EXHIBIT R-2, RDT&E Budget Item Justification							DATE: February 2004	
APPROPRIATION/BUDGET ACTIVITY **RESEARCH DEVELOPMENT TEST & EVALUATION, NAVY / BA-5**					R-1 ITEM NOMENCLATURE 0604262N, V-22			
COST ($ in Millions)		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total PE Cost		**387.421**	**402.483**	**304.164**	**113.252**	**42.592**		
H1425, V-22A		**387.421**	**402.483**	**304.164**	**113.252**	**42.592**		

A. MISSION DESCRIPTION AND BUDGET ITEM JUSTIFICATION:

The V-22 Osprey is an ACAT-ID Joint Program led by the Department of the Navy for the purpose of developing, testing, evaluating, procuring and fielding a tilt rotor, vertical takeoff and landing aircraft for Joint Service application. The V-22 program is designed to provide an aircraft to meet the amphibious/vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and the special operations needs of the Air Force and the United States Special Operations Command (USSOCOM). The V-22 will replace the CH-46E and CH53A/D in the Marine Corps with the MV-22; supplement the H-60 in the Navy with the HV-22; and replace the MH-53J and MH-53M as well as augment the C-130 in the Air Force and USSOCOM with the CV-22. The V-22 will be capable of flying over 2100 nautical miles with a single refueling, giving the services the advantage of a Vertical/Short Take-off, and Landing (VSTOL) aircraft that can rapidly self-deploy to any location in the world. This program is funded under Engineering Manufacturing and Development (EMD) because it encompasses engineering and manufacturing development of new end-items prior to a production approval decision.

CLASSIFICATION:

EXHIBIT R-2a, RDT&E Project Justification							DATE: **February 2004**	
APPROPRIATION/BUDGET ACTIVITY **RDT&E, N / BA-5**	PROGRAM ELEMENT NUMBER AND NAME 0604262N, V-22A				PROJECT NUMBER AND NAME H1425, V-22			
COST ($ in Millions)		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Project Cost		**387.421**	**402.483**	**304.164**	**113.252**	**42.592**		
RDT&E Articles Qty								

A. MISSION DESCRIPTION AND BUDGET ITEM JUSTIFICATION:

The V-22 Osprey is an ACAT-ID Joint Program led by the Department of the Navy for the purpose of developing, testing, evaluating, procuring and fielding a tilt rotor, vertical takeoff and landing aircraft for Joint Service application. The V-22 program is designed to provide an aircraft to meet the amphibious/vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and the special operations needs of the Air Force and the United States Special Operations Command (USSOCOM). The V-22 will replace the CH-46E and CH53A/D in the Marine Corps with the MV-22; supplement the H-60 in the Navy with the HV-22; and replace the MH-53J and MH-53M as well as augment the C-130 in the Air Force and USSOCOM with the CV-22. The V-22 will be capable of flying over 2100 nautical miles with a single refueling, giving the services the advantage of a Vertical/Short Take-off, and Landing (VSTOL) aircraft that can rapidly self-deploy to any location in the world.

CLASSIFICATION:

EXHIBIT R-2a, RDT&E Project Justification		DATE: **February 2004**
APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME
RDT&E, N / BA-5	0604262N, V-22A	H-1425, V-22

B. Accomplishments/Planned Program

		FY 03	FY 04	FY 05
Contractor Activities		175.386	181.381	62.025
RDT&E Articles Quantity		0	0	0

Continue MV-22 development efforts by Bell-Boeing. Rolls-Royce continues to provide engine support and repair of repairables for MV-22 flight testing. Complete MV-22 software development efforts. Continue development in support of "Return to Flight" and MV-22 Block up-grades required to return the MV-22 to fleet operations in FY 04. Continue development of maintenance training equipment. Continue Weapons Repairable Assembly (WRA) and Test Program Set (TPS) development. Continue logistics, flight test, and flight test support, address correction of deficiencies, and provide funding for the V-22 Way Forward. Continue contracted development efforts on aircraft #8 and #10. Continue development of the Ground Collision Avoidance System (GCAS).

