

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

0300 Missile Procurement - Defensewide / Major Equipment (BA-01)

P-1 Item Nomenclature:

Aegis BMD Standard Missile-3 (SM-3) Block IB

1. Multiyear Procurement Description:

This proposed Multiyear Procurement (MYP) covers the purchase of 204 Standard Missile -3 (SM-3) Block IB AEGIS ballistic missile interceptors in FY2019 through FY2023, with advance procurement for economic order quantities beginning in FY2019.

This multiyear contract uses Economic Order Quantity Advance Procurement funding to provide the U.S. Government maximum savings in price and delivery schedule. Advance Procurement funding in FY2019 will enable 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.

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 FY2019 through FY2023 attributable to this MYP strategy is estimated at \$306.1million (TY\$), for a total of 13.49%

b. Stability of Requirement:

The SM-3 Block IB incorporates a two-color, all reflective infrared seeker, enabling longer range acquisition and increased threat discrimination over the previous SM-3 Block IA. A Throttleable Divert Attitude Control System (TDACS) provides a more flexible and lower cost alternative to the Solid Divert Attitude Control System in the Block IA. Initial Production of the SM-3 Block IB began in FY2012 (14) with larger rate production quantities in FY2013 (33), FY2014 (52), and FY2015 (52) and FY2016 (46) and FY 2017 (35). The planned sustained production rate objective is 48 missiles per year and the maximum production rate is 52 missiles per year.

c. Stability of Funding:

Sufficient funding exists within the current budget controls to execute this procurement. The Missile Defense Agency has demonstrated its commitment to a stable funding stream for the SM-3 Block IB MYP through every step of this year's budget process by fully funding the requirement. This commitment was reaffirmed by top level DoD leadership through its support in the final budget submission. In addition, the Secretary of Defense supports the quantities and funding profile provided in this request. The budget submission includes sufficient funding to execute the program.

d. Stable Configuration:

SM-3 Block IB was found to be Operationally Suitable and Effective by Commander Operational Test and Evaluation Force October 2014 following the completion of its assessment of Developmental Test/Operational Tests. The missile has been in initial production since the FY2012 contract. The 120th SM-3 Block IB will be produced in late calendar year 2017. SM-3 Block IB configuration is governed by a rigorous control process at both the Government and contractor facilities. All SM-3 Block IB procured under the multi-year contract would be of the same design. Concurrent procurement of material will ensure that sufficient parts exist to maintain the stable

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configuration.

e. Realistic Cost Estimate:

Cost estimates reflect experience with Standard Missile 3 (SM-3) manufacturing since 2005, including 139 procured SM-3 Block IA and 172 Block IB through June 2015. The cost estimates for the multi-year are based on 10 years of SM-3 procurement history and established learning curves and quantity curves.

The savings shown in these exhibits are based on historical experience, contract awards, and surveys of primary equipment vendors. There is a high degree of confidence the SM-3 Block IB program can achieve the stated savings and procure the MYP missiles within the funding identified. This MYP will be a fixed price incentive firm contract.

f. National Security:

The QDR and DPG emphasize the criticality of the planned antiballistic missile infrastructure, including investments in defensive interceptors such as the SM-3 Block IB. The SM-3 Block IB is deployed on DDG and CG class ships and planned for the Aegis Ashore platform defending U.S. interests at home and abroad. The current SM-3 Block IB inventory is significantly lower than force structure requirements, making the procurement of additional SM-3 Block IBs critical for the defense of the homeland and protection of U.S. forces and interests abroad.

3. Source of Savings:

The stability and upfront material purchase of a multiyear contract for the SM-3 IB Missile will enable Raytheon Missile Systems and its suppliers to implement a more efficient planning and manufacturing cycle predicated on a production rate that supports the delivery cycle.

	<u>\$ in Millions</u>
Inflation	\$6.923
Vendor Procurement	\$254.634
Manufacturing	\$44.575
Design/Engineering	\$0.000
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$306.132

4. Advantages of the MYP:

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

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workload over the 5 year period. Each of these is a significant benefit over the year-by-year contracting approach. This MYP strategy has been structured to achieve significant savings and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace four independent years of planning. Savings resulting from economic order quantities and independent planning result in benefit to industry and government.

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-3 Block IB.

6. Multiyear Procurement Summary:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	204	204
Total Contract Price	\$2,268.943	\$1,962.811
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$306.132
% Cost Avoidance Over Annual		13.5%

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Exhibit MYP-2 Total Program Funding Plan (MDA)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - Aegis BMD Standard Missile-3 (SM-3) Block IB (MDA)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		TOTAL	
Procurement Quantity	37	38	41	41	47									204	
Annual Procurement															
Gross Cost	459.0	472.4	498.4	498.6	579.9									2508.3	
Less PY Adv Procurement															
Net Procurement (= P-1)	459.0	472.4	498.4	498.6	579.9									2508.3	
Plus CY Adv Procurement															
Weapon System Cost	459.0	472.4	498.4	498.6	579.9									2508.3	
Multiyear Procurement															
Gross Cost (P-1)	411.7	408.7	430.2	434.6	516.9									2202.1	
Less PY Adv Procurement		(32.9)	(68.7)	(87.0)	(85.9)									(274.5)	
Net Procurement (= P-1)	411.7	375.8	361.5	347.6	431.0									1927.6	
Advance Procurement															
For FY20	32.9													32.9	
For FY21	31.6	37.1												68.7	
For FY22	27.7	33.5	25.9											87.1	
For FY23	23.1	26.4	19.0	17.5										86.0	
Plus CY Adv Procurement	115.2	97.0	44.9	17.5										274.6	
Weapon System Cost	526.9	472.8	406.4	365.1	431.0									2202.2	
Multiyear Savings (\$)	(67.9)	(0.4)	92.0	133.5	148.9									306.1	
Multiyear Savings (%) (total only)														12.2%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	134.0	358.0	448.9	545.6	465.3	211.9	135.0	89.3	63.5	26.9	20.6	9.4		2508.4	
Multiyear	117.6	314.3	394.1	479.0	408.5	186.0	118.5	78.4	55.7	23.6	18.1	8.2		2202.0	
Savings	16.4	43.7	54.8	66.6	56.8	25.9	16.5	10.9	7.8	3.3	2.5	1.2		306.4	

P-1 Shopping List - Item No
17-MD09

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (MDA)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - Aegis BMD Standard Missile-3 (SM-3) Block IB (MDA)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		TOTAL	
Procurement Quantity	37	38	41	41	47									204	
Annual Procurement															
Gross Cost	407.3	420.9	455.0	459.9	525.8									2268.9	
Less PY Adv Procurement															
Net Procurement (= P-1)	407.3	420.9	455.0	459.9	525.8									2268.9	
Plus CY Adv Procurement															
Contract Price	407.3	420.9	455.0	459.9	525.8									2268.9	
Multiyear Procurement															
Gross Cost (P-1)	360.0	357.2	386.8	396.0	462.8									1962.8	
Less PY Adv Procurement		(32.9)	(68.7)	(87.1)	(86.0)									(274.6)	
Net Procurement (= P-1)	360.0	324.4	318.1	308.9	376.9									1688.2	
Advance Procurement															
For FY20	32.9													32.9	
For FY21	31.6	37.1												68.7	
For FY22	27.7	33.5	25.9											87.1	
For FY23	23.1	26.4	19.0	17.5										86.0	
Plus CY Adv Procurement	115.2	97.0	44.9	17.5										274.6	
Contract Price	475.2	421.4	363.0	326.4	376.9									1962.8	
Multiyear Savings (\$)	(67.9)	(0.4)	92.0	133.5	148.9									306.1	
Multiyear Savings (%) (total only)														13.5%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	121.2	323.8	406.1	493.5	420.9	191.7	122.1	80.8	57.4	24.3	18.6	8.5		2268.9	
Multiyear	140.7	337.2	418.7	420.8	250.5	165.9	90.3	68.7	25.5	21.0	16.1	7.4		1962.8	
Savings	(19.5)	(13.4)	(12.6)	72.7	170.4	25.8	31.8	12.1	31.9	3.3	2.5	1.1		306.1	

