

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

3010 Aircraft Procurement - Air Force / Airlift Aircraft (BA-02)

P-1 Item Nomenclature:

C-130J Variants

1. Multiyear Procurement Description:

This multiyear procurement (MYP) encompasses FY 2014 through FY 2018. 79 C-130J variant aircraft which includes 43 HC/MC/AC-130J, 29 C-130J, and 7 KC-130J aircraft that will be procured in FY 2014-2018 (18,14,28,11,8 aircraft respectively). The details for these aircraft are in separate P-1 Line Items. The total C-130J variant cost of this MYP is estimated to be \$5.809B (Then Year \$). All aircraft are fully funded with initial spares in the years they are to be ordered. The overall contract will also include a priced option for 5 HC-130J aircraft for United States Coast Guard (USCG).

This multiyear contract uses a combination of Economic Order Quantity and Advance Procurement funding to provide the U.S. Government maximum savings in price and delivery schedule. This MYP employs \$228M economic order quantity (EOQ) funding in FY 2014 which results in savings for bulk purchases of materials and components to reduce materials costs and for investments in productivity enhancements which reduced labor costs. EOQ funding will be applied to the production of 61 FY2015-2018 aircraft, and will be offset in the form of reduced payments at aircraft delivery. The FY 2014 aircraft are fully funded. Advance Procurement funding in FY 2014-2018 will enable Lockheed Martin to authorize and place on order materials, equipment suppliers and subcontractors with sufficient lead time to support the planned delivery schedule within the context of the multiyear funding, prices, and cancellation ceilings. For lead time purposes, there are approximately 750 part numbers with lead times greater than 24 months and approximately 7,700 part numbers with lead times greater than 12 months.

In addition, this multiyear contract will include incentive clauses to allow the Government and Lockheed Martin to share in the benefits of the more efficient production of C-130J variant aircraft.

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

This multiyear contract will provide the U.S. Government maximum savings in both price and delivery schedule. Implementation of this proposed MYP will yield substantial savings through the term of the contract. Specifically, savings for the FY 2014 through FY 2018 attributable to this MYP strategy is estimated at \$610.6 Million (TYS), for a total of 9.5%.

b. Stability of Requirement:

The U.S. Air Force has had a long-standing objective to modernize its C-130 fleet. The USAF has a requirement for C-130J variant aircraft to replace older C-130s that are nearing the end of their economic service lives. This requirement has not changed since program inception. Under the Air Force plan, C-130J procurement of various configurations is to begin ramping up starting in FY 2014 towards a delivery rate of 18 aircraft per year by the end of this decade. The requirement is expected to remain unchanged during the contemplated multiyear contract period with production expected to continue through 2018. The current Air Force plan replaces retiring C-130s from the active Air Force, Air National Guard and Air Force Reserve units.

P-1 Shopping List - Item No
01-0416
03-C130J0

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Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

3010 Aircraft Procurement - Air Force / Other Aircraft (BA-04)

P-1 Item Nomenclature:

C-130J Variants

c. Stability of Funding:

The Navy, Air Force and SOCOM have demonstrated commitment to a stable funding stream for the C-130J variants 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. The Air Force has a requirement for 172 C-130J and 131 HC/MC/AC-130J aircraft. The Navy has a requirement for 104 KC-130J aircraft.

d. Stable Configuration:

The C-130J variant aircraft configuration is stable, currently on contract, and in production. The current C-130J variant aircraft model specification forms the USG production baseline and is included in the existing Five-Year Option Contract (FYOC) for procuring USAF C-130J variant aircraft. This model specification will be incorporated in the MYP contract.

The baseline C-130J variant aircraft has been thoroughly tested and certified by the Federal Aviation Administration (FAA) and the USAF. Similar versions of the C-130J aircraft have been tested and placed into operational service by seven foreign nations including, the British Royal Air Force, the Royal Australian Air Force, the Italian Air Force, the Royal Canadian Air Force, the Danish Air Force, the Royal Norwegian Air Force, and the Indian Air Force. As of February 2012, 250 C-130Js have been delivered to operational USG units and FMS customers.

e. Realistic Cost Estimate:

The funding estimates for this MYP are based on program office estimates based on prior actual aircraft procurement costs (FY 1995-FY 2011) for annual and multiyear procurement of 79 USG C-130J variant aircraft from FY 2014 through FY 2018. Knowledge gained by 1) prior procurement of USAF C-130J variant aircraft and 2) a previous multiyear procurement on the C-130J variants, support the conclusion that multiyear pricing with projected savings of 9.5% to the contract (when compared to annual option procurement) are realistic. This MYP will be a Fixed Price Incentive Firm contract.

f. National Security:

The National Military Strategy of the United States calls upon the Armed Forces to retain the ability to rapidly deploy and sustain capabilities to diverse regions, and the Quadrennial Defense Review 2010 acknowledges the fundamental importance of U.S. capability to project power. The Department of Defense (DOD) has made informed investment decisions designed to maintain the right mix of strategic and intra-theater transportation capabilities. Investments in DOD's theater capabilities, as stated in the Mobility Capabilities & Requirements (MCRS-16) study, include ongoing procurement of C-130J aircraft to recapitalize the Air Force's aging C-130 fleet to improve the ability to rapidly reposition forces and equipment within an area of operations, and the development of a precision airdrop system.

3. Source of Savings:

The stability and upfront material purchases of a multiyear contract for 79 C-130J variant aircraft will enable Lockheed Martin and its suppliers to implement a more efficient planning

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Exhibit MYP-1, Multiyear Procurement Criteria

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Exhibit MYP-1, Multiyear Procurement Criteria

Date:
April 2013

Appropriation / Budget Activity:

3010 Aircraft Procurement - Air Force / Other Aircraft (BA-04)

P-1 Item Nomenclature:

C-130J Variants

and manufacturing cycle predicated on a production rate that supports delivery of multiyear aircraft earlier than by annual option procurement. A multiyear contract for 79 aircraft enables a stabilized production rate, configuration commonality, parts predictability, manufacturing process improvements, and reduces risks associated with production rate instability caused by fluctuating annual procurement by the U.S. Government. This procurement stability is reflected directly in reduced unit prices versus a less stable and less predictable annual procurement.

	<u>\$ in Millions</u>
Inflation	\$54.306
Vendor Procurement	\$472.745
Manufacturing	\$54.343
Design/Engineering	\$0.000
Tool Design	\$29.242
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$610.636

4. Advantages of the MYP:

The MYP strategy has been structured to achieve substantial savings (\$610.6M) 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. The savings resulting from the economic order quantities, manufacturing initiatives, and independent planning will result in significant benefit to industry and the Government.

5. Impact on Defense Industrial Base:

Lacking a long-term/multiyear commitment to C-130J variant production, the unpredictability and instability of annual aircraft procurement causes key C-130J suppliers to withdraw from the program, increasing the aircraft price for diminishing manufacturing sources. This multiyear procurement will enable Lockheed to maintain a viable, profitable C-130J variant production line at its Marietta, GA facility. The production line stability also increases the likelihood of additional FMS or direct commercial sales of the C-130J variants to other nations.