		FY 03	FY 04	FY 05
Field Activity Effort		90.632	80.187	61.256
RDT&E Articles Quantity		0	0	0

Continue in-house field activity support of Integrated Test Team (ITT), Integrated Product Teams (IPT), logistics and training activities, the manned flight simulator and numerous other efforts at over 12 activities. Continue development in support of "Return to Flight" and MV-22 Block up-grades required to return the MV-22 to fleet operations in FY 04. Continue field development efforts on aircraft #8, #10, and three LRIP aircraft. Provide R&D support in the areas of Reliability and Maintainability (R&M) data analysis, loads and dynamics, electromagnetic environmental effects, V-22 flight controls, survivability, subsystems, shipboard compatibility, propulsion, V-22 avionics, facilities, structures, communications, Small Business Innovative Research, etc. Continue logistics, flight test, and flight test support, and addressed correction of deficiencies.

		FY 03	FY 04	FY 05
CV-22 Block-0 Development		121.403	140.915	180.883
RDT&E Articles Quantity		0	0	0

Continue CV-22 Block-0 EMD development. Provide flight test support for CV-22 aircraft #7 and #9. Provide engineering and maintenance support for CV-22 flight testing. Fund fuel costs for test aircraft and/or engines. Provide R&D support in the areas of R&M data analysis, loads and dynamics, electromagnetic environmental effects, CV-22 flight controls, survivability, subsystems, shipboard compatibility, propulsion, CV-22 avionics, facilities, computer support, structures, communications, Small Business Innovative Research, etc. Continue logistics, flight test, and flight test support, and address correction of deficiencies. Support CV-22 Additional Test Asset (ATA) flight test infrastructure and contractor maintenance/logistics support for ATA.

CLASSIFICATION:

EXHIBIT R-2a, RDT&E Project Justification		DATE: **February 2004**
APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME
RDT&E, N / BA-5	0604262N, V-22A	H1425, V-22

C. PROGRAM CHANGE SUMMARY:

Funding:	FY 2003	FY 2004	FY 2005
Previous President's Budget (PB-04):	410.780	441.142	306.982
Previous President's Budget (PB-05):	387.421	402.483	304.164
Total Adjustments	-23.359	-38.659	-2.818
Summary of Adjustments			
Congressional program reductions			0.000
Congressional undistributed reductions		-38.659	0.000
Congressional rescissions			0.000
SBIR/STTR Transfer	-9.604		0.000
Reprogrammings	-13.755		0.000
Reprioritization			-1.941
Economic Assumptions			-0.877
Congressional increases			
Subtotal	-23.359	-38.659	-2.818

Schedule:

Schedule updated to reflect revised program baseline.

Technical:

Not Applicable.

CLASSIFICATION:

EXHIBIT R-2a, RDT&E Project Justification		DATE: **February 2004**
APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME
RDT&E, N / BA-5	0604262N, V-22A	H1425, V-22

D. OTHER PROGRAM FUNDING SUMMARY:

Line Item No. & Name	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	To Complete	Total Cost
16400 / V-22									
V-22 APN-1	1,055.830	865.694	918.061	1,473.191	2,285.993	2,333.312	2,380.155	15,147.586	26,459.822
V-22 APN-6 Spares	12.464	56.454	118.639	120.505	0.901	0.997	0.979	288.209	599.148
59000 / V-22									
V-22 APN-5	4.032	4.778	3.448	19.131	23.914	24.406	24.897	378.802	483.408
Related RDT&E:									
0401318F CV-22	11.449	67.159	16.735	56.800	15.600	10.100	7.500	Continuing	TBD
1160404BB CV-22	59.820	36.456	75.320	43.350	0.000	0.000	0.000	TBD	TBD

