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Exhibit R-2, RDT&E Budget Item Justification						Date: February 2004	
Appropriation/Budget Activity RDT&E/Defense Wide BA7				R-1 Item Nomenclature: NATO Alliance Ground Surveillance (NATO AGS), PE 1001018D8Z			
Cost (\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total PE Cost	0.000	24.363	30.399	29.547	85.743	131.342	180.234
A. Mission Description and Budget Item Justification:							
<p>(U) This project supports the U.S. share of the cost for NATO to acquire a ground surveillance capability similar to what their owned and operated Airborne Warning and Control System (AWACS) provides for air surveillance.</p> <p>(U) The North Atlantic Council (NAC) validated the requirement in 1995 for a NATO-owned and operated core air-to-ground surveillance capability supplemented by interoperable national assets. Since then, the Major NATO Commanders have consistently made Alliance Ground Surveillance (AGS) their number one equipment acquisition priority.</p> <ul style="list-style-type: none"> • October 1997, NATO Conference of National Armaments Directors (CNAD) approved AGS NATO Staff Requirement (NSR) • April 1999, NATO Washington Summit <i>Defense Capabilities Initiatives</i> (DCI) included need for a NATO-owned and operated core system for ground surveillance • September 2001, Reinforced NAC (RNAC) re-affirmed need for a NATO-owned and operated AGS capability by 2010 • November 2002, NATO Prague Summit approved <i>Prague Capabilities Commitment</i> (PCC) that includes an airborne ground surveillance capability • December 2003, AGS Steering Committee approved in principle the merger of NATO AGS and the TCAR sensor projects. <p>(U) In September 2002, the NATO AGS Steering Committee approved a Master Schedule supporting a 2010 Initial Operating Capability (IOC) with Full Operational Capability (FOC) by 2013.</p>							

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B. Program Change Summary:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Previous President's Budget	0.000	24.721	73.550
Current FY 2005 President's Budget	0.000	24.363	30.399
Total Adjustments		-0.358	-43.151
Congressional program reductions			
Congressional rescissions			
Congressional increases			
Reprogrammings			(-43.151)
SBIR/STTR Transfer		(-0.054)	
Other		(-0.304)	

C. Other Program Funding Summary: N/A

D. Acquisition Strategy. N/A