6. Multiyear Procurement Summary:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	79	79
Total Contract Price	\$6,419.700	\$5,809.100
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$610.600
% Cost Avoidance Over Annual		9.5%

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Exhibit MYP-2 Total Program Funding Plan (USAF)						Date: April 2013								
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants (NAVY)								
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL
Procurement Quantity		2	1	1	1	2								7
Annual Procurement														
Gross Cost		160.8	111.7	142.8	100.6	225.9								741.8
Less PY Adv Procurement		(23.0)	(12.3)	(12.7)	(13.2)	(27.4)								(88.6)
Net Procurement (= P-1)		137.8	99.4	130.1	87.4	198.5								653.2
Plus CY Adv Procurement	23.0	12.3	12.7	13.2	27.4									88.6
Weapon System Cost	23.0	150.1	112.1	143.3	114.8	198.5								741.8
Multiyear Procurement														
Gross Cost (P-1)		157.4	106.4	137.1	95.1	210.0								706.0
Less PY Adv Procurement		(23.0)	(16.3)	(16.7)	(17.2)	(35.4)								(108.6)
Net Procurement (= P-1)		134.4	90.1	120.4	77.9	174.6								597.4
Advance Procurement														
'For FY14	23.0													23.0
'For FY15		16.3												16.3
'For FY16		4.0	12.7											16.7
'For FY17		4.0		13.2										17.2
'For FY18		8.0			27.4									35.4
Plus CY Adv Procurement	23.0	32.3	12.7	13.2	27.4									108.6
Weapon System Cost	23.0	166.7	102.8	133.6	105.3	174.6								706.0
Multiyear Savings (\$)		(16.6)	9.3	9.7	9.5	23.9								35.8
Multiyear Savings (%) (total only)														4.8%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	3.0	27.6	73.2	100.9	117.4	130.8	132.6	84.3	41.8	19.5	7.7	3.0		741.8
Multiyear	3.0	29.7	77.8	100.8	112.6	121.7	120.2	75.9	37.4	17.4	6.8	2.7		706.0
Savings		(2.1)	(4.6)	0.1	4.8	9.1	12.4	8.4	4.4	2.1	0.9	0.3		35.8

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (USAF)						Date: April 2013								
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants (NAVY)								
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL	
Procurement Quantity		2	1	1	1	2							7	
Annual Procurement														
Gross Cost		140.0	75.4	78.9	81.3	167.4							543.0	
Less PY Adv Procurement		(20.0)	(10.4)	(10.8)	(11.2)	(23.4)							(75.8)	
Net Procurement (= P-1)		120.0	65.0	68.1	70.1	144.0							467.2	
Plus CY Adv Procurement	20.0	10.4	10.8	11.2	23.4								75.8	
Contract Price	20.0	130.4	75.8	79.3	93.5	144.0							543.0	
Multiyear Procurement														
Gross Cost (P-1)		136.6	70.1	73.2	75.8	151.5							507.2	
Less PY Adv Procurement		(20.0)	(14.4)	(14.8)	(15.2)	(31.4)							(95.8)	
Net Procurement (= P-1)		116.6	55.7	58.4	60.6	120.1							411.4	
Advance Procurement														
'For FY14	20.0												20.0	
'For FY15		14.4											14.4	
'For FY16		4.0	10.8										14.8	
'For FY17		4.0		11.2									15.2	
'For FY18		8.0			23.4								31.4	
Plus CY Adv Procurement	20.0	30.4	10.8	11.2	23.4								95.8	
Contract Price	20.0	147.0	66.5	69.6	84.0	120.1							507.2	
Multiyear Savings (\$)		(16.6)	9.3	9.7	9.5	23.9							35.8	
Multiyear Savings (%) (total only)													6.6%	
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	2.6	24.0	60.8	74.2	79.7	92.8	95.8	61.0	30.2	14.1	5.7	2.1	543.0	
Multiyear	2.6	26.1	65.4	74.1	74.9	83.7	83.4	52.7	25.8	12.0	4.9	1.6	507.2	
Savings		(2.1)	(4.6)	0.1	4.8	9.1	12.4	8.3	4.4	2.1	0.8	0.5	35.8	

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (USAF)							Date: April 2013							
PROCUREMENT							P-1 Line Item Nomenclature - C-130J Variants (NAVY)							
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL
Annual Proposal														
Then Year Cost	2.6	24.0	60.8	74.2	79.7	92.8	95.8	61.0	30.2	14.1	5.7	2.1		543.0
Constant Year Cost	2.6	23.6	58.7	70.4	74.2	84.9	86.1	53.9	26.2	12.0	4.8	1.7		499.0
Present Value	2.6	23.5	58.3	69.8	73.4	83.8	84.8	52.9	25.7	11.7	4.7	1.7		492.8
Multiyear Proposal														
Then Year Cost	2.6	26.1	65.4	74.1	74.9	83.7	83.4	52.7	25.8	12.0	4.9	1.6		507.2
Constant Year Cost	2.6	25.6	63.1	70.3	69.8	76.6	75.0	46.5	22.4	10.2	4.1	1.3		467.4
Present Value	2.6	25.6	62.7	69.7	69.0	75.6	73.8	45.7	21.9	10.0	4.0	1.3		461.8
Difference														
Then Year Cost		(2.1)	(4.6)	0.1	4.8	9.1	12.4	8.3	4.4	2.1	0.8	0.5		35.8
Constant Year Cost		(2.1)	(4.4)	0.1	4.5	8.3	11.1	7.3	3.8	1.8	0.7	0.4		31.5
Present Value		(2.1)	(4.4)	0.1	4.4	8.2	11.0	7.2	3.7	1.7	0.7	0.4		31.0
Multiyear Savings (\$)														
		(2.1)	(4.6)	0.1	4.8	9.1	12.4	8.3	4.4	2.1	0.8	0.5		35.8

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.00240000%.
(OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.

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Exhibit MYP-2 Total Program Funding Plan (USAF)						Date: April 2013									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants (USAF)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Procurement Quantity		16	13	27	10	6								72	
Annual Procurement															
Gross Cost		1995.6	1402.6	2409.5	1129.3	645.0								7582.0	
Less PY Adv Procurement															
Net Procurement (= P-1)		1995.6	1402.6	2409.5	1129.3	645.0								7582.0	
Plus CY Adv Procurement															
Weapon System Cost		1995.6	1402.6	2409.5	1129.3	645.0								7582.0	
Multiyear Procurement															
Gross Cost (P-1)		1883.0	1279.0	2241.4	1024.5	579.3								7007.2	
Less PY Adv Procurement			(182.0)	(378.0)	(140.0)	(84.0)								(784.0)	
Net Procurement (= P-1)		1883.0	1097.0	1863.4	884.5	495.3								6223.2	
Advance Procurement															
'For FY15		354.0												354.0	
'For FY16			270.0											270.0	
'For FY17				100.0										100.0	
'For FY18					60.0									60.0	
Plus CY Adv Procurement		354.0	270.0	100.0	60.0									784.0	
Weapon System Cost		2237.0	1367.0	1963.4	944.5	495.3								7007.2	
Multiyear Savings (\$)		(241.4)	35.6	446.1	184.8	149.7								574.8	
Multiyear Savings (%) (total only)														7.6%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual		157.7	591.8	1183.9	1523.4	1558.9	1269.2	734.8	386.7	131.6	44.0			7582.0	
Multiyear		176.7	647.2	1220.5	1440.6	1373.5	1087.2	609.9	312.0	106.3	33.3			7007.2	
Savings		(19.0)	(55.4)	(36.6)	82.8	185.4	182.0	124.9	74.7	25.3	10.7			574.8	