E. ACQUISITION STRATEGY: *

The MV-22 is currently in EMD under contract N00019-93-C-0006 awarded to Bell-Boeing on 22 Oct 92, and definitized in May 94. As a result of mishaps during and subsequent to MV-22 OPEVAL (Apr and Dec 00), the program was restructured employing a phased approach to return to flight and tactical introduction. The Contractor and Government defined deficient areas within the program/aircraft requiring correction prior to return to flight. A Block Upgrade approach has been planned, with required efforts being identified in Block "A", "B", and "C". Block "A" includes those efforts necessary to return the V-22 to safe and operational fleet operations. Block "B" includes those efforts necessary to improve the effectiveness and suitability of the aircraft. Block "C" includes mission enhancements like forward cabin redesign and a full IETMS upgrade. Non-recurring development activities are to be initiated and completed for all efforts identified to be in Block "A", "B", and "C". The Contractor will develop specific Statements of Work and Preliminary Specification Change Notices required to integrate the Block Upgrade efforts into the baseline EMD Program. A Systems Requirements Review, Initial Design Review, and Final Design Review will be held for each of the Block efforts so the design maturity can be reviewed and the Government can redirect activities as appropriate. The CV-22 EMD program is structured in Blocks to define an evolutionary approach to achieving full operational capability. Block "0" is the initial baseline CV-22 variant. Block "10" enhances mission capability with the addition of Directional Infrared Countermeasures. Additional Blocks are in planning to continue the growth process throughout the operational life of the weapon system.

F. MAJOR PERFORMERS: **

CLASSIFICATION:

Exhibit R-3 Cost Analysis (page 1)								DATE: **February 2004**				
APPROPRIATION/BUDGET ACTIVITY **RDT&E, N / BA-5**		PROGRAM ELEMENT 0604262N, V-22A				PROJECT NUMBER AND NAME H1425, V-22						
Cost Categories	Contract Method & Type	Performing Activity & Location	Total PY s Cost	FY 03 Cost	FY 03 Award Date	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	Cost to Complete	Total Cost	Target Value of Contract
MV-22 Hardware Dev Airframe	SS CPAF	Bell-Boeing, PaxRiver, MD	3,234.581	151.940	01/03	166.148	01/04	43.325	11/04	39.490	3,635.484	3,635.484
MV-22 Hardware Dev Propulsion	C/CPIF	Rolls Royce, Indianapolis, IN	174.000	3.920	01/03	4.817	01/04	3.308	11/04	4.246	190.291	190.291
CV-22 Hardware Dev Airframe	SS CPAF	Bell-Boeing, PaxRiver, MD	540.314	104.836	01/03	109.023	01/04	146.451	11/04	53.037	953.661	953.661
CV-22 Hardware Dev Propulsion	C/CPIF	Rolls Royce, Indianapolis, IN	10.869	0.432	01/03	0.695	01/04	0.909	11/04	0.700	13.605	13.605
MV-22 Support Equipment Dev	Various	NAWCAD, Lakehurst	26.568	8.045	01/03	9.542	01/04	6.652	11/04	3.565	54.372	54.372
CV-22 Support Equipment Dev	Various	NAWCAD, Lakehurst	4.400	1.696	01/03	13.563	01/04	7.640	11/04	0.050	27.349	27.349
MV-22 Training Development	Various	Various	7.093	5.679	01/03	3.900	01/04				16.672	16.672
Subtotal Product Development			3,997.825	276.548		307.688		208.285		101.088	4,891.434	
Remarks:												
MV-22 Integrated Logistics Support	Various	Various	13.206	4.406	01/03	7.300	01/04	4.411	11/04	2.080	31.403	
CV-22 Integrated Logistics Support	Various	Various	4.381	1.381	01/03	1.664	01/04	1.369	11/04	1.325	10.120	
MV-22 Govt Engineering Spt	WX	NAWCAD, Pax River	1,071.817	8.232	01/03	5.376	11/03	2.523	11/04	11.135	1,099.083	
CV-22 Govt Engineering Spt	WX	NAWCAD, Pax River	13.121	2.463	01/03	2.041	11/03	1.489	11/04	0.702	19.816	
MV-22 Technical Data	C/CPIF	Bell-Boeing, Pax River, MD	41.633	19.526	01/03	10.415	01/04	15.391	11/04	15.044	102.009	102.009
CV-22 Technical Data	WX	NATEC	1.968	0.197	01/03	4.070	01/04	8.004	11/04		14.239	
Subtotal Support			1,146.126	36.205		30.866		33.187		30.286	1,276.670	
Remarks:												

