**

Cost Estimates reflect experience with Standard Missile 2 (SM-2) manufacturing since 1996 with the SM-2 Block IIIB configuration; manufacturing the SM-6 Block I configuration since 2009; and manufacturing the SM-6 Block IA configuration since 2015. A total of 856 SM-6 All Up Rounds have been delivered to date. SM-6 actual historical contract data is used to support the Independent Government Cost Estimate (IGCE) cost estimates for the MYP procurement. The OSD CAPE prepared an ICE for FRP decision in 2013, which became the basis for the current Acquisition Performance Baseline (APB) approved August 09, 2013. The program remains within the APB threshold. The SM-6 cost estimates have also been reported in the Annual Selected Acquisition Report (SAR), the latest of which was submitted in December 2021.

The FY 2024 through FY 2028 MYP is planned for SM-6 Block IAU configuration. This configuration includes an Electronics Unit upgrade to the guidance section. There is a high degree of confidence the SM-6 program can achieve the stated savings and procure the MYP missiles within the funding identified.

**f. National Security:**

The SM-6 is the primary extended range air defense weapon for AEGIS cruisers and destroyers and potentially for future combatants. SM-6 provides an extended range engagement capability to provide the air superiority and the umbrella of protection for joint U.S. forces and allies against the full spectrum of manned fixed & rotary-winged aircraft, unmanned aerial vehicles, & land attack and anti-ship cruise missiles in flight. This capability contributes significantly to the continuous protection of forward deployed ground maneuver forces as well as theater rear assets. A stable procurement will also help maintain inventory levels required for the defense of the U.S. Fleet.

**3. Source of Savings:**

The stability and upfront material purchase of a multiyear contract for SM-6 will enable the Prime Contractor and its suppliers to implement a more efficient planning and manufacturing cycle predicted on a production rate supports the delivery cycle,

	<u>\$ in Millions</u>
Inflation	\$0.000
Vendor Procurement	\$508.224
Manufacturing	\$0.000
Design/Engineering	\$0.000
Tool Design	\$0.000
Support Equipment	\$0.000

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Other	\$0.000
Workload Savings	\$0.000
<b>Total</b>	<b>\$508.224</b>

**4. Advantages of the MYP:**

The proposed multiyear contract provides significant savings over a year-by-year contracting approach. Savings from economic order quantities and independent planning result in a benefit to industry and government. In addition to providing substantial cost savings, MYP will provide the following benefits: (1) generate significant savings compared to the annual procurement estimates; (2) provide a long-term commitment to industry, stabilizing employment and the industrial base; (3) reduce disruptions in vendor delivery schedules; (4) 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 substantial cost savings.

**5. Impact on Defense 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 benefit. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements that yield long term benefits in terms of product quality and cost. 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 SM-6.

**6. Multiyear Procurement Summary:**

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	825	825
Total Contract Price	\$3,728.203	\$3,219.980
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$508.223
% Cost Avoidance Over Annual		13.6%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)						Date: September 2023									
PROCUREMENT						P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL	
<b>Procurement Quantity</b>						125	155	195	230	300				1,005	
<b>Annual Procurement</b>															
Gross Cost						1046.1	1054.8	1529.6	1382.2	1377.81				6390.6	
Less PY Adv Procurement															
Net Procurement (= P-1)						1046.1	1054.8	1529.6	1382.2	1377.8				6390.6	
Plus CY Adv Procurement															
Weapon System Cost						1046.1	1054.8	1529.6	1382.2	1377.8				6390.6	
<b>Multiyear Procurement</b>															
Gross Cost (P-1)						969.5	963.9	1404.1	1274.8	1270.01				5882.3	
Less PY Adv Procurement							(117.5)	(165.8)	(39.2)	(32.65)				(355.2)	
Net Procurement (= P-1)						969.5	846.3	1238.3	1235.6	1237.4				5527.2	
<b>Advance Procurement</b>															
For FY25						117.5								117.5	
For FY26						37.9	127.8							165.8	
For FY27						39.2								39.2	
For FY28						32.6								32.6	
Plus CY Adv Procurement						227.3	127.8							355.2	
Weapon System Cost						1196.8	974.2	1238.3	1235.6	1237.4				5882.3	
<b>Multiyear Savings (\$)</b>						(150.8)	80.6	291.3	146.6	140.5				508.2	
Multiyear Savings (%) (total only)														8.0%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
<b>OUTLAYS</b>															
Annual						80.8	127.4	527.4	1301.3	1238.9	1182.4	1153.3	779.0	6390.6	
Multiyear						88.9	131.4	560.4	1359.6	1165.7	1047.5	943.4	585.4	5882.3	
Savings						(8.1)	(4.1)	(33.0)	(58.3)	73.2	135.0	209.9	193.6	508.2	