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (USAF)						Date: April 2013									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants (USAF)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Procurement Quantity		16	13	27	10	6								72	
Annual Procurement															
Gross Cost		1205.2	1013.4	2191.2	900.3	566.6								5876.7	
Less PY Adv Procurement															
Net Procurement (= P-1)		1205.2	1013.4	2191.2	900.3	566.6								5876.7	
Plus CY Adv Procurement															
Contract Price		1205.2	1013.4	2191.2	900.3	566.6								5876.7	
Multiyear Procurement															
Gross Cost (P-1)		1118.6	917.8	1989.1	787.5	488.9								5301.9	
Less PY Adv Procurement			(156.0)	(324.0)	(120.0)	(72.0)								(672.0)	
Net Procurement (= P-1)		1118.6	761.8	1665.1	667.5	416.9								4629.9	
Advance Procurement															
'For FY15		328.0												328.0	
'For FY16			216.0											216.0	
'For FY17				80.0										80.0	
'For FY18					48.0									48.0	
Plus CY Adv Procurement		328.0	216.0	80.0	48.0									672.0	
Contract Price		1446.6	977.8	1745.1	715.5	416.9								5301.9	
Multiyear Savings (\$)		(241.4)	35.6	446.1	184.8	149.7								574.8	
Multiyear Savings (%) (total only)														9.8%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual		95.2	370.5	812.8	1168.2	1281.5	1032.1	631.5	336.8	109.4	38.7			5876.7	
Multiyear		114.3	425.9	849.5	1085.2	1096.0	862.9	493.6	262.0	84.1	28.4			5301.9	
Savings		(19.1)	(55.4)	(36.7)	83.0	185.5	169.2	137.9	74.8	25.3	10.3			574.8	

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (USAF)						Date: April 2013									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants (USAF)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Annual Proposal															
Then Year Cost		95.2	370.5	812.8	1168.2	1281.5	1032.1	631.5	336.8	109.4	38.7			5876.7	
Constant Year Cost		93.5	357.6	770.5	1087.9	1172.3	927.5	557.4	292.0	93.2	32.4			5384.3	
Present Value		93.4	356.7	767.9	1083.0	1165.9	921.5	553.3	289.6	92.3	32.0			5355.4	
Multiyear Proposal															
Then Year Cost		114.3	425.9	849.5	1085.2	1096.0	862.9	493.6	262.0	84.1	28.4			5301.9	
Constant Year Cost		112.3	411.0	805.3	1010.6	1002.6	775.4	435.7	227.2	71.6	23.8			4875.6	
Present Value		112.1	410.0	802.5	1006.1	997.1	770.4	432.5	225.3	71.0	23.5			4850.4	
Difference															
Then Year Cost		(19.1)	(55.4)	(36.7)	83.0	185.5	169.2	137.9	74.8	25.3	10.3			574.8	
Constant Year Cost		(18.8)	(53.5)	(34.8)	77.3	169.7	152.0	121.7	64.9	21.6	8.6			508.8	
Present Value		(18.7)	(53.3)	(34.7)	76.9	168.8	151.1	120.8	64.3	21.3	8.5			505.0	
Multiyear Savings (\$)															
		(19.1)	(55.4)	(36.7)	83.0	185.5	169.2	137.9	74.8	25.3	10.3			574.8	

NOTE: MYP Procurement Period is 10 years. Real Interest Rate for MYP Procurement Period of 10 years is 1.00100000%.
(OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.

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Exhibit MYP-2 Total Program Funding Plan (All Services)						Date: April 2013									
All Services						P-1 Line Item Nomenclature - C-130J Variants									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Procurement Quantity		18	14	28	11	8								79	
Annual Procurement															
Gross Cost		2156.4	1514.3	2552.3	1229.9	870.9								8323.8	
Less PY Adv Procurement		(23.0)	(12.3)	(12.7)	(13.2)	(27.4)								(88.6)	
Net Procurement (= P-1)		2133.4	1502.0	2539.6	1216.7	843.5								8235.2	
Plus CY Adv Procurement	23.0	12.3	12.7	13.2	27.4									88.6	
Weapon System Cost	23.0	2145.7	1514.7	2552.8	1244.1	843.5								8323.8	
Multiyear Procurement															
Gross Cost (P-1)		2040.4	1385.4	2378.5	1119.6	789.3								7713.2	
Less PY Adv Procurement		(23.0)	(198.3)	(394.7)	(157.2)	(119.4)								(892.6)	
Net Procurement (= P-1)		2017.4	1187.1	1983.8	962.4	669.9								6820.6	
Advance Procurement															
'For FY14	23.0													23.0	
'For FY15		370.3												370.3	
'For FY16		4.0	282.7											286.7	
'For FY17		4.0		113.2										117.2	
'For FY18		8.0			87.4									95.4	
Plus CY Adv Procurement	23.0	386.3	282.7	113.2	87.4									892.6	
Weapon System Cost	23.0	2403.7	1469.8	2097.0	1049.8	669.9								7713.2	
Multiyear Savings (\$)		(258.0)	44.9	455.8	194.3	173.6								610.6	
Multiyear Savings (%) (total only)														7.3%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	3.0	185.3	665.0	1284.8	1640.8	1689.7	1401.8	819.1	428.5	151.1	51.7	3.0		8323.8	
Multiyear	3.0	206.4	725.0	1321.3	1553.2	1495.2	1207.4	685.8	349.4	123.7	40.1	2.7		7713.2	
Savings		(21.1)	(60.0)	(36.5)	87.6	194.5	194.4	133.3	79.1	27.4	11.6	0.3		610.6	

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (All Services)						Date: April 2013									
All Services						P-1 Line Item Nomenclature - C-130J Variants									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Procurement Quantity		18	14	28	11	8								79	
Annual Procurement															
Gross Cost		1345.2	1088.8	2270.1	981.6	734.0								6419.7	
Less PY Adv Procurement		(20.0)	(10.4)	(10.8)	(11.2)	(23.4)								(75.8)	
Net Procurement (= P-1)		1325.2	1078.4	2259.3	970.4	710.6								6343.9	
Plus CY Adv Procurement	20.0	10.4	10.8	11.2	23.4									75.8	
Contract Price	20.0	1335.6	1089.2	2270.5	993.8	710.6								6419.7	
Multiyear Procurement															
Gross Cost (P-1)		1255.2	987.9	2062.3	863.3	640.4								5809.1	
Less PY Adv Procurement		(20.0)	(170.4)	(338.8)	(135.2)	(103.4)								(767.8)	
Net Procurement (= P-1)		1235.2	817.5	1723.5	728.1	537.0								5041.3	
Advance Procurement															
'For FY14	20.0													20.0	
'For FY15		342.4												342.4	
'For FY16		4.0	226.8											230.8	
'For FY17		4.0		91.2										95.2	
'For FY18		8.0			71.4									79.4	
Plus CY Adv Procurement	20.0	358.4	226.8	91.2	71.4									767.8	
Contract Price	20.0	1593.6	1044.3	1814.7	799.5	537.0								5809.1	
Multiyear Savings (\$)		(258.0)	44.9	455.8	194.3	173.6								610.6	
Multiyear Savings (%) (total only)														9.5%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	2.6	119.2	431.3	887.0	1247.9	1374.3	1127.9	692.5	367.0	123.5	44.4	2.1		6419.7	
Multiyear	2.6	140.4	491.3	923.6	1160.1	1179.7	946.3	546.3	287.8	96.1	33.3	1.6		5809.1	
Savings		(21.2)	(60.0)	(36.6)	87.8	194.6	181.6	146.2	79.2	27.4	11.1	0.5		610.6	

