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Exhibit R-2, RDT&E Budget Item Justification: PB 2012 Army **DATE:** February 2011

APPROPRIATION/BUDGET ACTIVITY				R-1 ITEM NOMENCLATURE							
2040: <i>Research, Development, Test & Evaluation, Army</i> BA 5: <i>Development & Demonstration (SDD)</i>				PE 0604660A: <i>FCS Manned Grd Vehicles & Common Grd Vehicle</i>							
COST (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
Total Program Element	231.103	-	-	-	-	-	-	-	-	0.000	231.103
FC1: <i>FCS MANNED GRD VEHICLES & COMMON GRD VEHICLE</i>	231.103	-	-	-	-	-	-	-	-	0.000	231.103

Note

FY10: MGVS Program was terminated and HQDA has withheld \$180M for higher priority requirements.

A. Mission Description and Budget Item Justification

The Future Combat Systems (FCS) Manned Ground Vehicles (MGV) Core Program of Record was terminated in July 2009. FY09 effort prior to termination included completion of design activities leading up to and including MGV SoS PDRs. Associated activities with building Automotive Test Rigs and firing platforms to demonstrate and conduct initial proof of principle on common engine and transmission components long with gun and auto-loading principles. Stop Work contractual direction was issued on June 24th 2009 and was followed by the termination letter on July 17, 2009. The termination letter directed Boeing and its One Team Partners to stop work on all MGV activities except for those items related to the Active Protection System (APS), portions of the Hit Avoidance Systems (HAS), and Non-Line of Sight-Cannon (NLOS-C). The NLOS-C activity was terminated on xxx based on ADM YYY. The funding for FY10 will cover other and special termination cost, the cost for dispositioning all program materials, to include hardware and software, and the cost of completing the development of the APS to achieve TRL 7 in case one or multiple GCV elect to use this technology. For FY09 and prior, this program element supported the development of Manned Ground Vehicles (MGVs) (exclusive of the NLOS-C specific mission equipment). The following common MGV subsystem developments are also included, (NLOS-C common subsystems): armor, suspension, structures, defensive armament system, signature management, Nuclear, Biological, and Chemical, Vetronics, power and energy (includes hybrid electric drive), auxiliary systems, and hit avoidance system. Also included in this project is mission specific equipment for the following platforms: Infantry Combat Vehicle (ICV), Mounted Combat System (MCS), Non-Line of Sight Mortar (NLOS-M), Command and Control Vehicle (C2V), Reconnaissance and Surveillance Vehicle (RSV), Field Recovery and Maintenance Vehicle (FRMV), and the Medical Vehicle (MV). The APS effort continued into the 4rd Qtr FY10, at which time the decision was made not to exercise the option to continue the APS efforts through the prime contractor. With the above-mentioned termination, the Government has negotiated reduced termination costs saving \$180 million of FY 09 funding.

FY11 funding represented in this document does not reflect the restructure to the program as a result of the recently signed Acquisition Decision Memorandum

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B. Program Change Summary (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total
Previous President's Budget	275.116	-	-	-	-
Current President's Budget	231.103	-	-	-	-
Total Adjustments	-44.013	-	-	-	-
• Congressional General Reductions		-			
• Congressional Directed Reductions		-			
• Congressional Rescissions	-	-			
• Congressional Adds		-			
• Congressional Directed Transfers		-			
• Reprogrammings	-34.600	-			
• SBIR/STTR Transfer	-9.413	-			

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APPROPRIATION/BUDGET ACTIVITY 2040: <i>Research, Development, Test & Evaluation, Army</i> BA 5: <i>Development & Demonstration (SDD)</i>				R-1 ITEM NOMENCLATURE PE 0604660A: <i>FCS Manned Grd Vehicles & Common Grd Vehicle</i>				PROJECT FC1: <i>FCS MANNED GRD VEHICLES & COMMON GRD VEHICLE</i>			
COST (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
FC1: <i>FCS MANNED GRD VEHICLES & COMMON GRD VEHICLE</i>	231.103	-	-	-	-	-	-	-	-	0.000	231.103
Quantity of RDT&E Articles											
Note Not applicable to this item.											
A. Mission Description and Budget Item Justification The Future Combat Systems (FCS) Manned Ground Vehicles (MGV) Core Program of Record was terminated in July 2009. FY09 effort prior to termination included completion of design activities leading up to and including MGV SoS PDRs. Associated activities with building Automotive Test Rigs and firing platforms to demonstrate and conduct initial proof of principle on common engine and transmission components long with gun and auto-loading principles. Stop Work contractual direction was issued on June 24th 2009 and was followed by the termination letter on July 17, 2009. The termination letter directed Boeing and its One Team Partners to stop work on all MGV activities except for those items related to the Active Protection System (APS), portions of the Hit Avoidance Systems (HAS), and Non-Line of Sight-Cannon (NLOS-C). The NLOS-C activity was terminated on 7 December 2009 based on ADM 23 June 2009. The funding for FY10 will cover other and special termination cost, the cost for dispositioning all program materials, to include hardware and software, and the cost of completing the development of the APS to achieve TRL 7 in case one or multiple GCV elect to use this technology. For FY09 and prior, this program element supported the development of Manned Ground Vehicles (MGVs) (exclusive of the NLOS-C specific mission equipment). The following common MGV subsystem developments are also included, (NLOS-C common subsystems): armor, suspension, structures, defensive armament system, signature management, Nuclear, Biological, and Chemical, Vetronics, power and energy (includes hybrid electric drive), auxiliary systems, and hit avoidance system. Also included in this project is mission specific equipment for the following platforms: Infantry Combat Vehicle (ICV), Mounted Combat System (MCS), Non-Line of Sight Mortar (NLOS-M), Command and Control Vehicle (C2V), Reconnaissance and Surveillance Vehicle (RSV), Field Recovery and Maintenance Vehicle (FRMV), and the Medical Vehicle (MV). The APS effort continued into the 4rd Qtr FY10, at which time the decision was made not to exercise the option to continue the APS efforts through the prime contractor. With the above-mentioned termination, the Government has negotiated reduced termination costs saving \$180 million of FY 09 funding.											
B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)								FY 2010	FY 2011	FY 2012	
Title: Government GFX Testing <div style="text-align: right;">Articles:</div>								2.636 0	-	-	
Description: Funding is provided for the following effort											
FY 2010 Accomplishments:											