CLASSIFICATION:

Exhibit R-3 Cost Analysis (page 2)								DATE: **February 2004**				
APPROPRIATION/BUDGET ACTIVITY **RDT&E, N / BA-5**		PROGRAM ELEMENT 0604262N, V-22A				PROJECT NUMBER AND NAME H1425, V-22						
Cost Categories	Contract Method & Type	Performing Activity & Location	Total PY s Cost	FY 03 Cost	FY 03 Award Date	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	Cost to Complete	Total Cost	Target Value of Contract
MV-22 Developmental Test & Eval	WX	NAWCAD, Pax River, MD	866.220	27.029	01/03	13.142	11/03	12.120	11/04		918.511	
CV-22 Developmental Test & Eval	MIPR	Edwards AFB, CA	2.558	6.941	01/03	7.309	11/03	13.511	11/04	9.360	39.679	
MV-22 Operational Test & Eval	WX	NAWCAD, Pax River, MD	23.924	0.264	01/03	3.936	11/03	6.452	11/04		34.576	
MV-22 Live Fire Test & Eval	WX	NAWCWD, China Lake, CA	1.567	0.069	01/03	0.000	11/03	0.000	11/04		1.636	
Subtotal T&E			894.269	34.303		24.387		32.083		9.360	994.402	
Remarks:												
MV-22 Contract Eng & Tech Svcs	Various	Various	983.564	15.746	01/03	17.428	11/03	15.777	11/04	2.452	1,034.967	1,034.967
CV-22 Contract Eng & Tech Svcs	Various	Various				0.960	11/03				0.960	0.960
MV-22 Management Support Svcs	Various	Various	102.676	14.861	01/03	14.169	11/03	9.079	11/04	7.988	148.773	148.773
CV-22 Management Support Svcs	Various	Various	8.521	2.773	01/03	1.076	11/03	0.982	11/04	0.601	13.953	13.953
MV-22 Studies & Analyses	Various	Various				2.056	11/03	1.588	11/04	1.890	5.534	5.534
MV-22 Program Management Spt	WX	NAWCAD, Pax River	35.463	5.297	01/03	2.546	11/03	1.954	11/04	1.275	46.535	
CV-22 Program Management Spt	WX	NAWCAD, Pax River	8.962	0.413	01/03	0.213	11/03	0.228	11/04	0.128	9.944	
MV-22 Travel	WX	NAWCAD, Pax River	7.691	1.004	01/03	0.794	11/03	0.701	11/04	0.676	10.866	
CV-22 Travel	WX	NAWCAD, Pax River	3.554	0.271	01/03	0.300	11/03	0.300	11/04	0.100	4.525	
Subtotal Management			1,150.431	40.365		39.542		30.609		15.110	1,276.057	
Remarks:												
Total Cost			7,188.651	387.421		402.483		304.164		155.844	8,438.563	
Remarks:												