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (All Services)						Date: April 2013									
All Services						P-1 Line Item Nomenclature - C-130J Variants									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		TOTAL	
Annual Proposal															
Then Year Cost	2.6	119.2	431.3	887.0	1247.9	1374.3	1127.9	692.5	367.0	123.5	44.4	2.1		6419.7	
Constant Year Cost	2.6	117.1	416.2	840.9	1162.1	1257.2	1013.6	611.3	318.2	105.2	37.2	1.7		5883.3	
Present Value	2.6	116.7	413.8	833.9	1149.6	1240.7	997.9	600.4	311.8	102.8	36.2	1.7		5808.1	
Multiyear Proposal															
Then Year Cost	2.6	140.4	491.3	923.6	1160.1	1179.7	946.3	546.3	287.8	96.1	33.3	1.6		5809.1	
Constant Year Cost	2.6	137.9	474.1	875.6	1080.4	1079.2	850.4	482.2	249.6	81.9	27.9	1.3		5343.0	
Present Value	2.6	137.4	471.3	868.3	1068.8	1065.0	837.2	473.6	244.5	80.0	27.2	1.3		5277.3	
Difference															
Then Year Cost		(21.2)	(60.0)	(36.6)	87.8	194.6	181.6	146.2	79.2	27.4	11.1	0.5		610.6	
Constant Year Cost		(20.8)	(57.9)	(34.7)	81.8	178.0	163.2	129.1	68.7	23.3	9.3	0.4		540.3	
Present Value		(20.8)	(57.6)	(34.4)	80.9	175.7	160.7	126.8	67.3	22.8	9.1	0.4		530.8	
Multiyear Savings (\$)															
		(21.2)	(60.0)	(36.6)	87.8	194.6	181.6	146.2	79.2	27.4	11.1	0.5		610.6	

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.00240000%.
 (OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE)

1. Multiyear Procurement Description:

This proposed Multiyear Procurement (MYP) covers the purchase of 32 E-2D AHE aircraft in FY 2014 through FY 2018 under a single five-year fixed price type contract. The E-2D AHE program includes four years of Low Rate Initial Production (LRIP) (FY 2009-2012) and nine years of Full Rate Production (FRP) (FY 2013-2021).

The MYP will include a Variation in Quantity Clause of up to a total of five additional E-2D AHE aircraft (after the first year) allowing for minor fluctuation of aircraft quantities throughout the MYP contract.

The MYP Cost Reduction Initiatives (CRI) will be funded in the first year with savings realized over the life of the program.

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

Implementation of this proposed MYP will yield opportunity for cost avoidance through the term of the contract. Specifically, cost avoidance for FY 2014 through FY 2018 attributable to this MYP strategy is estimated at \$522.8 million. This level of savings 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 contract award instead of five annual 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 procurements. Additionally, the workload on the Government's acquisition workforce will be reduced via the MYP, resulting in greater efficiency in other E-2D AHE acquisition operations.

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

Many electronic 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. MYP quantities will allow the prime contractor and subcontractors at all tiers to exceed minimum order quantities and capture cost avoidance on these components. Long-term Agreements will provide price discounts to lock in business. Given a five year contract, suppliers will have greater stability providing them the ability 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

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE)

obsolescence risks and costs are expected to be minimized.

Procuring at a guaranteed rate of 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 the Prime and subcontractors to engage in activities including, but not limited to, reducing the number of production set-ups, reducing administrative costs, and receiving price breaks for committed raw materials and components.

The cost avoidance associated with this MYP will principally be achieved as a result of Economic Order Quantity (EOQ) investments. Procuring select components at EOQs will lower costs by reducing the number of production set-ups, decreasing administrative costs, receiving price breaks for raw materials and components, minimizing obsolescence risks/costs and further stabilizing the E-2D AHE supply chain. 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 reduced set-up costs associated with larger quantity procurements.

b. Stability of Requirement:

The E-2D AHE aircraft, an ACAT-ID program, equipped with the space-time adaptive processing APY-9 radar, provides a two-generation leap in airborne surveillance radar capability, significantly improving detection and tracking of small targets overland and in the littorals, as well as the maritime environment. The radar when combined with the improved Identification Friend or Foe (IFF) system, the ALQ-217 Electronic Support Measure (ESM) system, Cooperative Engagement Capability (CEC), and Link-16, improves every facet of tactical air operations. The E-2D AHE is designed to provide detection and tracking capabilities against emerging air and cruise missile threats in high clutter environments, in support of the Integrated Air and Missile Defense mission area.

The June 11, 2009 Acquisition Decision Memorandum issued in conjunction with the Milestone C decision, retained the production quantity of 70 E-2D AHE aircraft; the current production inventory objective. In addition, the Full Rate Production Defense Acquisition Board held January 31, 2013 validated the requirement for the quantity of 70 E-2D AHE aircraft.

The E-2D AHE Capability Development Document (CDD) was approved by the Joint Requirements Oversight Council (JROC) in September 2007. The current CDD version (written in lieu of a Capability Production Document (CPD)) was approved by the JROC in March 2009.

c. Stability of Funding:

The Defense Planning Guidance (DPG) emphasizes the criticality of the E-2D AHE 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.

The Navy has demonstrated its commitment to a stable funding stream for the E-2D AHE MYP 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. In addition, the Secretary of the Navy and the Secretary of Defense support the quantities and funding profile provided in this request.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE)

d. Stable Configuration:

The E-2D AHE had completed Initial Operational Test and Evaluation (IOT&E) in October 2012. All aircraft have the same stable configuration. As of December 2012, E-2D AHE aircraft have flown over 6,307 hours. The E-2D AHE program continues to remain on cost and deliver on schedule. To date, four LRIP aircraft deliveries have been completed in accordance with the contract delivery schedule. This brings the total deliveries to nine aircraft, of which five were procured with RDT&E funding.

The E-2D AHE aircraft have and will continue to have a stable design and a planned roadmap of pre-planned additional capabilities. The contractor has unrivaled technical success, production and field experience garnered from the E-2 program since the early 1970s.

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 the E-2D AHE is realistic. The current independent cost estimate of January 2013 was developed by the Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) group and is based on four years of E-2D AHE low rate initial production aircraft cost history, as well as legacy E-2C and Hawkeye 2000 aircraft production cost actuals. The approach, methodology and assumptions used to derive the estimate were validated during the Full Rate Production Defense Acquisition Board decision review in January 2013. Additionally, the full rate production lot one proposal was received in June 2012.

The independent single-year cost estimate developed by the CAPE, when compared to a MYP strategy, validates the projected savings under a multiyear scenario.

f. National Security:

As a result of a Critical Nunn-McCurdy unit cost breach in June 2009, the E-2D AHE program was certified essential to the National Security. In May 2009, the Joint Requirements Oversight Council documented via Memorandum number 102-09 that continuation of the E-2D AHE program is essential to the national security. The capabilities provided by the E-2D AHE are aligned with the National Defense Strategy and the Guidance for the Development of the Force which specifically identified improved defense against air and cruise missile threats. The combatant commanders cited a need for E-2D AHE aircraft as critical to successfully prosecuting current and future operational plans of the joint commander as well as the Navy operations. The E-2D AHE program provides carrier-based airborne surveillance, detection, and tracking of aircraft and cruise missiles in the overland and littoral environments, as well as overwater, at the extended ranges required to defend against current and projected future threats. This capability fills identified capability gaps in air and cruise missile defense and allows the joint commander to extend air defense capability for forces ashore and afloat. No other program can provide the required capability for integrated air and cruise missile defense or provide the mobility required to defend forces ashore or afloat away from fixed locations at less cost.

3. Source of Savings:

(1) The E-2D AHE program experienced a cost growth in excess of the critical cost growth threshold pursuant to section 2433(d) of Title 10 U.S.C on June 11, 2009.

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
April 2013

Appropriation / Budget Activity:

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE)

(2) As of February 15, 2013, nine E-2D AHE aircraft have been delivered at or within cost estimates of the Program Acquisition Unit Cost (PAUC) and Procurement Unit Cost (PUC), verifying the estimates of PAUC and PUC are realistic.