P-1 Shopping List - Item No
17-MD09

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Exhibit MYP-4 Present Value Analysis (MDA)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - Aegis BMD Standard Missile-3 (SM-3) Block IB (MDA)									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		TOTAL	
Annual Proposal															
Then Year Cost	121.2	323.8	406.1	493.5	420.9	191.7	122.1	80.8	57.4	24.3	18.6	8.5		2268.9	
Constant Year Cost	118.9	311.8	383.8	457.7	383.1	171.2	107.0	69.5	48.5	20.1	15.1	6.8		2093.6	
Present Value	115.7	299.9	365.0	430.5	356.3	157.5	97.4	62.5	43.1	17.7	13.2	5.8		1964.7	
Multiyear Proposal															
Then Year Cost	140.7	337.2	418.7	420.8	250.5	165.9	90.3	68.7	25.5	21.0	16.1	7.4		1962.8	
Constant Year Cost	138.1	324.7	395.7	390.3	228.0	148.2	79.2	59.1	21.5	17.4	13.1	5.9		1821.2	
Present Value	134.3	312.3	376.4	367.1	212.1	136.3	72.0	53.2	19.2	15.3	11.4	5.1		1714.5	
Difference															
Then Year Cost	(19.5)	(13.4)	(12.6)	72.7	170.4	25.8	31.8	12.1	31.9	3.3	2.5	1.1		306.1	
Constant Year Cost	(19.1)	(12.9)	(11.9)	67.4	155.1	23.0	27.9	10.4	26.9	2.7	2.0	0.9		272.5	
Present Value	(18.6)	(12.4)	(11.3)	63.4	144.3	21.2	25.4	9.4	24.0	2.4	1.8	0.8		250.1	
Multiyear Savings (\$)															
	(19.5)	(13.4)	(12.6)	72.7	170.4	25.8	31.8	12.1	31.9	3.3	2.5	1.1		306.1	

NOTE: MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01120000%.
(OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

C-130J Variants MY3

1. Multiyear Procurement Description:

This multiyear procurement (MYP) encompasses FY 2019 through FY 2023. 52 C-130J variant aircraft which includes 29 HC/MC/AC-130J and 23 US Navy C-130J aircraft that will be procured in FY 2019-2023. 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 \$4.5B (Then Year \$). All aircraft are fully funded with initial spares in the years they are to be ordered. The overall contract will also include priced options for US Air Force and US Coast Guard aircraft.

This multiyear contract uses a combination of Economic Order Quantity (EOQ) and Advance Procurement (AP) funding to provide the U.S. Government maximum savings in price and delivery schedule. This MYP employs \$172M EOQ funding in FY 2019 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 43 FY2020-2023 aircraft, and will be offset in the form of reduced payments at aircraft delivery.

AP funding in FY 2019-2022 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. Four FY 2019 aircraft are fully funded and five FY 2019 aircraft will utilized FY 2018 AP.

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 2019 through FY 2023 attributable to this MYP strategy is estimated at \$581.9 Million (TY\$), for a total of 11.4%.

b. Stability of Requirement:

The U.S. Air Force and U.S. Navy have a long-standing objective to modernize its C-130 fleet. The USAF/USN have 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 this plan, C-130J procurement of various configurations will maintain a delivery rate of 16 aircraft per year. The requirement is expected to remain unchanged during the contemplated multiyear contract period with production expected to continue beyond 2023. The Air Force plan replaces retiring C-130s from the active Air Force and Air Reserve Component units for AF Special Operations Command and Air Combat Command. The Navy plan replaces retiring C-130s from the active Marine Corps, Marine Corps Reserve and Navy Reserve.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

C-130J Variants MY3

c. Stability of Funding:

The Navy, Air Force and Special Operations Command 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 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 Ordering 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 numerous 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 January 2018, 396 C-130Js have been delivered to operational U.S. Government units and Foreign Military Sales/Direct Commercial Sales 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 2018) for annual and multiyear procurement of 52 USG C-130J variant aircraft from FY 2019 through FY 2023. Knowledge gained by 1) prior procurement of USAF C-130J variant aircraft and 2) two previous multiyear procurement on the C-130J variants, support the conclusion that multiyear pricing with projected savings of 11.4% 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. The Department of Defense (DOD) has made informed investment decisions designed to maintain the right mix of special operations and intra-theater refueling/transportation capabilities. Investments in DOD's theater capabilities include ongoing procurement of C-130J variants to recapitalize the Air Force and Navy C-130 fleets to improve the ability to rapidly reposition special operations and rescue forces.

3. Source of Savings:

The stability and upfront material purchases of a multiyear contract for 52 C-130J variant aircraft will enable Lockheed Martin and its suppliers to implement a more efficient planning and manufacturing cycle predicated on a production rate that supports delivery of multiyear aircraft earlier than by annual option procurement. A multiyear contract for 52

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
February 2018

Appropriation / Budget Activity:

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

P-1 Item Nomenclature:

C-130J Variants MY3

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	\$52.400
Vendor Procurement	\$452.500
Manufacturing	\$49.400
Design/Engineering	\$0.000
Tool Design	\$27.700
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$582.000

4. Advantages of the MYP:

The MYP strategy has been structured to achieve substantial savings (\$581.9M) 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	52	52
Total Contract Price	\$5,121.152	\$4,539.299
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$581.853
% Cost Avoidance Over Annual		11.4%

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Exhibit MYP-2 Total Program Funding Plan (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (NAVY)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		2	2	5	6	8								23	
Annual Procurement															
Gross Cost		184.5	207.1	535.3	676.0	981.7								2584.6	
Less PY Adv Procurement		(25.5)	(26.0)	(65.8)	(80.3)	(98.3)								(295.9)	
Net Procurement (= P-1)		159.0	181.1	469.4	595.8	883.4								2288.7	
Plus CY Adv Procurement	25.5	26.0	65.8	80.3	98.3									295.9	
Weapon System Cost	25.5	185.0	246.9	549.7	694.0	883.4								2584.6	
Multiyear Procurement															
Gross Cost (P-1)		185.9	183.0	470.4	592.0	864.1								2295.5	
Less PY Adv Procurement		(25.5)	(34.0)	(85.8)	(104.3)	(130.3)								(379.9)	
Net Procurement (= P-1)		160.4	149.0	384.6	487.8	733.8								1915.6	
Advance Procurement															
For FY19	25.5													25.5	
For FY20		34.0												34.0	
For FY21		20.0	65.8											85.8	
For FY22		24.0		80.3										104.3	
For FY13		32.0			98.3									130.3	
Plus CY Adv Procurement	25.5	110.0	65.8	80.3	98.3									379.9	
Weapon System Cost	25.5	270.4	214.9	464.8	586.1	733.8								2295.5	
Multiyear Savings (\$)		(85.4)	32.0	84.8	108.0	149.6								289.0	
Multiyear Savings (%) (total only)														11.2%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	4.5	40.3	108.7	234.2	388.5	576.0	561.4	378.6	131.5	70.9	48.6	28.1	13.3	2584.6	
Multiyear	4.5	55.2	129.6	236.8	340.8	489.8	474.1	318.4	111.8	59.5	40.7	23.5	11.0	2295.5	
Savings		(15.0)	(20.9)	(2.6)	47.8	86.3	87.3	60.2	19.7	11.4	7.9	4.6	2.2	289.0	

