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Exhibit R-2, RDT&E Budget Item Justification: PB 2012 Office of Secretary Of Defense **DATE:** February 2011

APPROPRIATION/BUDGET ACTIVITY				R-1 ITEM NOMENCLATURE							
0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 7: <i>Operational Systems Development</i>				PE 1001018D8Z: NATO AGS							
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	66.057	93.885	-	-	-	-	-	-	-	Continuing	Continuing
P018: NATO AGS	66.057	93.885	-	-	-	-	-	-	-	Continuing	Continuing

A. Mission Description and Budget Item Justification

(U) This project is the U.S. share of the cost for NATO to acquire a ground surveillance capability based on the U.S. Global Hawk Block 40 Unmanned Aircraft System (UAS).

(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.

- October 1997, NATO Conference of National Armaments Directors (CNAD) approved AGS NATO Staff Requirement (NSR)
- April 1999, NATO Washington Summit Defense Capabilities Initiatives (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 and to move forward with the program.
- November 2002, NATO Prague Summit approved Prague Capabilities Commitment (PCC) that includes an airborne ground surveillance capability.
- December 2003, AGS Steering Committee approved, in principle, the merger of NATO AGS and the Trans-Atlantic Cooperative AGS Radar (TCAR) sensor projects.
- May 2004, Following a competitive Project Definition Study, CNAD endorsed the Trans-Atlantic Industrial Proposed Solution (TIPS) consortium's selection as the program of record to enter the Design and Development Phase and directed that the TCAR sensor development project be integrated into the AGS program.
- November 2005, Risk Reduction Study (RRS) was completed, providing the Nations a higher degree of confidence in six areas of concern: program management; harmonization with other pending NATO aircraft programs; interoperability with existing national systems; compatibility with the NATO intelligence, surveillance and reconnaissance architecture; integration of the TCAR sensor; and affordability.
- April 2006, CNAD approved release of a Request for Proposal (RFP) to industry for the Design and Development (D&D) phase, including a mixed fleet (manned and unmanned) and development of at least one radar for either, with a total procurement Not to Exceed of €3.3B (Base Year Euros equivalent to \$5.4B Then Year dollars).
- October 2006, AGS Industries (AGSI, former TIPS consortium) formally submitted a proposal compliant with the RFP. CNAD agreed that the proposal, as submitted by AGSI, would form the basis for negotiations of the D&D contract and tasked the AGS Support Staff (AGS3) to begin negotiations with AGSI.
- May 2007, Contract negotiations with AGSI were completed. Total value of the D&D contract was €545M (Then Year Euros equivalent to \$763M Then Year dollars) for the system design activity (to be funded by all participating nations) plus €385M (Then Year Euros equivalent to \$539M Then Year dollars) for the radar development activity (to be funded by six nations, including the U.S.). The period of performance was 31 months after award and the contract prices were valid until December 1, 2007.
- June 2007, The AGS Funding Documents (Program Memorandum of Understanding (PMOU), Design & Development Supplement, and the TCAR Implementing Arrangement (IA)) were released to nations for final staffing, leading to their approval and signature.
- July 2007, At an Extra-ordinary CSC meeting, Canada, France, Germany, and The Netherlands indicated they could not support the Program of Record due to affordability. The CSC recommended ceasing work on the Program of Record in favor of a UAV only capability based on an Off-The-Shelf Global Hawk (OTS-GH) equipped with the U.S. Multi-Platform Radar Insertion Program (MP-RTIP) sensor. This capability was previously endorsed by the user, Supreme Headquarters Allied Command Europe (SHAPE).

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APPROPRIATION/BUDGET ACTIVITY 0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 7: <i>Operational Systems Development</i>	R-1 ITEM NOMENCLATURE PE 1001018D8Z: NATO AGS
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- September 2007, CSC directed AGS3 to revise the procurement strategy and update the funding documents and the NATO Management Organization Charter for the re-structured program.
- June 2008, NATO AGS Programme Memorandum of Understanding released for national staffing.
- October 2008, Request for Proposal for NATO AGS prime development contract released to industry.
- September 3, 2009, PMOU in effect; Charter for NATO AGS Management Organization (NAGSMO) in effect.
- October 2009 through September 2010 discussions with industry on prime contract scope and deliverables

B. Program Change Summary (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total
Previous President's Budget	74.485	93.885	83.182	-	83.182
Current President's Budget	66.057	93.885	-	-	-
Total Adjustments	-8.428	-	-83.182	-	-83.182
• Congressional General Reductions		-			
• Congressional Directed Reductions		-			
• Congressional Rescissions	-	-			
• Congressional Adds		-			
• Congressional Directed Transfers		-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-2.086	-			
• Other Program Adjustments	-6.342	-	-	-	-
• Program Transfer to the Air Force	-	-	-83.182	-	-83.182

Change Summary Explanation

The NATO AGS program transfers to the Air Force in FY2012. This will consolidate program execution and management oversight at the Service level.