(3) During FY 2014, sufficient funds will be available to perform the contract that year, and the Future-Years Defense Program for FY 2014 will include funding required to execute the program without cancellation.

(4) The E-2D AHE MYP contract will be a fixed price type contract.

*The E-2D is budgeted to support a MYP strategy and not annual contracting. If MYP is not approved, the \$522.8 million in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

	<u>\$ in Millions</u>
Inflation	\$63.912
Vendor Procurement	\$157.713
Manufacturing	\$172.975
Design/Engineering	\$128.229
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$522.829

4. Advantages of the MYP:

This MYP strategy has been structured to achieve cost avoidance of \$522.8 million and provide quantity flexibility for emergent requirements. The government will have the right to increase the quantity not to exceed eight 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 cost avoidance already established in baseline.

Commitment to production allows amortization of costs across larger production lots, increases predictability of overhead costs, improves buying power and is a cost benefit through inflation avoidance by accelerating purchases. Given a five year contract, suppliers will have greater total business stability. This business stability will be beneficial to the post MYP three single year FRP procurements.

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

Exhibit MYP-1, Multiyear Procurement Criteria	Date: April 2013
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Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	P-1 Item Nomenclature: E-2D Advanced Hawkeye (AHE)
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long-term agreements with suppliers, at every tier, which provides 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 up front, which reduces the overall cost and improves the quality of the E-2D Advanced Hawkeye.

<u>6. Multiyear Procurement Summary:</u>		
	<u>Annual</u> <u>Contracts</u>	<u>MultiYear</u> <u>Contract</u>
Quantity	32	32
Total Contract Price	\$5,228.029	\$4,705.200
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$522.829
% Cost Avoidance Over Annual		10.0%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)						Date: April 2013								
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) (NAVY)								
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL	
Procurement Quantity			5	5	6	8	8						32	
Annual Procurement														
Gross Cost			1124.1	1152.0	1337.2	1661.1	1657.7						6932.0	
Less PY Adv Procurement			(123.2)	(122.5)	(144.2)	(184.2)	(187.6)						(761.6)	
Net Procurement (= P-1)			1000.9	1029.5	1193.0	1477.0	1470.1						6170.4	
Plus CY Adv Procurement		123.2	122.5	144.2	184.2	187.6							761.6	
Weapon System Cost		123.2	1123.4	1173.7	1377.2	1664.6	1470.1						6932.0	
Multiyear Procurement														
Gross Cost (P-1)			1120.3	1091.4	1232.8	1497.3	1467.5						6409.2	
Less PY Adv Procurement			(123.2)	(128.4)	(194.0)	(328.8)	(404.9)						(1179.3)	
Net Procurement (= P-1)			997.1	962.9	1038.8	1168.5	1062.6						5229.9	
Advance Procurement														
'For FY14		123.2											123.2	
'For FY15			128.4										128.4	
'For FY16			51.0	143.0									194.0	
'For FY17			44.1	68.4	216.2								328.8	
'For FY18			43.0	68.4	68.4	225.0							404.9	
Plus CY Adv Procurement		123.2	266.5	279.8	284.7	225.0							1179.3	
Weapon System Cost		123.2	1263.6	1242.8	1323.4	1393.6	1062.6						6409.2	
Multiyear Savings (\$)			(140.3)	(69.1)	53.7	271.0	407.5						522.8	
Multiyear Savings (%) (total only)													7.5%	
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual		18.5	217.8	660.6	1009.6	1254.1	1450.5	1276.0	671.2	248.1	97.8	27.9	6932.0	
Multiyear		18.5	238.8	727.1	1069.3	1225.7	1278.8	1035.9	526.4	194.1	74.3	20.2	6409.2	
Savings			(21.0)	(66.5)	(59.7)	28.4	171.7	240.1	144.7	54.0	23.5	7.7	522.8	

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-2 Total Program Funding Plan (NAVY)	Date: April 2013
PROCUREMENT	P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) (NAVY)
<p>Remarks</p> <p>E-2D</p> <p>E-2D AHE</p> <p>E-2D AP C2014</p> <p>E-2D AP C2015</p> <p>E-2D AP C2016</p> <p>E-2D AP C2017</p> <p>E-2D AP C2018</p> <p>E-2D CY Adv Proc</p> <p>E-2D Gross Cost</p> <p>E-2D PY Adv Proc</p>	
Exhibit MYP-2, Total Program Funding Plan	

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)						Date: April 2013								
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) (NAVY)								
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL	
Procurement Quantity			5	5	6	8	8						32	
Annual Procurement														
Gross Cost			825.2	844.6	994.2	1270.1	1294.0						5228.0	
Less PY Adv Procurement			(123.2)	(122.5)	(144.2)	(184.2)	(187.6)						(761.6)	
Net Procurement (= P-1)			702.0	722.1	850.0	1085.9	1106.3						4466.4	
Plus CY Adv Procurement		123.2	122.5	144.2	184.2	187.6							761.6	
Contract Price		123.2	824.5	866.3	1034.2	1273.6	1106.3						5228.0	
Multiyear Procurement														
Gross Cost (P-1)			821.4	784.0	889.8	1106.3	1103.8						4705.2	
Less PY Adv Procurement			(123.2)	(128.4)	(194.0)	(328.8)	(404.9)						(1179.3)	
Net Procurement (= P-1)			698.2	655.5	695.8	777.5	698.9						3525.9	
Advance Procurement														
'For FY14		123.2											123.2	
'For FY15			128.4										128.4	
'For FY16			51.0	143.0									194.0	
'For FY17			44.1	68.4	216.2								328.8	
'For FY18			43.0	68.4	68.4	225.0							404.9	
Plus CY Adv Procurement		123.2	266.5	279.8	284.7	225.0							1179.3	
Contract Price		123.2	964.8	935.4	980.5	1002.5	698.9						4705.2	
Multiyear Savings (\$)			(140.3)	(69.1)	53.7	271.0	407.5						522.8	
Multiyear Savings (%) (total only)													10.0%	
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual		18.5	172.9	495.0	749.8	940.5	1097.2	964.8	506.8	187.6	74.0	21.0	5228.0	
Multiyear		18.5	194.0	561.4	809.5	912.1	925.6	724.7	362.0	133.6	50.5	13.3	4705.2	
Savings			(21.0)	(66.5)	(59.7)	28.4	171.7	240.1	144.7	54.0	23.5	7.7	522.8	

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

P-1 Shopping List - Item No
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Exhibit MYP-4 Present Value Analysis (NAVY)						Date: April 2013							
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) (NAVY)							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Annual Proposal													
Then Year Cost		18.5	172.9	495.0	749.8	940.5	1097.2	964.8	506.8	187.6	74.0	21.0	5228.0
Constant Year Cost		18.5	169.9	477.7	710.9	875.9	1003.8	867.1	447.4	162.7	63.0	17.6	4814.5
Present Value		18.5	169.5	475.7	706.6	869.2	994.5	857.6	441.7	160.4	62.0	17.3	4773.0
Multiyear Proposal													
Then Year Cost		18.5	194.0	561.4	809.5	912.1	925.6	724.7	362.0	133.6	50.5	13.3	4705.2
Constant Year Cost		18.5	190.6	541.9	767.5	849.5	846.8	651.3	319.6	115.9	43.0	11.1	4355.7
Present Value		18.5	190.1	539.6	762.9	843.0	838.9	644.2	315.6	114.2	42.3	10.9	4309.3
Difference													
Then Year Cost			(21.0)	(66.5)	(59.7)	28.4	171.7	240.1	144.7	54.0	23.5	7.7	522.8
Constant Year Cost			(20.7)	(64.2)	(56.6)	26.4	157.1	215.8	127.8	46.8	20.0	6.5	458.9
Present Value			(20.6)	(63.9)	(56.3)	26.2	155.6	213.4	126.2	46.1	19.7	6.4	463.7
Multiyear Savings (\$)													
			(21.0)	(66.5)	(59.7)	28.4	171.7	240.1	144.7	54.0	23.5	23.5	522.8

NOTE: MYP Procurement Period is 11 years. Real Interest Rate for MYP Procurement Period of 11 years is 1.00170000%.
(OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

MH-60R/S Helicopter Airframes

1. Multiyear Procurement Description:

The MH-60R/S Airframe Multi-Year Procurement (MYP) was certified by The Secretary of Defense on 1 March 2011. This supported the Congressional Authorization and Appropriation approvals granted in the FY12 National Defense Authorization Act (NDAA) and the Appropriations Act. MYP contract was awarded on 6 July 2012. The MYP settlement position achieved a 17.7% savings from the OSD CAPE Single Year (SY) position across the five year period within the Navy Aircraft Procurement appropriation.