P-1 Shopping List - Item No
01-0416

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (NAVY)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		2	2	5	6	8								23	
Annual Procurement															
Gross Cost		163.6	193.5	497.8	614.6	843.3								2312.8	
Less PY Adv Procurement		(20.9)	(21.3)	(53.9)	(65.9)	(85.8)								(247.8)	
Net Procurement (= P-1)		142.7	172.2	443.9	548.7	757.4								2065.0	
Plus CY Adv Procurement	20.9	21.3	53.9	65.9	85.8									247.8	
Contract Price	20.9	164.0	226.1	509.8	634.6	757.4								2312.8	
Multiyear Procurement															
Gross Cost (P-1)		165.0	169.5	432.9	530.7	725.7								2023.7	
Less PY Adv Procurement		(20.9)	(29.3)	(73.9)	(89.9)	(117.8)								(331.8)	
Net Procurement (= P-1)		144.1	140.2	359.0	440.8	607.8								1691.9	
Advance Procurement															
For FY19	20.9													20.9	
For FY20		29.3												29.3	
For FY21		20.0	53.9											73.9	
For FY22		24.0		65.9										89.9	
For FY13		32.0			85.8									117.8	
Plus CY Adv Procurement	20.9	105.3	53.9	65.9	85.8									331.8	
Contract Price	20.9	249.4	194.1	424.9	526.6	607.8								2023.7	
Multiyear Savings (\$)		(85.4)	32.0	84.8	108.0	149.6								289.1	
Multiyear Savings (%) (total only)														12.5%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	3.7	35.2	97.1	213.6	357.0	519.9	498.1	330.3	115.8	62.9	43.1	24.7	11.4	2312.7	
Multiyear	3.7	50.1	118.0	216.2	309.3	433.7	410.8	270.0	96.1	51.5	35.1	20.1	9.1	2023.7	
Savings		(15.0)	(20.9)	(2.6)	47.8	86.3	87.3	60.2	19.7	11.4	7.9	4.6	2.2	289.0	

P-1 Shopping List - Item No
01-0416

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-4 Present Value Analysis (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (NAVY)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Annual Proposal															
Then Year Cost	3.7	35.2	97.1	213.6	357.0	519.9	498.1	330.3	115.8	62.9	43.1	24.7	11.4	2312.7	
Constant Year Cost	3.7	34.5	93.4	201.5	330.1	471.3	442.7	287.7	98.9	52.7	35.4	19.9	9.0	2080.5	
Present Value	3.6	34.3	92.7	199.5	326.1	464.6	435.4	282.4	96.9	51.5	34.5	19.3	8.7	2049.5	
Multiyear Proposal															
Then Year Cost	3.7	50.1	118.0	216.2	309.3	433.7	410.8	270.0	96.1	51.5	35.1	20.1	9.1	2023.7	
Constant Year Cost	3.7	49.2	113.5	203.9	285.9	393.1	365.1	235.2	82.1	43.1	28.8	16.1	7.2	1827.0	
Present Value	3.6	48.9	112.6	201.9	282.5	387.5	359.1	230.9	80.4	42.2	28.1	15.7	7.0	1800.4	
Difference															
Then Year Cost		(15.0)	(20.9)	(2.6)	47.8	86.3	87.3	60.2	19.7	11.4	7.9	4.6	2.2	289.0	
Constant Year Cost		(14.7)	(20.1)	(2.4)	44.2	78.2	77.6	52.5	16.8	9.5	6.5	3.7	1.8	253.6	
Present Value		(14.6)	(19.9)	(2.4)	43.6	77.1	76.3	51.5	16.5	9.3	6.3	3.6	1.7	249.1	
Multiyear Savings (\$)															
		(15.0)	(20.9)	(2.6)	47.8	86.3	87.3	60.2	19.7	11.4	7.9	4.6	2.2	289.0	

NOTE: MYP Procurement Period is 13 years. Real Interest Rate for MYP Procurement Period of 13 years is 1.00220000%.
 (OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-2 Total Program Funding Plan (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (USAF)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		7	13	4	3	2								29	
Annual Procurement															
Gross Cost		930.7	1628.9	490.2	297.9	231.7								3579.3	
Less PY Adv Procurement		(30.0)	(130.0)	(20.0)	(20.0)	(20.4)								(220.4)	
Net Procurement (= P-1)		900.7	1498.9	470.2	277.9	211.3								3358.9	
Plus CY Adv Procurement		30.0	130.0	20.0	20.0	20.4								220.4	
Weapon System Cost		930.7	1628.9	490.2	297.9	231.7								3579.3	
Multiyear Procurement															
Gross Cost (P-1)		862.5	1498.7	449.1	266.2	210.1								3286.5	
Less PY Adv Procurement		(30.0)	(182.0)	(36.0)	(32.0)	(28.4)								(308.4)	
Net Procurement (= P-1)		832.5	1316.7	413.1	234.2	181.7								2978.1	
Advance Procurement															
For FY19	30.0													30.0	
For FY20		218.0												218.0	
For FY21			20.0											20.0	
For FY22				20.0										20.0	
For FY13					20.4									20.4	
Plus CY Adv Procurement	30.0	218.0	20.0	20.0	20.4									308.4	
Weapon System Cost	30.0	1050.5	1336.7	433.1	254.5	181.7								3286.5	
Multiyear Savings (\$)	(30.0)	(119.8)	292.2	57.1	43.3	50.0								292.8	
Multiyear Savings (%) (total only)														8.2%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual		64.5	228.9	445.9	594.6	704.5	678.7	462.9	254.0	102.7	42.6			3579.4	
Multiyear		59.2	210.2	409.5	546.0	646.8	623.2	425.1	233.2	94.3	39.1			3286.6	
Savings		5.3	18.7	36.5	48.6	57.6	55.5	37.9	20.8	8.4	3.5			292.8	

NOTE: Any remarks will appear on the next page

P-1 Shopping List - Item No
03-C130JM

* Numbers may not add due to rounding.

Exhibit MYP-2, Total Program Funding Plan
(MYP, Page 8 of 15)

UNCLASSIFIED

Exhibit MYP-2 Total Program Funding Plan (USAF)	Date: February 2018
PROCUREMENT	P-1 Line Item Nomenclature - C-130J Variants MY3 (USAF)

Remarks

Annual Outlay (non-MY)

FY19 adds the CY EOQ of \$88M to the CY Adv Proc of \$130M

Multi Year Outlays

* Numbers may not add due to rounding.

Exhibit MYP-2, Total Program Funding Plan

(MYP, Page 9 of 15)

UNCLASSIFIED

Exhibit MYP-3 Total Contract Funding Plan (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (USAF)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		7	13	4	3	2								29	
Annual Procurement															
Gross Cost		656.8	1249.9	393.8	302.0	205.9								2808.4	
Less PY Adv Procurement		(30.0)	(130.0)	(20.0)	(20.0)	(20.4)								(220.4)	
Net Procurement (= P-1)		626.8	1119.9	373.8	282.0	185.5								2588.0	
Plus CY Adv Procurement		30.0	130.0	20.0	20.0	20.4								220.4	
Contract Price		656.8	1249.9	393.8	302.0	205.9								2808.4	
Multiyear Procurement															
Gross Cost (P-1)		588.6	1119.7	352.7	270.3	184.3								2515.6	
Less PY Adv Procurement		(30.0)	(182.0)	(36.0)	(32.0)	(28.4)								(308.4)	
Net Procurement (= P-1)		558.6	937.7	316.7	238.3	155.9								2207.2	
Advance Procurement															
For FY19	30.0													30.0	
For FY20		218.0												218.0	
For FY21			20.0											20.0	
For FY22				20.0										20.0	
For FY13					20.4									20.4	
Plus CY Adv Procurement	30.0	218.0	20.0	20.0	20.4									308.4	
Contract Price	30.0	776.6	957.7	336.7	258.7	155.9								2515.6	
Multiyear Savings (\$)	(30.0)	(119.8)	292.2	57.1	43.3	50.0								292.8	
Multiyear Savings (%) (total only)														10.4%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual		50.6	179.6	349.9	466.6	552.8	532.5	363.2	199.3	80.6	33.4			2808.5	
Multiyear		45.3	160.9	313.4	417.9	495.1	477.0	325.4	178.5	72.2	29.9			2515.7	
Savings		5.3	18.7	36.5	48.6	57.6	55.5	37.9	20.8	8.4	3.5			292.8	

P-1 Shopping List - Item No
03-C130JM

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-3 Total Contract Funding Plan (USAF)	Date: February 2018
PROCUREMENT	P-1 Line Item Nomenclature - C-130J Variants MY3 (USAF)

Remarks

Multi Year Procurement Pricing

Single Year Procurement Costs

* Numbers may not add due to rounding.