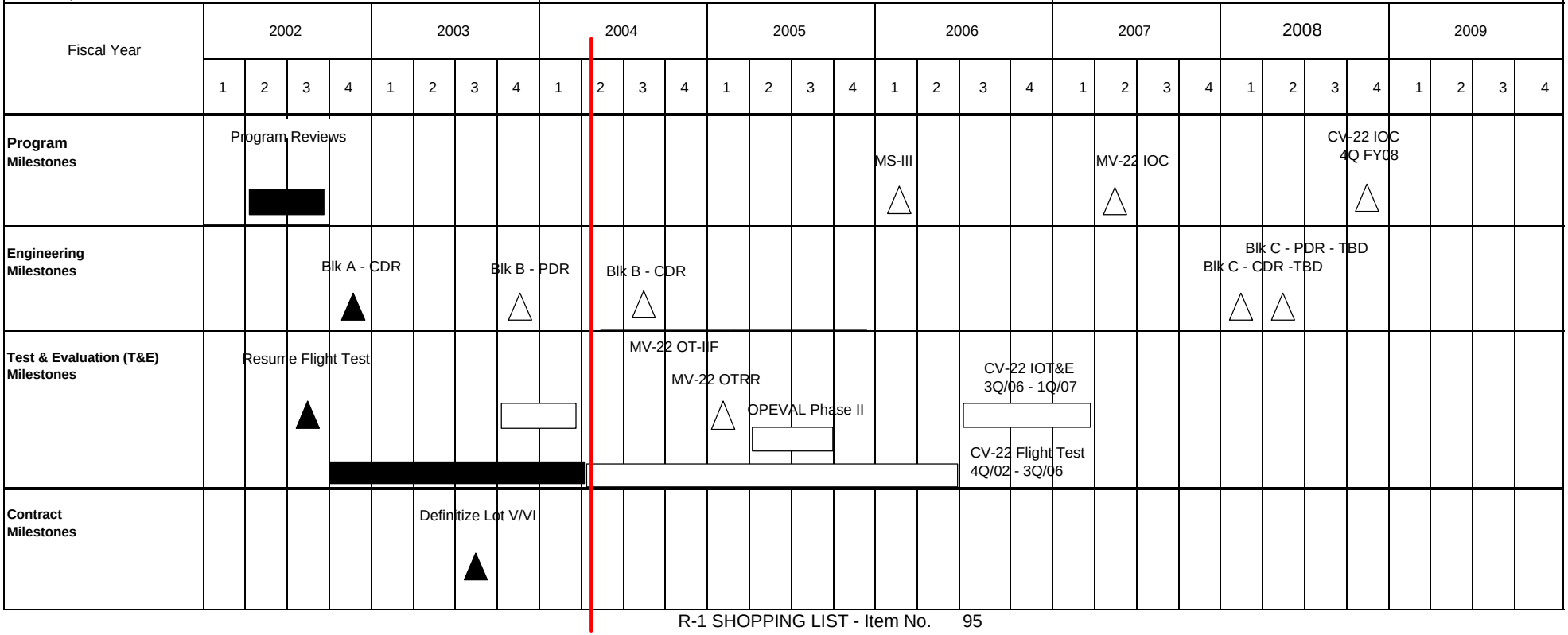
R-1 SHOPPING LIST - Item No. 95

CLASSIFICATION:

EXHIBIT R4, Schedule Profile

DATE: **February 2004**

APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME
RDT&E, N / BA-5	0604262N, V-22A	H-1425, V-22



R-1 SHOPPING LIST - Item No. 95

* Not required for Budget Activities 1, 2, 3, and 6

CLASSIFICATION:

Exhibit R-4a, Schedule Detail						DATE: **February 2004**		
APPROPRIATION/BUDGET ACTIVITY **RDT&E BA-5**	PROGRAM ELEMENT 0604262N, V-22A				PROJECT NUMBER AND NAME H1425, V-22			
Schedule Profile	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Program Reviews	2Q - 3Q							
Definitize Lot V/VI		3Q						
Resume Flight Test	3Q							
Block-A Critical Design Review (CDR)	4Q							
Block-B Preliminary Design Review (PDR)		4Q						
Block-B Critical Design Review (CDR)			3Q					
MV-22 Operational Testing - IIF			3Q					
Block-C Preliminary Design Review (PDR)							2Q - TBD	
MV-22 Operational Test Readiness Review (OTRR)				1Q				
MV-22 Initial Operational Capability (IOC)						2Q		
MV-22 Milestone III					1Q			
MV-22 Operational Evaluation (OPEVAL) Phase II				2Q - 3Q				
CV-22 Flight Test	4Q/02 - 3Q/06							
Block-C Critical Design Review (CDR)							TBD	
CV-22 Initial Operational Test & Evaluation (IOT&E)					3Q-4Q	1Q		
CV-22 Initial Operation Capability (IOC)							4Q	