Submission of updated MYP exhibit is required due to quantity profile changes since PB13. MYP values are actual contract award values, Single Year (SY) position values are based on business case analysis (BCA) received from contractor in 2009.

This awarded Multi-Year Procurement (MYP) covers the purchase of 182 Navy MH-60 helicopter airframes in FY2012 through FY2016 under a single, five-year, fixed-price type contract. 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 PB13 profile.

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

Continuation of this MYP will provide significant opportunity for cost avoidance through the term of the contract. Specifically, cost avoidance for FY2012 through FY2016 attributable to this MYP strategy estimated at \$832.1Million (TY\$)/23.5%. This level of avoidance is based on a comparison of the estimated prices for five single year contracts to the actual contract price for one five year multiyear contract.

The cost avoidance associated with the MH-60 Airframe MYP is principally achieved as a result of Economic Order Quantity (EOQ) investments. Procuring select components at economic order quantities reduced 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.

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

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Exhibit MYP-1, Multiyear Procurement Criteria
(MYP, Page 1 of 8)

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

MH-60R/S Helicopter Airframes

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.

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 is based on actual contract award for the MH-60R and MH-60S airframe. The single year (SY) estimates are based on business case analysis (BCA) data provided by the contractor in April 2009. The contract is a five year Firm Fixed Price contract.

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Exhibit MYP-1, Multiyear Procurement Criteria
(MYP, Page 2 of 8)

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
April 2013

Appropriation / Budget Activity:
1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:
MH-60R/S Helicopter Airframes

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 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 (\$832.1 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.

Multiyear Procurement Summary:

	Annual Contracts	MYP Contracts
Quantity	182	182
Total Contract Price	\$3,547.2	\$2,715.1
\$ Cost Avoidance Over Annual		\$ 832.1*
% of Cost Avoidance Over Annual		23.5%

*MH-60R/S Programs are budgeted for the awarded MYP contract strategy and not annual contracting. If MYP contract is broken, the \$832.1 Million in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

	<u>\$ in Millions</u>
Inflation	\$71.700
Vendor Procurement	\$218.700
Manufacturing	\$501.000
Design/Engineering	\$0.000

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Exhibit MYP-1, Multiyear Procurement Criteria
(MYP, Page 3 of 8)

Exhibit MYP-1, Multiyear Procurement Criteria	Date: April 2013
------------------------------------------------------	---------------------

Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	P-1 Item Nomenclature: MH-60R/S Helicopter Airframes										
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Tool Design</td> <td style="text-align: right;">\$0.000</td> </tr> <tr> <td>Support Equipment</td> <td style="text-align: right;">\$0.000</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">\$40.700</td> </tr> <tr> <td>Workload Savings</td> <td style="text-align: right;">\$0.000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">\$832.100</td> </tr> </table>	Tool Design	\$0.000	Support Equipment	\$0.000	Other	\$40.700	Workload Savings	\$0.000	Total	\$832.100	
Tool Design	\$0.000										
Support Equipment	\$0.000										
Other	\$40.700										
Workload Savings	\$0.000										
Total	\$832.100										

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost avoidance (\$832.1 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.

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:

	<u>Annual</u> <u>Contracts</u>	<u>MultiYear</u> <u>Contract</u>
Quantity	182	182
Total Contract Price	\$3,547.161	\$2,715.095
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$832.066
% Cost Avoidance Over Annual		23.5%

UNCLASSIFIED

Exhibit MYP-2 Total Program Funding Plan (NAVY)							Date: April 2013							
PROCUREMENT							P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Procurement Quantity		42	37	37	37	29								182
Annual Procurement														
Gross Cost		1487.5	1,352.4	1366.2	1584.8	1414.5	81.3							7286.7
Less PY Adv Procurement		(218.1)	(170.1)	(209.2)	(251.4)	(219.2)								(1067.9)
Net Procurement (= P-1)		1269.4	1182.3	1157.0	1333.4	1195.2	81.3							6218.7
Plus CY Adv Procurement	218.1	240.4	246.5	265.3	120.3									1090.7
Weapon System Cost	218.1	1509.9	1428.8	1422.4	1453.7	1195.2	81.3							7309.4
Multiyear Procurement														
Gross Cost (P-1)		1378.1	1211.8	1197.5	1364.2	1221.7	81.3							6454.6
Less PY Adv Procurement		(218.1)	(170.1)	(214.4)	(259.2)	(229.1)								(1090.9)
Net Procurement (= P-1)		1160.1	1041.7	983.1	1105.0	992.6	81.3							5363.7
Advance Procurement														
For FY12	218.1													218.1
For FY13		170.1												170.1
For FY14		64.3	172.9											237.2
For FY15		9.7	76.6	172.9										259.2
For FY16		6.8	5.7	96.2	120.3									229.1
Plus CY Adv Procurement	218.1	251.0	255.2	269.1	120.3									1113.6
Weapon System Cost	218.1	1411.0	1296.8	1252.2	1225.4	992.6	81.3							6477.4
Multiyear Savings (\$)		98.8	132.0	170.2	228.4	202.6								832.1
Multiyear Savings (%) (total only)														11.4%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	28.3	272.6	772.0	1115.6	1292.1	1353.4	1161.9	713.8	354.8	160.0	63.4	20.4	1.2	7309.4
Multiyear	28.3	259.8	720.2	1021.1	1154.0	1176.6	994.4	610.8	303.3	136.4	53.9	17.3	1.2	6477.4
Savings		12.8	51.8	94.5	138.1	176.8	167.5	103.0	51.4	23.6	9.5	3.0		832.1

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-2 Total Program Funding Plan (NAVY)	Date: April 2013
PROCUREMENT	P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)
<p>Remarks</p> <p>MH-60S</p> <p>MH-60S AP C2012</p> <p>MH-60S AP C2013</p> <p>MH-60S AP C2014</p> <p>MH-60S AP C2015</p> <p>MH-60S CY Adv Proc.</p> <p>MH-60S Gross Costs</p> <p>MH-60S PY Adv Proc.</p> <p>MH-60S PY AP</p> <p>MH-60R</p> <p>MH-60R AP C2012</p> <p>MH-60R AP C2013</p> <p>MH-60R AP C2014</p> <p>MH-60R AP C2015</p> <p>MH-60R AP C2016</p> <p>MH-60R CY Adv Proc.</p> <p>MH-60R Gross Costs</p> <p>MH-60R PY Adv Proc.</p> <p>MH-60R PY AP</p> <p>MH-60R</p> <p>MH-60R AP C2012</p> <p>MH-60R AP C2013</p> <p>MH-60R AP C2014</p> <p>MH-60R AP C2015</p> <p>MH-60R AP C2016</p> <p>MH-60R CY Adv Proc.</p> <p>MH-60R Gross Costs</p> <p>MH-60R PY Adv Proc.</p> <p>MH-60R PY AP</p>	
Exhibit MYP-2, Total Program Funding Plan	