Exhibit MYP-3, Total Contract Funding Plan

(MYP, Page 11 of 15)

UNCLASSIFIED

Exhibit MYP-4 Present Value Analysis (USAF)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - C-130J Variants MY3 (USAF)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Annual Proposal															
Then Year Cost		50.6	179.6	349.9	466.6	552.8	532.5	363.2	199.3	80.6	33.4			2808.5	
Constant Year Cost		49.6	172.7	329.9	431.2	500.9	473.1	316.4	170.2	67.4	27.4			2538.8	
Present Value		49.5	172.1	328.4	428.8	497.6	469.5	313.7	168.6	66.7	27.1			2522.1	
Multiyear Proposal															
Then Year Cost		45.3	160.9	313.4	417.9	495.1	477.0	325.4	178.5	72.2	29.9			2515.7	
Constant Year Cost		44.5	154.7	295.5	386.3	448.6	423.8	283.4	152.4	60.4	24.6			2274.1	
Present Value		44.3	154.2	294.2	384.1	445.7	420.6	281.0	151.0	59.8	24.3			2259.2	
Difference															
Then Year Cost		5.3	18.7	36.5	48.6	57.6	55.5	37.9	20.8	8.4	3.5			292.8	
Constant Year Cost		5.2	18.0	34.4	45.0	52.2	49.3	33.0	17.7	7.0	2.9			264.7	
Present Value		5.2	17.9	34.2	44.7	51.9	49.0	32.7	17.6	7.0	2.8			263.0	
Multiyear Savings (\$)		5.3	18.7	36.5	48.6	57.6	55.5	37.9	20.8	8.4	3.5			292.8	

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 2018)

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-2 Total Program Funding Plan (All Services)						Date: February 2018									
All Services						P-1 Line Item Nomenclature - C-130J Variants MY3									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		9	15	9	9	10								52	
Annual Procurement															
Gross Cost		1115.2	1835.9	1025.5	973.9	1213.4								6163.8	
Less PY Adv Procurement		(55.5)	(156.0)	(85.8)	(100.3)	(118.7)								(516.3)	
Net Procurement (= P-1)		1059.7	1679.9	939.6	873.6	1094.8								5647.6	
Plus CY Adv Procurement	25.5	56.0	195.8	100.3	118.3	20.4								516.3	
Weapon System Cost	25.5	1115.7	1875.8	1039.9	991.9	1115.1								6163.8	
Multiyear Procurement															
Gross Cost (P-1)		1048.4	1681.7	919.5	858.2	1074.2								5582.0	
Less PY Adv Procurement		(55.5)	(216.0)	(121.8)	(136.3)	(158.7)								(688.3)	
Net Procurement (= P-1)		992.9	1465.7	797.7	721.9	915.5								4893.8	
Advance Procurement															
For FY19	55.5													55.5	
For FY20		252.0												252.0	
For FY21		20.0	85.8											105.8	
For FY22		24.0		100.3										124.3	
For FY13		32.0			118.7									150.7	
Plus CY Adv Procurement	55.5	328.0	85.8	100.3	118.7									688.3	
Weapon System Cost	55.5	1320.9	1551.5	897.9	840.6	915.5								5582.0	
Multiyear Savings (\$)	(30.0)	(205.2)	324.2	141.9	151.3	199.6								581.8	
Multiyear Savings (%) (total only)														9.4%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	4.5	104.8	337.6	680.2	983.2	1280.5	1240.1	841.6	385.5	173.5	91.2	28.1	13.3	6164.0	
Multiyear	4.5	114.5	339.8	646.3	886.8	1136.6	1097.3	743.5	345.0	153.7	79.8	23.5	11.0	5582.2	
Savings		(9.7)	(2.2)	33.9	96.4	143.9	142.8	98.1	40.5	19.8	11.4	4.6	2.2	581.8	

NOTE: Any remarks will appear on the next page

P-1 Shopping List - Item No
01-0416
03-C130JM

* Numbers may not add due to rounding.

Exhibit MYP-2, Total Program Funding Plan
(MYP, Page 13 of 15)

UNCLASSIFIED

Exhibit MYP-3 Total Contract Funding Plan (All Services)						Date: February 2018									
All Services						P-1 Line Item Nomenclature - C-130J Variants MY3									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		9	15	9	9	10								52	
Annual Procurement															
Gross Cost		820.4	1443.4	891.6	916.6	1049.2								5121.2	
Less PY Adv Procurement		(50.9)	(151.3)	(73.9)	(85.9)	(106.2)								(468.2)	
Net Procurement (= P-1)		769.5	1292.1	817.7	830.7	943.0								4653.0	
Plus CY Adv Procurement	20.9	51.3	183.9	85.9	105.8	20.4								468.2	
Contract Price	20.9	820.8	1476.0	903.6	936.6	963.3								5121.2	
Multiyear Procurement															
Gross Cost (P-1)		753.6	1289.2	785.6	801.0	910.0								4539.3	
Less PY Adv Procurement		(50.9)	(211.3)	(109.9)	(121.9)	(146.2)								(640.2)	
Net Procurement (= P-1)		702.7	1077.9	675.7	679.1	763.8								3899.1	
Advance Procurement															
For FY19	50.9													50.9	
For FY20		247.3												247.3	
For FY21		20.0	73.9											93.9	
For FY22		24.0		85.9										109.9	
For FY13		32.0			106.2									138.2	
Plus CY Adv Procurement	50.9	323.3	73.9	85.9	106.2									640.2	
Contract Price	50.9	1026.0	1151.8	761.6	785.3	763.8								4539.3	
Multiyear Savings (\$)	(30.0)	(205.2)	324.2	141.9	151.3	199.6								581.9	
Multiyear Savings (%) (total only)														11.4%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	3.7	85.8	276.7	563.5	823.6	1072.7	1030.7	693.5	315.1	143.5	76.5	24.7	11.4	5121.2	
Multiyear	3.7	95.4	278.9	529.6	727.2	928.8	887.9	595.4	274.6	123.7	65.1	20.1	9.1	4539.4	
Savings		(9.7)	(2.2)	33.9	96.4	143.9	142.8	98.1	40.5	19.8	11.4	4.6	2.2	581.8	

P-1 Shopping List - Item No
01-0416
03-C130JM

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-4 Present Value Analysis (All Services)						Date: February 2018									
All Services						P-1 Line Item Nomenclature - C-130J Variants MY3									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Annual Proposal															
Then Year Cost	3.7	85.8	276.7	563.5	823.6	1072.7	1030.7	693.5	315.1	143.5	76.5	24.7	11.4	5121.2	
Constant Year Cost	3.7	84.1	266.1	531.4	761.3	972.1	915.7	604.1	269.1	120.1	62.8	19.9	9.0	4619.3	
Present Value	3.6	83.7	264.1	526.1	752.2	958.3	900.8	592.9	263.5	117.4	61.2	19.3	8.7	4551.8	
Multiyear Proposal															
Then Year Cost	3.7	95.4	278.9	529.6	727.2	928.8	887.9	595.4	274.6	123.7	65.1	20.1	9.1	4539.4	
Constant Year Cost	3.7	93.6	268.2	499.4	672.2	841.7	788.9	518.6	234.5	103.6	53.4	16.1	7.2	4101.1	
Present Value	3.6	93.1	266.1	494.5	664.1	829.8	776.0	509.0	229.7	101.2	52.1	15.7	7.0	4041.9	
Difference															
Then Year Cost		(9.7)	(2.2)	33.9	96.4	143.9	142.8	98.1	40.5	19.8	11.4	4.6	2.2	581.8	
Constant Year Cost		(9.5)	(2.1)	32.0	89.1	130.4	126.9	85.5	34.6	16.6	9.4	3.7	1.8	518.3	
Present Value		(9.4)	(2.1)	31.7	88.0	128.6	124.8	83.9	33.8	16.2	9.1	3.6	1.7	510.0	
Multiyear Savings (\$)															
		(9.7)	(2.2)	33.9	96.4	143.9	142.8	98.1	40.5	19.8	11.4	4.6	2.2	581.8	