P-1 Shopping List - Item No  
02-2234

\* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)						Date: September 2023									
PROCUREMENT						P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL	
<b>Procurement Quantity</b>						115	135	145	180	250				825	
<b>Annual Procurement</b>															
Gross Cost						561.2	666.7	921.4	788.3	790.61				3728.2	
Less PY Adv Procurement															
Net Procurement (= P-1)						561.2	666.7	921.4	788.3	790.6				3728.2	
Plus CY Adv Procurement															
Contract Price						561.2	666.7	921.4	788.3	790.6				3728.2	
<b>Multiyear Procurement</b>															
Gross Cost (P-1)						484.7	575.8	795.8	680.9	682.81				3220.0	
Less PY Adv Procurement							(117.5)	(165.8)	(39.2)	(32.65)				(355.2)	
Net Procurement (= P-1)						484.7	458.3	630.0	641.7	650.2				2864.8	
<b>Advance Procurement</b>															
For FY25						117.5								117.5	
For FY26						37.9	127.8							165.8	
For FY27						39.2								39.2	
For FY28						32.6								32.6	
Plus CY Adv Procurement						227.3	127.8							355.2	
Contract Price						712.0	586.1	630.0	641.7	650.2				3220.0	
<b>Multiyear Savings (\$)</b>						(150.8)	80.6	291.3	146.6	140.5				508.2	
Multiyear Savings (%) (total only)														13.6%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
<b>OUTLAYS</b>															
Annual						2.3	34.0	269.8	768.7	717.7	728.5	712.2	495.0	3728.2	
Multiyear						2.5	35.8	282.1	781.2	646.6	602.1	535.0	334.7	3220.0	
Savings						(0.2)	(1.9)	(12.3)	(12.5)	71.1	126.4	177.1	160.4	508.2	

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Exhibit MYP-4 Present Value Analysis (NAVY)						Date: September 2023									
PROCUREMENT						P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL	
<b>Annual Proposal</b>															
Then Year Cost						2.3	34.0	269.8	768.7	717.7	728.5	712.2	495.0	3728.2	
Constant Year Cost						2.3	32.6	254.3	710.4	650.3	647.1	620.2	422.6	3339.9	
Present Value						2.2	31.2	239.7	660.6	596.8	586.1	554.3	372.8	3043.6	
<b>Multiyear Proposal</b>															
Then Year Cost						2.5	35.8	282.1	781.2	646.6	602.1	535.0	334.7	3220.0	
Constant Year Cost						2.4	34.5	265.9	721.9	585.8	534.8	465.9	285.7	2897.1	
Present Value						2.3	32.9	250.6	671.3	537.6	484.4	416.4	252.0	2647.6	
<b>Difference</b>															
Then Year Cost						(0.2)	(1.9)	(12.3)	(12.5)	71.1	126.4	177.1	160.4	508.2	
Constant Year Cost						(0.2)	(1.8)	(11.6)	(11.5)	64.5	112.3	154.3	136.9	442.8	
Present Value						(0.1)	(1.7)	(10.9)	(10.7)	59.2	101.7	137.9	120.8	395.9	
<b>Multiyear Savings (\$)</b>						(0.2)	(1.9)	(12.3)	(12.5)	71.1	126.4	177.1	160.4	508.2	

**NOTE:** MYP Procurement Period is 8 years. Real Interest Rate for MYP Procurement Period of 8 years is 1.01330000%.  
 (OMB Circular No. A-94, January 2023)

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