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)							Date: April 2013							
PROCUREMENT							P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Procurement Quantity		42	37	37	37	29								182
Annual Procurement														
Gross Cost		739.6	685.3	708.7	772.7	640.9								3547.2
Less PY Adv Procurement		(89.8)	(63.0)	(79.0)	(102.2)	(82.0)								(416.0)
Net Procurement (= P-1)		649.7	622.3	629.7	670.5	559.0								3131.2
Plus CY Adv Procurement	89.8	63.0	79.0	102.2	82.0									416.0
Contract Price	89.8	712.8	701.2	731.9	752.4	559.0								3547.2
Multiyear Procurement														
Gross Cost (P-1)		630.2	544.6	540.0	552.1	448.1								2715.1
Less PY Adv Procurement		(89.8)	(63.0)	(84.2)	(110.0)	(91.8)								(439.0)
Net Procurement (= P-1)		540.4	481.6	455.8	442.1	356.3								2276.1
Advance Procurement														
For FY12	89.8													89.8
For FY13		63.0												63.0
For FY14		5.2	79.0											84.2
For FY15		2.9	4.9	102.2										110.0
For FY16		2.3	3.7	3.8	82.0									91.8
Plus CY Adv Procurement	89.8	73.6	87.6	106.0	82.0									439.0
Contract Price	89.8	613.9	569.2	561.7	524.0	356.3								2715.1
Multiyear Savings (\$)		98.8	132.0	170.2	228.4	202.7								832.1
Multiyear Savings (%) (total only)														23.5%
Cancellation Ceiling, Funded														
Cancellation Ceiling, Unfunded														
OUTLAYS														
Annual	11.7	124.1	364.4	542.0	645.9	680.7	569.3	336.4	163.4	72.7	28.1	8.4		3547.2
Multiyear	11.7	111.3	312.7	447.5	507.8	504.0	401.8	233.4	112.0	49.1	18.6	5.3		2715.1
Savings		12.8	51.7	94.5	138.1	176.8	167.5	103.0	51.4	23.6	9.5	3.0		832.1

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-4 Present Value Analysis (NAVY)							Date: April 2013							
PROCUREMENT							P-1 Line Item Nomenclature - MH-60R/S Helicopter Airframes (NAVY)							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Annual Proposal														
Then Year Cost	11.7	124.1	364.4	542.0	645.9	680.7	569.3	336.4	163.4	72.7	28.1	8.4		3547.2
Constant Year Cost	11.7	122.0	352.4	515.4	603.9	625.8	514.6	299.0	142.8	62.5	23.7	7.0		3280.8
Present Value	11.6	119.4	339.9	489.9	565.7	577.8	468.4	268.2	126.3	54.4	20.4	5.9		3047.9
Multiyear Proposal														
Then Year Cost	11.7	111.3	312.7	447.5	507.8	504.0	401.8	233.4	112.0	49.1	18.6	5.3		2715.1
Constant Year Cost	11.7	109.4	302.4	425.5	474.8	463.3	363.2	207.5	97.8	42.2	15.7	4.4		2517.9
Present Value	11.6	107.1	291.6	404.5	444.8	427.8	330.6	186.1	86.5	36.8	13.5	3.8		2344.5
Difference														
Then Year Cost		12.8	51.7	94.5	138.1	176.8	167.5	103.0	51.4	23.6	9.5	3.0		832.1
Constant Year Cost		12.6	50.0	89.9	129.1	162.5	151.4	91.6	45.0	20.3	8.0	2.5		762.9
Present Value		12.4	48.3	85.4	120.9	150.1	137.8	82.1	39.7	17.7	6.9	2.1		703.4
Multiyear Savings (\$)		12.8	51.7	94.5	138.1	176.8	167.5	103.0	51.4	23.6	9.5	3.0		832.1

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01460000%.
(OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**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:

The MH-60R/S Mission Avionics/Common Cockpit Multi-Year Procurement (MYP) was certified by The Secretary of Defense on 1 March 2011. This supported the Congressional Authorization and Appropriation approvals granted in the FY12 National Defense Authorization Act (NDAA) and the Appropriations Act. MYP contract was awarded on 5 April 2012. The MYP settlement position achieved a 19.4% savings from the OSD CAPE Single Year (SY) position across the five year period within the Navy Aircraft Procurement appropriation.

Submission of updated MYP exhibit is required due to quantity profile changes since PB13. MYP values are actual contract award values, Single Year (SY) position values are based on business case analysis (BCA) received from contractor in 2009.

This awarded MYP covers the purchase of 182 Navy MH-60 Mission Avionics suites/systems in FY2012 through FY2016 under a single, five year fixed price type contract. This procurement includes 120 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 also includes the procurement of 62 Common Cockpits for MH-60S. This MYP buys out the program of record of Mission Avionics suites/systems and Common Cockpits.

The MYP includes a Variation in Quantity Clause allowing for minor fluctuation of aircraft quantities from the PB13 profile.

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

Continuation of this MYP will provide significant opportunity for cost avoidance through the term of the contract. Specifically, cost avoidance for FY2012 through FY2016 attributable to this MYP strategy estimated at \$323.7 Million (TYS)/21.7%. This level of avoidance is based on a comparison of the estimated prices for five single year contracts to the actual price for one five year multiyear contract.

The cost avoidance associated with the MH-60 Mission Avionics MYP was principally achieved as a result of Economic Order Quantity (EOQ) investments. Procuring select components at economic order quantities reduced 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

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Exhibit MYP-1, Multiyear Procurement Criteria
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Exhibit MYP-1, Multiyear Procurement CriteriaDate:
April 2013**Appropriation / Budget Activity:**

1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

MH-60R/S Mission Avionics/Common Cockpit

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 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 is based on actual contract award values for both the MH-60R/MH-60S Mission Avionics (which includes Common Cockpit). The single year (SY) estimates are based on business case analysis (BCA) data provided by the contractor in April 2009. The contract is a five year Firm Fixed Price contract.

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Exhibit MYP-1, Multiyear Procurement Criteria
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Exhibit MYP-1, Multiyear Procurement Criteria

Date:
April 2013

Appropriation / Budget Activity:
1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:
MH-60R/S Mission Avionics/Common Cockpit

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

3. Source of Savings:

Multiyear Procurement Summary:

	Annual	MYP
	Contracts	Contract
Quantity	182	182
Total Contract Price	\$1,489.7	\$1,166.0
\$ Cost Avoidance Over Annual		\$ 323.7*
% of Cost Avoidance Over Annual		21.7%

*MH-60R/S Programs are budgeted for the awarded MYP contract strategies and not annual contracting. If MYP contract is broken, the \$323.7 Million in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

	<u>\$ in Millions</u>
Inflation	\$34.700
Vendor Procurement	\$175.300
Manufacturing	\$113.700
Design/Engineering	\$0.000
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$323.700

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01-0179
01-0182

Exhibit MYP-1, Multiyear Procurement Criteria
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Exhibit MYP-1, Multiyear Procurement Criteria	Date: April 2013
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Appropriation / Budget Activity: 1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)	P-1 Item Nomenclature: MH-60R/S Mission Avionics/Common Cockpit
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4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost avoidance (\$323.7 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.