NOTE: MYP Procurement Period is 13 years. Real Interest Rate for MYP Procurement Period of 13 years is 1.00220000%.
(OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE) MYP-II

1. Multiyear Procurement Description:

This proposed Multiyear Procurement (MYP) covers the purchase of 24 E-2D AHE aircraft in FY2019 through FY 2023 under a single five-year fixed price type contract. The E-2D AHE program includes four years of Low Rate Initial Production (LRIP) (FY2009-2012) and 11 years of Full Rate Production (FRP) (FY2013-FY2023).

The MYP will include a Variation in Quantity Clause of up to 18 E-2D AHE aircraft allowing for potential Navy plus-up aircraft and/or additional Foreign Military Sales (FMS) aircraft which would not be included in the MYP quantity.

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

Implementation of this proposed MYP will yield opportunity for cost savings through the term of the contract. Specifically, cost savings for FY2019 through FY2023 attributable to this MYP strategy is estimated at \$336 Million (TY\$). 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 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. 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 total business and stability. Therefore, suppliers will be capable of finding innovative processes and be able to justify capital investments necessary to reduce costs. Some of these cost reductions will be passed on to the customer in the form of price reductions. In addition to these types of process innovations and capital investments, competition is expected to be greater based on larger purchase volumes and obsolescence risks and costs are expected to be minimized.

Procuring at a guaranteed rate of minimum production will also yield cost avoidances. 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,

Exhibit MYP-1, Multiyear Procurement Criteria

(MYP, Page 1 of 8)

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE) MYP-II

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 also will reduce costs by reducing the number of production set-ups, reducing administrative costs, receiving price breaks for raw materials and components, minimizing obsolescence risks/costs and further stabilizing the 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 Advanced Hawkeye aircraft, an ACAT-ID program, equipped with the 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, with space-time adaptive processing, when combined with the improved Identification Friend or Foe (IFF) system, the ALQ-217 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 31 March 2013 Acquisition Decision Memorandum issued in conjunction with the Full Rate Production Decision Review, retained the production quantity of 70 E-2D AHE aircraft; the current production inventory objective.

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

c. Stability of Funding:

Defense Planning Guidance (DPG) has fixed the total program and Future Years Defense Program (FYDP) quantities. This document 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. Funding support for the E-2D AHE has consistently been demonstrated by both the Navy and the Congress.

d. Stable Configuration:

The E-2D AHE is currently in Follow-On Operational Test and Evaluation (FOT&E) for Delta System/Software Configuration Builds. All aircraft have the same stable configuration. As of May 2017, E-2D AHE aircraft have flown over 29,100 hours. The E-2D AHE program continues to remain on cost and deliver on schedule. To date, 10 Full Rate Production (FRP) aircraft deliveries have been completed in accordance with the contract delivery schedule. This brings the total deliveries to 30 aircraft, of which

Exhibit MYP-1, Multiyear Procurement Criteria

(MYP, Page 2 of 8)

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE) MYP-II

five were procured with RDT&E funding and 15 were Low Rate Initial Production (LRIP) aircraft. Of the 10 FRP aircraft, five are from the first MYP.

Future upgrades are planned. 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 savings through the use of the MYP for the E-2D AHE are realistic. The NAVAIR 4.2 validated cost model has been used based on actual costs on four years of LRIP contracts and one year of FRP contracts. The Full Rate Production proposal for FRP Lots 7-11 (MYP) is due in September 2017. The Secretary of Defense Office of Cost Assessment and Program Evaluation (CAPE) will commence a MYP cost analysis in August 2017.

The independent single-year cost estimate developed by the CAPE, when compared to the proposed MYP strategy, will validate the projected savings under a multiyear scenario. Additionally, the projected multiyear savings are within historical projected savings ranges.

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 JROC concluded that continuation of the E-2D AHE program is essential to the national security. This is documented in the 10 June 2009 JROC Memorandum number 102-09. 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 11 June 2009.
- (2) As of 20 June 2017, 32 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 FY2019, sufficient funds will be available to perform the contract that year, and the future-year defense program for FY2019 will include funding required to execute the program without cancellation.

Exhibit MYP-1, Multiyear Procurement Criteria

(MYP, Page 3 of 8)

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

E-2D Advanced Hawkeye (AHE) MYP-II

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

	<u>\$ in Millions</u>
Inflation	\$32.000
Vendor Procurement	\$111.000
Manufacturing	\$108.000
Design/Engineering	\$85.000
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$336.000

4. Advantages of the MYP:

This MYP strategy has been structured to achieve significant cost avoidance of \$336M 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 savings/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 single year FRP procurement in FY2024.

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will have a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, which provides 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 long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the E-2D Advanced Hawkeye.

6. Multiyear Procurement Summary:

	<u>Annual</u> <u>Contracts</u>	<u>MultiYear</u> <u>Contract</u>
Quantity	24	24
Total Contract Price	\$3,925.625	\$3,589.656
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$335.969
% Cost Avoidance Over Annual		8.6%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) MYP-II (NAVY)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		4	4	4	5	7								24	
Annual Procurement															
Gross Cost		898.6	920.6	927.3	1087.0	1600.7								5434.1	
Less PY Adv Procurement		(102.0)	(93.4)	(94.6)	(120.7)	(168.2)								(578.9)	
Net Procurement (= P-1)		796.5	827.2	832.7	966.3	1432.4								4855.2	
Plus CY Adv Procurement	102.0	93.4	94.6	120.7	168.2									578.9	
Weapon System Cost	102.0	890.0	921.8	953.4	1134.5	1432.4								5434.1	
Multiyear Procurement															
Gross Cost (P-1)		844.7	860.1	858.7	1012.8	1521.8								5098.2	
Less PY Adv Procurement		(102.0)	(126.1)	(160.5)	(209.9)	(264.1)								(862.6)	
Net Procurement (= P-1)		742.7	734.0	698.3	802.9	1257.7								4235.5	
Advance Procurement															
For FY19	102.0													102.0	
For FY20		126.1												126.1	
For FY21		38.2	122.3											160.5	
For FY22		38.2	34.0	137.7										209.9	
For FY23		38.2	34.0	25.5	166.5									264.1	
Plus CY Adv Procurement	102.0	240.7	190.2	163.2	166.5									862.6	
Weapon System Cost	102.0	983.4	924.2	861.4	969.4	1257.7								5098.2	
Multiyear Savings (\$)		(93.5)	(2.4)	92.0	165.1	174.8								336.0	
Multiyear Savings (%) (total only)														6.2%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	17.9	187.4	469.8	746.6	873.2	1029.1	958.5	645.6	234.7	124.2	80.0	45.7	21.5	5434.1	
Multiyear	17.9	203.7	499.2	761.1	825.0	921.8	846.1	573.1	211.0	110.5	70.0	39.7	18.9	5098.2	
Savings		(16.4)	(29.4)	(14.6)	48.2	107.3	112.4	72.5	23.6	13.7	9.9	6.0	2.6	336.0	