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B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)			FY 2010	FY 2011	FY 2012
Costs are to continue the testing support to APS/HAS effort which includes; Static Warhead/Dynamic Threat Test 1st QTR, which tests the data that will be utilized by Army Materiel Systems Analysis Agency (AMSAA) and Army Research Laboratory (ARL) to refine their Modeling and Simulation (M&S) of the Short Range Counter Measure (SRCM) against different threats (10 foreign threats, to be used from inventory) 1st QTR, SRCM Design Verification Test which will verify SRCM component maturation (20 foreign threats, to be used from inventory; 20 SRCMs to be purchased) 4th QTR, SRCM Warhead (WHD) and M&S and Test.					
Title: HQDA Withheld Description: Funding is provided for the following effort FY 2010 Accomplishments: The Army has successfully negotiated \$180 million dollars of savings from the termination proposal. These funds have been currently withdrawn from the program office to HQDA.			180.000 0	-	-
Title: Termination Costs Description: Funding is provided for the following effort FY 2010 Accomplishments: (Special Termination Costs) These costs are paid to the contractor and subcontractors as per FAR 31.205 for; Severance Pay, Reasonable costs continuing after termination, Settlement of expenses, and the costs to return field service personnel from remote or liaison sites. (Other Termination Costs) These funds are for costs that are currently not covered by the Government contract and are required by FAR part 31. These costs include but are not limited to Allowable Fee, Cost incurred, but not billed to the FAR contract, Non-cancelable commitments, Unexpired leases, Alterations/restorations required by leases, and Loss of useful value of capital property. These costs began accumulating as of March FY10. In addition to the FAR termination costs this element includes Disposition of Terminated Material to other Army agencies. These funds also include all cost for packaging, transporting, and short and long term storage of selected materials IAW FAR 45/49. All Secure equipment was dispositioned IAW NSA requirements.			48.467 0	-	-
Accomplishments/Planned Programs Subtotals			231.103	-	-

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C. Other Program Funding Summary (\$ in Millions)											
Line Item	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
• 0604646A: Non-Line of Sight - Launch Sytem	88.205	81.247								0.000	169.452
• 0604661A: FCS System of Systems Engr & Program Management	847.011	568.711	383.872		383.872		518.188	648.502	352.069	0.000	3,808.398
• 0604662A: FCS Reconnaissance (UAV) Platforms	92.444	50.304								0.000	142.748
• 0604663A: FCS Unmanned Ground Vehicles	122.418	249.948	143.840		143.840		106.480	131.880	32.009	0.000	911.047
• 0604664A: FCS Unattended Ground Sensors	39.664	7.515	0.499		0.499					0.000	47.678
• 0604665A: FCS Sustainment & Training R&D	685.524	610.389					251.761	254.232	181.558	0.000	2,187.185
• WTCV G86200: FCS Spin Out Program	210.909									0.000	210.909
• ACFT A00015: BCT Unmanned Aerial Veh (UAVs) Incr 1		44.206								0.000	44.206
• OPA B00001: BCT Unattended Ground Sensor		29.718								0.000	29.718
• OPA B00002: BCT Network		176.543								0.000	176.543
• OPA B00003: BCT Network Incr 2							229.528	187.955	179.653	0.000	768.167
• OPA F00001: BCT Unmanned Ground Vehicle		20.046	24.805		24.805					0.000	48.096
• OPA F00002: BCT Unmanned Ground Vehicle CP 13/14			11.924		11.924		422.192	834.171	696.603	0.000	2,414.904
• OPA G80001: BCT Training/ Logistics/Management		61.581	149.308		149.308		49.792	28.259		0.000	435.142
			57.103		57.103		441.250	347.466	273.354	0.000	1,308.265

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C. Other Program Funding Summary (\$ in Millions)											
			<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2012</u>					<u>Cost To</u>	
<u>Line Item</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Base</u>	<u>OCO</u>	<u>Total</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Complete</u>	<u>Total Cost</u>
<ul style="list-style-type: none"> • OPA G00002: <i>BCT Training/Logistics/Management CP 13/14</i> 											
D. Acquisition Strategy											
<p>Strategy The Army awarded the original FCS Contract to the Boeing Company, 30 May 2003 as the Lead System Integrator (LSI). The contract was definitized 10 Dec 2003. The LSI contracted BAE Systems and General Dynamic Land Systems (GDLS) as One Team Partner's to execute the MGv portion of the SDD contract. The MGv family consist of (7) vehicle platforms which was to be produced cooperatively by BAE and GDLS corporations. During FY09, FCS completed the systems of systems platform Preliminary Design Review (PDRs). In July 09 the MGv portion of the SDD contract was terminated after completion of all SoS PDR activities. The contract prototype and component assets will be dispositioned in accordance with FAR-45/29 ensuring the most cost efficient method to the government. The Active Protection System (APS) completed its development in FY10.</p> <p>With the above-mentioned termination, \$180 million has identified as excess and has been withdrawn from the program for higher priority Army requirements.</p>											
E. Performance Metrics											
Performance metrics used in the preparation of this justification material may be found in the FY 2010 Army Performance Budget Justification Book, dated May 2010.											