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:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	182	182
Total Contract Price	\$1,489.714	\$1,165.972
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$323.742
% Cost Avoidance Over Annual		21.7%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)							Date: April 2013								
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	2023	TOTAL	
Procurement Quantity		42	37	37	37	29								182	
Annual Procurement															
Gross Cost		1418.3	1,261.0	1252.6	1450.9	1314.2	81.3							6778.3	
Less PY Adv Procurement		(218.1)	(170.1)	(155.3)	(229.4)	(182.0)								(954.8)	
Net Procurement (= P-1)		1200.2	1090.9	1097.3	1221.6	1132.3	81.3							5823.5	
Plus CY Adv Procurement	218.1	180.6	181.5	225.3	172.1									977.6	
Weapon System Cost	218.1	1380.9	1272.4	1322.5	1393.7	1132.3	81.3							6801.1	
Multiyear Procurement															
Gross Cost (P-1)		1378.1	1211.8	1197.5	1364.2	1221.7	81.3							6454.6	
Less PY Adv Procurement		(218.1)	(170.1)	(214.4)	(259.2)	(229.1)								(1090.9)	
Net Procurement (= P-1)		1160.1	1041.7	983.1	1105.0	992.6	81.3							5363.7	
Advance Procurement															
For FY12	218.1													218.1	
For FY13		170.1												170.1	
For FY14		64.3	172.9											237.2	
For FY15		9.7	76.6	172.9										259.2	
For FY16		6.8	5.7	96.2	120.3									229.1	
Plus CY Adv Procurement	218.1	251.0	255.2	269.1	120.3									1113.6	
Weapon System Cost	218.1	1411.0	1296.8	1252.2	1225.4	992.6	81.3							6477.4	
Multiyear Savings (\$)		(30.2)	(24.5)	70.4	168.3	139.7								323.7	
Multiyear Savings (%) (total only)														4.8%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	28.3	255.8	706.5	1013.7	1189.8	1266.8	1095.1	675.1	336.4	152.3	60.6	19.4	1.2	6801.1	
Multiyear	28.3	259.8	720.2	1021.1	1154.0	1176.6	994.4	610.8	303.3	136.4	53.9	17.3	1.2	6477.4	
Savings		(3.9)	(13.7)	(7.4)	35.8	90.2	100.7	64.3	33.1	15.9	6.7	2.1		323.7	

Exhibit MYP-2, Total Program Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-2 Total Program Funding Plan (NAVY)	Date: April 2013
PROCUREMENT	P-1 Line Item Nomenclature - MH-60R/S Mission Avionics/Common Cockpit (NAVY)
<p>Remarks</p> <p>MH-60S</p> <p>MH-60S AP C2012</p> <p>MH-60S AP C2013</p> <p>MH-60S AP C2014</p> <p>MH-60S AP C2015</p> <p>MH-60S CY Adv Proc.</p> <p>MH-60S Gross Costs</p> <p>MH-60S PY Adv Proc.</p> <p>MH-60S PY AP</p> <p>MH-60R</p> <p>MH-60R AP C2012</p> <p>MH-60R AP C2013</p> <p>MH-60R AP C2014</p> <p>MH-60R AP C2015</p> <p>MH-60R AP C2016</p> <p>MH-60R CY Adv Proc.</p> <p>MH-60R Gross Costs</p> <p>MH-60R PY Adv Proc.</p> <p>MH-60R PY AP</p> <p>MH-60R</p> <p>MH-60R AP C2012</p> <p>MH-60R AP C2013</p> <p>MH-60R AP C2014</p> <p>MH-60R AP C2015</p> <p>MH-60R AP C2016</p> <p>MH-60R CY Adv Proc.</p> <p>MH-60R Gross Costs</p> <p>MH-60R PY Adv Proc.</p> <p>MH-60R PY AP</p>	
Exhibit MYP-2, Total Program Funding Plan	

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)							Date: April 2013								
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	2023	TOTAL	
Procurement Quantity		42	37	37	37	29								182	
Annual Procurement															
Gross Cost		279.5	246.1	256.6	358.4	349.2								1489.7	
Less PY Adv Procurement		(96.6)	(72.2)	(37.2)	(93.9)	(85.5)								(385.4)	
Net Procurement (= P-1)		182.9	173.9	219.4	264.4	263.8								1104.3	
Plus CY Adv Procurement	96.6	72.2	37.2	93.9	85.5									385.4	
Contract Price	96.6	255.1	211.1	313.3	349.9	263.8								1489.7	
Multiyear Procurement															
Gross Cost (P-1)		239.3	196.9	201.5	271.7	256.6								1166.0	
Less PY Adv Procurement		(96.6)	(72.2)	(96.3)	(123.8)	(132.6)								(521.5)	
Net Procurement (= P-1)		142.7	124.7	105.2	147.9	124.0								644.5	
Advance Procurement															
For FY12	96.6													96.6	
For FY13		72.2												72.2	
For FY14		59.1	37.2											96.3	
For FY15		6.8	71.7	45.4										123.8	
For FY16		4.5	2.0	92.4	33.7									132.6	
Plus CY Adv Procurement	96.6	142.5	110.8	137.7	33.7									521.5	
Contract Price	96.6	285.2	235.5	242.9	181.6	124.0								1166.0	
Multiyear Savings (\$)		(30.2)	(24.5)	70.4	168.3	139.7								323.7	
Multiyear Savings (%) (total only)														21.7%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	12.6	67.0	142.3	195.7	253.5	290.1	252.8	151.0	74.0	33.7	13.2	4.0		1489.7	
Multiyear	12.6	70.9	156.1	203.1	217.8	199.9	152.0	86.6	40.9	17.8	6.4	1.9		1166.0	
Savings		(3.9)	(13.7)	(7.4)	35.8	90.2	100.7	64.3	33.1	15.9	6.7	2.1		323.7	

Exhibit MYP-3, Total Contract Funding Plan

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (NAVY)							Date: April 2013								
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	2023	TOTAL	
Annual Proposal															
Then Year Cost	12.6	67.0	142.3	195.7	253.5	290.1	252.8	151.0	74.0	33.7	13.2	4.0		1489.7	
Constant Year Cost	12.6	65.9	137.6	186.1	237.0	266.7	228.5	134.2	64.7	28.9	11.1	3.3		1376.5	
Present Value	12.5	64.4	132.7	176.9	222.1	246.2	208.0	120.4	57.2	25.2	9.6	2.8		1277.9	
Multiyear Proposal															
Then Year Cost	12.6	70.9	156.1	203.1	217.8	199.9	152.0	86.6	40.9	17.8	6.4	1.9		1166.0	
Constant Year Cost	12.6	69.7	150.9	193.1	203.6	183.8	137.4	77.0	35.7	15.3	5.4	1.5		1086.1	
Present Value	12.5	68.2	145.5	183.6	190.7	169.7	125.1	69.1	31.6	13.3	4.7	1.3		1015.3	
Difference															
Then Year Cost		(3.9)	(13.7)	(7.4)	35.8	90.2	100.7	64.3	33.1	15.9	6.7	2.1		323.7	
Constant Year Cost		(3.9)	(13.3)	(7.1)	33.5	82.9	91.1	57.2	28.9	13.7	5.7	1.7		290.4	
Present Value		(3.8)	(12.8)	(6.7)	31.4	76.5	82.9	51.3	25.6	11.9	4.9	1.5		262.6	
Multiyear Savings (\$)															
		(3.9)	(13.7)	(7.4)	35.8	90.2	100.7	64.3	33.1	15.9	6.7	2.1		323.7	

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01460000%.
(OMB Circular No. A-94, January 2013)

Exhibit MYP-4 Present Value Analysis

* Numbers may not add due to rounding.