P-1 Shopping List - Item No
01-0195

* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)						Date: February 2018									
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) MYP-II (NAVY)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL	
Procurement Quantity		4	4	4	5	7								24	
Annual Procurement															
Gross Cost		636.7	644.4	652.1	832.4	1160.0								3925.6	
Less PY Adv Procurement		(102.0)	(93.4)	(94.6)	(120.7)	(168.2)								(578.9)	
Net Procurement (= P-1)		534.7	551.0	557.6	711.7	991.8								3346.7	
Plus CY Adv Procurement	102.0	93.4	94.6	120.7	168.2									578.9	
Contract Price	102.0	628.1	645.5	678.2	879.9	991.8								3925.6	
Multiyear Procurement															
Gross Cost (P-1)		582.9	583.9	583.6	758.1	1081.2								3589.7	
Less PY Adv Procurement		(102.0)	(126.1)	(160.5)	(209.9)	(264.1)								(862.6)	
Net Procurement (= P-1)		480.8	457.8	423.1	548.3	817.1								2727.0	
Advance Procurement															
For FY19	102.0													102.0	
For FY20		126.1												126.1	
For FY21		38.2	122.3											160.5	
For FY22		38.2	34.0	137.7										209.9	
For FY23		38.2	34.0	25.5	166.5									264.1	
Plus CY Adv Procurement	102.0	240.7	190.2	163.2	166.5									862.6	
Contract Price	102.0	721.6	648.0	586.3	714.8	817.1								3589.7	
Multiyear Savings (\$)		(93.5)	(2.4)	92.0	165.1	174.8								336.0	
Multiyear Savings (%) (total only)														8.6%	
Cancellation Ceiling, Funded															
Cancellation Ceiling, Unfunded															
OUTLAYS															
Annual	17.9	141.5	340.3	529.0	631.4	749.7	696.8	457.2	167.1	89.3	57.5	33.0	14.9	3925.6	
Multiyear	17.9	157.9	369.7	543.5	583.2	642.4	584.4	384.6	143.5	75.6	47.6	27.1	12.3	3589.7	
Savings		(16.4)	(29.4)	(14.6)	48.2	107.2	112.4	72.5	23.6	13.7	9.9	6.0	2.6	336.0	

P-1 Shopping List - Item No
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* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (NAVY)						Date: February 2018								
PROCUREMENT						P-1 Line Item Nomenclature - E-2D Advanced Hawkeye (AHE) MYP-II (NAVY)								
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL
Annual Proposal														
Then Year Cost	17.9	141.5	340.3	529.0	631.4	749.7	696.8	457.2	167.1	89.3	57.5	33.0	14.9	3925.6
Constant Year Cost	17.9	138.9	327.4	498.9	583.8	679.5	619.2	398.3	142.8	74.8	47.2	26.6	11.7	3566.8
Present Value	17.8	138.1	324.9	493.9	576.8	669.8	609.1	390.9	139.8	73.1	46.0	25.9	11.4	3517.5
Multiyear Proposal														
Then Year Cost	17.9	157.9	369.7	543.5	583.2	642.4	584.4	384.6	143.5	75.6	47.6	27.1	12.3	3589.7
Constant Year Cost	17.9	154.9	355.6	512.6	539.2	582.3	519.3	335.1	122.6	63.3	39.1	21.8	9.7	3273.2
Present Value	17.8	154.0	352.9	507.5	532.7	574.0	510.8	328.9	120.0	61.8	38.1	21.2	9.4	3229.3
Difference														
Then Year Cost		(16.4)	(29.4)	(14.6)	48.2	107.2	112.4	72.5	23.6	13.7	9.9	6.0	2.6	336.0
Constant Year Cost		(16.0)	(28.3)	(13.7)	44.6	97.2	99.9	63.2	20.2	11.5	8.1	4.8	2.1	293.5
Present Value		(16.0)	(28.1)	(13.6)	44.0	95.8	98.2	62.0	19.8	11.2	7.9	4.7	2.0	288.2
Multiyear Savings (\$)		(16.4)	(29.4)	(14.6)	48.2	107.2	112.4	72.5	23.6	13.7	9.9	6.0	2.6	336.0

NOTE: MYP Procurement Period is 13 years. Real Interest Rate for MYP Procurement Period of 13 years is 1.00220000%.
 (OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**Appropriation / Budget Activity:**

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

P-1 Item Nomenclature:

F/A-18E/F MYP IV

1. Multiyear Procurement Description:

This proposed multiyear procurement (MYP IV) covers the purchase of 72 F/A-18E/F aircraft in FY2019 through FY2021 under a single three-year fixed price incentive fee contract. The F/A-18E/F program includes three years of Low Rate Initial Production (LRIP) (FY1997-1999) and 18 years of Full Rate Production (FRP). This MYP strategy has been structured to achieve significant savings (\$380.811M) from the Single Year Procurement (SYP) while providing quantity flexibility for emergent requirements.

This MYP employs \$135.929M economic order quantity (EOQ) funding in the program years FY18-FY20 in support of a FY19-FY21 MYP .

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

Implementation of this proposed MYP will yield a significant savings through the terms of the contract. Specifically, total savings for FY2019-FY2021 attributable to this multiyear strategy are \$380.811M.

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

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

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

A Variation In Quantity (VIQ) clause will be employed for potential upward adjustments to quantity; adjustment amount is TBD pending contract negotiations.

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

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
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1506 Aircraft Procurement - Navy / Combat Aircraft (BA-01)

P-1 Item Nomenclature:

F/A-18E/F MYP IV

of price reductions. In addition to these types of process innovations and capital investments, subcontractor competition is expected to be greater based on larger purchase volumes.

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

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

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

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

b. Stability of Requirement:

The requirement for the F/A-18E/F has been consistently validated, supporting the first, second, and third multi-year procurements of 604 aircraft through the end of FY13. The 2014 Quadrennial Defense Review (QDR) recommended 11 aircraft carriers and 10 aircraft wings. Currently these aircraft wings are comprised of F/A-18 E/F aircraft and therefore the requirement for an additional 110 aircraft remains valid.

c. Stability of Funding:

The Navy has demonstrated its commitment to a stable funding stream for the F/A-18E/F multiyear by fully funding the requirement. This commitment was reaffirmed by top level Navy leadership through its support in the final budget submission. Funding support for the FA-18E/F has consistently been demonstrated by both the Navy and the Congress through implementation of three previous MYP contracts and ongoing support leading to MYP IV.

Defense Planning Guidance (DPG) emphasizes the criticality of the F/A-18E/F to overall DoD aviation planning and demonstrates the Department's commitment to properly fund this weapon system to the quantities proposed in the multiyear plan.

d. Stable Configuration:

As of September 2017, F/A-18E/F Super Hornet aircraft have flown over 1.7M hours. The F/A-18E/F program continues to remain on cost and on schedule. To date, 501

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
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F/A-18E/F MYP IV

FRP aircraft deliveries have been completed in accordance with or prior to the contract delivery schedule. This brings the total deliveries to 570 aircraft, of which 561 were production (62 LRIP) and seven were Engineering and Manufacturing Demonstration (EMD) aircraft.

e. Realistic Cost Estimate:

The Current cost estimate is realistic and is based on historical cost data/actuals for 18 production lots of aircraft, as well as a series of data/information provided by the contractor during negotiations for Lots 39-41 (2015-2017). Secretary of Defense Office of Cost Assessment and Program Evaluation is currently evaluating the potential MYP savings.

f. National Security:

The Quadrennial Defense Review and Defense Planning Guidance emphasize the criticality of the F/A-18E/F to the overall National Security Strategy and demonstrate the Department’s commitment to properly fund this weapon system to the quantities proposed in the multiyear plan. The F/A-18E/F provides the armed forces and national leaders with a credible carrier-based fighter aircraft capable of worldwide self-deployability, which allows for the continued execution of global military commitments.

The National Security implications are two-fold; the first is maintaining the industrial base for carrier-launched aircraft, the second is providing a credible fleet asset until the procurement of the F-35 Joint Strike Fighter (JSF) is in sufficient quantities. Until the Joint Strike Fighter is fully fielded, the F/A-18E/F remains the Navy's mainstay fighter aircraft.