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APPROPRIATION/BUDGET ACTIVITY 0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 7: <i>Operational Systems Development</i>	R-1 ITEM NOMENCLATURE PE 1001018D8Z: NATO AGS	PROJECT P018: NATO AGS
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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
P018: NATO AGS	66.057	93.885	-	-	-	-	-	-	-	Continuing	Continuing
Quantity of RDT&E Articles											

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Exhibit R-2A, RDT&E Project Justification: PB 2012 Office of Secretary Of Defense			DATE: February 2011			
APPROPRIATION/BUDGET ACTIVITY 0400: Research, Development, Test & Evaluation, Defense-Wide BA 7: Operational Systems Development		R-1 ITEM NOMENCLATURE PE 1001018D8Z: NATO AGS		PROJECT P018: NATO AGS		
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B. Accomplishments/Planned Programs (\$ in Millions)				FY 2010	FY 2011	FY 2012
Title: NATO AGS				66.057	93.885	-
FY 2010 Accomplishments:						
<div>- Continued manning NATO AGS Management Agency (NAGSMA) to accomplish acquisition program.</div> <div>- Provided clarifications on Request for Proposal requirements to industry.</div> <div>- Discussions with industry on proposal for NATO AGS prime contract</div>						
FY 2011 Plans:						
<div>- Award prime contract for NATO AGS development and production.</div> <div>- Conduct an Integrated Baseline Review of the prime contract.</div> <div>- Implement Global Hawk mission security updates.</div> <div>- Participate in technical and operational Working Groups including NATO AGS airworthiness certification.</div> <div>- Investigate approaches to ensure U.S. Global Hawk interoperability with NATO AGS.</div> <div>- Oversee acquisition programmed by participation in NAGSMO Board of Directors.</div>						
FY 2012 Plans:						
NATO AGS PE will be transferred to the US Air Force in FY2012 and beyond.						
Accomplishments/Planned Programs Subtotals				66.057	93.885	-
C. Other Program Funding Summary (\$ in Millions)						
N/A						
D. Acquisition Strategy						
The U.S. signed a multi-national Program Memorandum of Understanding (PMOU) committing the U.S. government to NATO-derived cost shares of the AGS prime contract consisting of a Design, Development & Demonstration and Production of the NATO AGS system. The NATO AGS procurement strategy is consistent with NATO AGS PMOU provisions and includes award of a fixed price contract to the Northrop Grumman Corporation prime contractor.						
E. Performance Metrics						
Not applicable for this item.						

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Exhibit R-3, RDT&E Project Cost Analysis: PB 2012 Office of Secretary Of Defense											DATE: February 2011		
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Product Development (\$ in Millions)				FY 2011		FY 2012 Base		FY 2012 OCO		FY 2012 Total			
Cost Category Item	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Cost To Complete	Total Cost	Target Value of Contract
NATO AGS PMOU/Prime Contract	SS/FFP	NORTHROP GRUMMAN CORPORATION:MELBOURNE, FL	66.300	30.000	Sep 2011	-		-		-	0.000	96.300	
NATO AGS MISSION SECURITY	SS/CPAF	NORTHROP GRUMMAN CORPORATION:MELBOURNE, FL	7.532	53.434	Sep 2011	-		-		-	0.000	60.966	
NATO AGS INTEROPERABILITY	SS/TBD	U.S. AIR FORCE:HANSCOM AFB, MA	2.100	-	Sep 2011	-		-		-	0.000	2.100	
NATO AGS MARITIME MODES	SS/CPAF	NORTHROP GRUMMAN CORPORATION:MELBOURNE, FL	5.500	5.000	Mar 2011	-		-		-	0.000	10.500	
Subtotal			81.432	88.434		-		-		-	0.000	169.866	

Management Services (\$ in Millions)				FY 2011		FY 2012 Base		FY 2012 OCO		FY 2012 Total			
Cost Category Item	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Cost To Complete	Total Cost	Target Value of Contract
NATO AGS MANAGEMENT SUPPORT	C/CPFF	U.S. AIR FORCE:DAYTON, OH	7.825	5.451	Sep 2011	-		-		-	0.000	13.276	
Subtotal			7.825	5.451		-		-		-	0.000	13.276	

			Total Prior Years Cost	FY 2011		FY 2012 Base		FY 2012 OCO		FY 2012 Total	Cost To Complete	Total Cost	Target Value of Contract
Project Cost Totals			89.257	93.885		-		-		-	0.000	183.142	

Remarks

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Exhibit R-4, RDT&E Schedule Profile: PB 2012 Office of Secretary Of Defense										DATE: February 2011			
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	FY 2010				FY 2011				FY 2012				FY 2013				FY 2014				FY 2015				FY 2016			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Prime Contract Proposal Review/Negotiations																												
CONTRACT AWARD																												
DESIGN, DEVELOPMENT AND DEMONSTRATION PHASE																												
PRODUCTION PHASE																												

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Exhibit R-4A, RDT&E Schedule Details: PB 2012 Office of Secretary Of Defense			DATE: February 2011
APPROPRIATION/BUDGET ACTIVITY 0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 7: <i>Operational Systems Development</i>	R-1 ITEM NOMENCLATURE PE 1001018D8Z: <i>NATO AGS</i>	PROJECT P018: <i>NATO AGS</i>	

Schedule Details

Events	Start		End	
	Quarter	Year	Quarter	Year
Prime Contract Proposal Review/Negotiations	3	2010	3	2011
CONTRACT AWARD	3	2011	3	2011
DESIGN, DEVELOPMENT AND DEMONSTRATION PHASE	3	2011	1	2015
PRODUCTION PHASE	2	2015	4	2016

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