3. Source of Savings:

	<u>\$ in Millions</u>
Inflation	\$15.232
Vendor Procurement	\$121.741
Manufacturing	\$118.052
Design/Engineering	\$114.362
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$11.424
Workload Savings	\$0.000
Total	\$380.811

4. Advantages of the MYP:

This MYP strategy has been structured to achieve substantial savings (\$380.811M) and will eliminate the need to develop an annual plan on a yearly basis; one year of planning will replace three independent years of planning. Savings from economic order quantities, manufacturing initiatives, and yearly planning will result in significant benefit to industry

Exhibit MYP-1, Multiyear Procurement Criteria

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

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F/A-18E/F MYP IV

and the Government.

Implementation of this proposed MYP will yield significant savings through the terms of the contract. Specifically, total savings for FY2019 - FY2021 attributable to this multiyear strategy are \$380.811M.

5. Impact on Defense Industrial Base:

Implementation of this proposed MYP will yield a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, that will provide substantial cost avoidance. Such long-term agreements incentivize both the prime contractor and subcontractors to invest in process improvements that yield long-term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster improved competition at the subcontractor level, as the offer of a longer term business arrangement will encourage more aggressive pursuit of a contract award. The prime contractor and subcontractors will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. A MYP will have a significant impact to attracting FMS customers by reducing unit pricing. The ability for the Government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, sustain infrastructure, and maintain a skilled labor force that reduces the overall cost and improves the quality of the F/A-18E/F.

6. Multiyear Procurement Summary:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	72	72
Total Contract Price	\$4,155.737	\$3,774.926
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$380.811
% Cost Avoidance Over Annual		9.2%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date: February 2018							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F MYP IV (NAVY)							
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	TOTAL
Procurement Quantity		24	24	24								72
Annual Procurement												
Gross Cost		2115.3	2056.6	2077.2								6249.1
Less PY Adv Procurement		(57.7)	(64.1)	(68.1)								(190.0)
Net Procurement (= P-1)		2057.5	1992.5	2009.1								6059.1
Plus CY Adv Procurement	57.7	64.1	68.1									190.0
Weapon System Cost	57.7	2121.6	2060.6	2009.1								6249.1
Multiyear Procurement												
Gross Cost (P-1)		1990.5	1929.7	1948.1								5868.2
Less PY Adv Procurement		(53.0)	(58.8)	(62.5)								(174.3)
Net Procurement (= P-1)		1937.6	1870.9	1885.6								5694.0
Advance Procurement												
For FY19	53.0											53.0
For FY20		58.8										58.8
For FY21			62.5									62.5
Plus CY Adv Procurement	53.0	58.8	62.5									174.3
Weapon System Cost	53.0	1996.4	1933.4	1885.6								5868.2
Multiyear Savings (\$)	4.8	125.3	127.2	123.5								380.8
Multiyear Savings (%) (total only)												6.1%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	8.1	314.9	964.7	1605.9	1539.1	976.8	388.3	185.8	143.9	81.4	40.2	6249.1
Multiyear	7.4	295.9	906.5	1508.5	1444.9	916.8	364.6	174.4	135.2	76.4	37.7	5868.2
Savings	0.7	19.0	58.2	97.4	94.2	60.0	23.8	11.4	8.8	5.0	2.5	380.8

P-1 Shopping List - Item No
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* Numbers may not add due to rounding.

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date: February 2018							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F MYP IV (NAVY)							
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	TOTAL
Procurement Quantity		24	24	24								72
Annual Procurement												
Gross Cost		1361.3	1385.0	1409.4								4155.7
Less PY Adv Procurement		(46.1)	(51.2)	(54.4)								(151.6)
Net Procurement (= P-1)		1315.2	1333.9	1355.0								4004.1
Plus CY Adv Procurement	46.1	51.2	54.4									151.6
Contract Price	46.1	1366.4	1388.2	1355.0								4155.7
Multiyear Procurement												
Gross Cost (P-1)		1236.6	1258.1	1280.3								3774.9
Less PY Adv Procurement		(41.3)	(45.9)	(48.7)								(135.9)
Net Procurement (= P-1)		1195.3	1212.2	1231.5								3639.0
Advance Procurement												
For FY19	41.3											41.3
For FY20		45.9										45.9
For FY21			48.7									48.7
Plus CY Adv Procurement	41.3	45.9	48.7									135.9
Contract Price	41.3	1241.1	1261.0	1231.5								3774.9
Multiyear Savings (\$)	4.8	125.3	127.2	123.5								380.8
Multiyear Savings (%) (total only)												9.2%
Cancellation Ceiling, Funded												
Cancellation Ceiling, Unfunded												
OUTLAYS												
Annual	6.5	205.6	632.7	1062.8	1030.1	656.2	260.0	124.1	95.7	54.9	27.1	4155.7
Multiyear	5.8	186.6	574.5	965.4	935.9	596.3	236.3	112.7	87.0	49.9	24.6	3774.9
Savings	0.7	19.0	58.2	97.4	94.2	60.0	23.8	11.4	8.8	5.0	2.5	380.8

P-1 Shopping List - Item No
01-0145

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (NAVY)					Date: February 2018							
PROCUREMENT					P-1 Line Item Nomenclature - F/A-18E/F MYP IV (NAVY)							
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	TOTAL
Annual Proposal												
Then Year Cost	6.5	205.6	632.7	1062.8	1030.1	656.2	260.0	124.1	95.7	54.9	27.1	4155.7
Constant Year Cost	6.5	201.7	608.6	1002.3	952.4	594.8	231.1	108.1	81.8	45.9	22.2	3855.4
Present Value	6.4	201.0	605.6	996.0	945.1	589.4	228.7	106.8	80.7	45.3	21.9	3826.9
Multiyear Proposal												
Then Year Cost	5.8	186.6	574.5	965.4	935.9	596.3	236.3	112.7	87.0	49.9	24.6	3774.9
Constant Year Cost	5.8	183.0	552.6	910.4	865.3	540.5	210.0	98.2	74.3	41.7	20.2	3502.0
Present Value	5.8	182.4	549.9	904.7	858.6	535.6	207.8	97.1	73.3	41.1	19.9	3476.2
Difference												
Then Year Cost	0.7	19.0	58.2	97.4	94.2	60.0	23.8	11.4	8.8	5.0	2.5	380.8
Constant Year Cost	0.7	18.7	56.0	91.9	87.1	54.3	21.1	9.9	7.5	4.2	2.0	353.3
Present Value	0.7	18.6	55.7	91.3	86.5	53.8	20.9	9.8	7.4	4.1	2.0	350.7
Multiyear Savings (\$)	0.7	19.0	58.2	97.4	94.2	60.0	23.8	11.4	8.8	5.0	2.5	380.8

NOTE: MYP Procurement Period is 11 years. Real Interest Rate for MYP Procurement Period of 11 years is 1.00140000%.
 (OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.

Exhibit MYP-1, Multiyear Procurement CriteriaDate:
February 2018**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 625 Standard Missile-6 (SM-6) Block I/IA guided missiles for fiscal year (FY) 2019 through FY 2023 program. Advance procurement for economic order quantities begin in FY 2019. 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.

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 2019 through FY 2023 attributable to this MYP strategy is estimated at \$331.4 million for a total of 13.7 percent.

b. Stability of Requirement:

The SM-6 program is one of the core Department of Navy missile programs. The Navy requirement for SM-6 is well documented in the Capability Production Document validated December 23, 2008 by the Joint Requirements Oversight Council. The Navy and Resource and Requirements Review Board (R3B) of March 13, 2013 established a requirement for 1800 SM-6 missiles. SM-6 leverages the legacy STANDARD Missile airframe and propulsion elements, while incorporating the advanced signal processing and guidance control capabilities of Advanced Medium-Range Air-to-Air Missile (AMRAAM). SM-6 provides air defense against fixed-wing and rotary-wing aircraft, unmanned aerial vehicles, and land-attack anti-ship cruise missiles in flight, both over sea and land. SM-6 Block I is in full rate production; production commenced in FY 2009. SM-6 Block IA is in full rate production; Low Rate Initial Production (LRIP) commenced in FY 2015. A production rate of 125 missiles per year (mix of Block I/IAs) is planned through the MYP period

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 Navy missile programs and is approved through the current Future Years 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. This commitment was reaffirmed by top level Navy and DoD leadership through its support in the final budget submission.

d. Stable Configuration:

SM-6 Block I achieved Full Operational Capability (FOC) of 266 delivered missiles on December 27, 2017 and 411 SM-6 Block I missiles have been delivered as of December 31, 2017. SM-6 Block IA LRIP missile deliveries will commence in 4QFY2018. The minimum need for the material to be purchased is expected to remain

Exhibit MYP-1, Multiyear Procurement Criteria

(MYP, Page 1 of 6)

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
February 2018

Appropriation / Budget Activity:

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

P-1 Item Nomenclature:

Standard Missile (SM-6)

substantially unchanged during the planned contract period in terms of production rate, procurement rate and total quantities. All SM-6 Block I/IA missiles procured under the multi-year contract would be of the same design. Concurrent 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) and SM-6 manufacturing since 1996 with the SM-2 Block IIIB configuration. SM-6 actual contract data is used to support cost estimates. SM-6 Program Life Cycle Cost Estimate (PLCCE) is updated in support of a FRP decision and Cost Assessment and Program Evaluation (CAPE) Independent Cost Estimate (ICE) in 2013. The latest PLCCE revision was documented in the Navy Service Cost Position (SCP) as part of the SM-6 FRP documentation in April 2013. This estimate was in concurrence with the ICE prepared by the CAPE for FRP which was documented in the Acquisition Decision Memorandum (ADM) dated July 15, 2013 and became the basis for the current Acquisition Performance Baseline (APB) approved in August 09, 2013. The SM-6 Life Cycle Cost has also been reported in the Annual Selected Acquisition Report (SAR), the latest of which was submitted in May 2017. 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. The five year MYP will be a firm fixed price contract.

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 predicated on a reduction rate that supports the delivery cycle.

	<u>\$ in Millions</u>
Inflation	\$0.000
Vendor Procurement	\$331.382
Manufacturing	\$0.000
Design/Engineering	\$0.000
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$331.382

Exhibit MYP-1, Multiyear Procurement Criteria

Date:
February 2018

Appropriation / Budget Activity:
1507 Weapons Procurement - Navy / Other Missiles (BA-02)

P-1 Item Nomenclature:
Standard Missile (SM-6)

4. Advantages of the MYP:

The proposed multi-year contract provides significant savings over a year-by-year contracting approach. Savings from economic order quantities and independent planning result in 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 cost estimates; (2) provide a long-term commitment to industry, stabilizing employment and the industrial base; (3) reduce disruptions in vendor delivery schedules; and (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	625	625
Total Contract Price	\$2,415.490	\$2,084.108
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$331.382
% Cost Avoidance Over Annual		13.7%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date: February 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL	
Procurement Quantity	125	125	125	125	125					625	
Annual Procurement											
Gross Cost	586.1	534.4	543.7	554.6	565.7					2784.4	
Less PY Adv Procurement											
Net Procurement (= P-1)	586.1	534.4	543.7	554.6	565.7					2784.4	
Plus CY Adv Procurement											
Weapon System Cost	586.1	534.4	543.7	554.6	565.7					2784.4	
Multiyear Procurement											
Gross Cost (P-1)	490.2	488.6	490.7	489.1	489.3					2447.9	
Less PY Adv Procurement		(83.8)	(83.6)	(83.5)	(83.3)					(334.3)	
Net Procurement (= P-1)	490.2	404.8	407.1	405.6	406.0					2113.7	
Advance Procurement											
For FY20	83.8									83.8	
For FY21	25.1	58.5								83.6	
For FY22	16.8	20.8	45.9							83.5	
For FY23		16.7	20.8	45.8						83.3	
Plus CY Adv Procurement	125.7	96.1	66.7	45.8						334.3	
Weapon System Cost	615.9	500.9	473.8	451.4	406.0					2447.9	
Multiyear Savings (\$)	(29.8)	33.4	69.8	103.3	159.7					336.5	
Multiyear Savings (%) (total only)										12.1%	
Cancellation Ceiling, Funded											
Cancellation Ceiling, Unfunded											
OUTLAYS											
Annual	35.2	55.5	229.8	567.0	539.8	515.2	502.5	339.4		2784.4	
Multiyear	37.0	54.7	233.2	565.8	485.1	435.9	392.6	243.6		2447.9	
Savings	(1.8)	0.8	(3.4)	1.1	54.7	79.3	109.9	95.8		336.5	

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: February 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL	
Procurement Quantity	125	125	125	125	125					625	
Annual Procurement											
Gross Cost	516.4	461.7	469.9	479.3	488.2					2415.5	
Less PY Adv Procurement											
Net Procurement (= P-1)	516.4	461.7	469.9	479.3	488.2					2415.5	
Plus CY Adv Procurement											
Contract Price	516.4	461.7	469.9	479.3	488.2					2415.5	
Multiyear Procurement											
Gross Cost (P-1)	421.6	417.1	418.1	414.3	413.0					2084.1	
Less PY Adv Procurement		(83.8)	(83.6)	(83.5)	(83.3)					(334.3)	
Net Procurement (= P-1)	421.6	333.3	334.5	330.8	329.6					1749.9	
Advance Procurement											
For FY20	83.8									83.8	
For FY21	25.1	58.5								83.6	
For FY22	16.8	20.8	45.9							83.5	
For FY23		16.7	20.8	45.8						83.3	
Plus CY Adv Procurement	125.7	96.1	66.7	45.8						334.3	
Contract Price	547.3	429.4	401.2	376.6	329.6					2084.1	
Multiyear Savings (\$)	(30.9)	32.3	68.7	102.8	158.5					331.4	
Multiyear Savings (%) (total only)										13.7%	
Cancellation Ceiling, Funded											
Cancellation Ceiling, Unfunded											
OUTLAYS											
Annual	1.5	22.0	174.8	498.0	465.0	472.0	461.4	320.7		2415.5	
Multiyear	1.6	23.2	182.6	505.6	418.5	389.7	346.3	216.6		2084.1	
Savings	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1		331.4	

P-1 Shopping List - Item No
02-2234

* Numbers may not add due to rounding.

UNCLASSIFIED

Exhibit MYP-4 Present Value Analysis (NAVY)					Date: February 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027		TOTAL
Annual Proposal											
Then Year Cost	1.5	22.0	174.8	498.0	465.0	472.0	461.4	320.7			2415.5
Constant Year Cost	1.5	21.2	164.8	460.2	421.3	419.3	401.8	273.8			2163.9
Present Value	1.5	21.2	164.5	459.4	420.4	418.3	400.7	273.0			2158.8
Multiyear Proposal											
Then Year Cost	1.6	23.2	182.6	505.6	418.5	389.7	346.3	216.6			2084.1
Constant Year Cost	1.6	22.3	172.1	467.2	379.2	346.2	301.6	184.9			1875.1
Present Value	1.6	22.3	171.8	466.4	378.4	345.3	300.7	184.3			1870.9
Difference											
Then Year Cost	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1			331.4
Constant Year Cost	(0.1)	(1.1)	(7.3)	(7.0)	42.0	73.1	100.2	88.9			288.8
Present Value	(0.1)	(1.1)	(7.3)	(7.0)	42.0	72.9	99.9	88.6			288.0
Multiyear Savings (\$)	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1			331.4

NOTE: MYP Procurement Period is 8 years. Real Interest Rate for MYP Procurement Period of 8 years is 1.00030000%.
 (OMB Circular No. A-94, January 2018)

* Numbers may not add due to rounding.