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| Exhibit R-2, RDT&E Budget Item Justification: PB 2013 Office of Secretary Of Defense | DATE: February 2012 |
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| 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 2011 | FY 2012 | FY 2013 Base | FY 2013 OCO | FY 2013 Total | FY 2014 | FY 2015 | FY 2016 | FY 2017 | Cost To Complete | Total Cost |
| Total Program Element | 90.624 | - | - | - | - | - | - | - | - | Continuing | Continuing |
| P018: NATO AGS | 90.624 | - | - | - | - | - | - | - | - | 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: *Research, Development, Test & Evaluation, Defense-Wide*
BA 7: *Operational Systems Development*

R-1 ITEM NOMENCLATURE

PE 1001018D8Z: NATO AGS

- 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 2011 | FY 2012 | FY 2013 Base | FY 2013 OCO | FY 2013 Total |
|---|----------------|----------------|---------------------|--------------------|----------------------|
| Previous President's Budget | 90.624 | - | - | - | - |
| Current President's Budget | 90.624 | - | - | - | - |
| Total Adjustments | - | - | - | - | - |
| • Congressional General Reductions | - | - | - | - | - |
| • Congressional Directed Reductions | - | - | - | - | - |
| • Congressional Rescissions | - | - | - | - | - |
| • Congressional Adds | - | - | - | - | - |
| • Congressional Directed Transfers | - | - | - | - | - |
| • Reprogrammings | - | - | - | - | - |
| • SBIR/STTR Transfer | - | - | - | - | - |
| • Other Program Adjustments | - | - | - | - | - |
| • Program Transfer to the Air Force | - | - | - | - | - |

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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Exhibit R-2A, RDT&E Project Justification: PB 2013 Office of Secretary Of Defense **DATE:** February 2012

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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 |
|---|---|----------------------------------|

| COST (\$ in Millions) | FY 2011 | FY 2012 | FY 2013 Base | FY 2013 OCO | FY 2013 Total | FY 2014 | FY 2015 | FY 2016 | FY 2017 | Cost To Complete | Total Cost |
|----------------------------|---------|---------|--------------|-------------|---------------|---------|---------|---------|---------|------------------|------------|
| P018: NATO AGS | 90.624 | - | - | - | - | - | - | - | - | Continuing | Continuing |
| Quantity of RDT&E Articles | | | | | | | | | | | |

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).

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| Exhibit R-2A, RDT&E Project Justification: PB 2013 Office of Secretary Of Defense | | DATE: February 2012 | |
| 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 | |
| <ul style="list-style-type: none"> - 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. Accomplishments/Planned Programs (\$ in Millions) | | FY 2011 | FY 2012 |
| Title: NATO AGS | | 90.624 | - |
| FY 2011 Accomplishments: <ul style="list-style-type: none"> - Awarded prime contract for NATO AGS development and production. - Conducted an Integrated Baseline Review of the prime contract. - Implemented Global Hawk mission security updates. - Participated in technical and operational Working Groups including NATO AGS airworthiness certification. - Investigated approaches to ensure U.S. Global Hawk interoperability with NATO AGS. - Oversaw acquisition programmed by participation in NAGSMO Board of Directors. | | | |
| FY 2012 Plans: NATO AGS PE will be transferred to the US Air Force in FY2012 and beyond. | | | |
| Accomplishments/Planned Programs Subtotals | | 90.624 | - |
| 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 2013 Office of Secretary Of Defense | | | | | | | | | | | DATE: February 2012 | | |
| 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 | | | | | |

| Product Development (\$ in Millions) | | | | FY 2012 | | FY 2013 Base | | FY 2013 OCO | | FY 2013 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 | 96.300 | - | | - | | - | | - | 0.000 | 96.300 | |
| NATO AGS MISSION SECURITY | SS/CPAF | NORTHROP GRUMMAN CORPORATION:MELBOURNE, FL | 60.966 | - | | - | | - | | - | 0.000 | 60.966 | |
| NATO AGS INTEROPERABILITY | SS/TBD | U.S. AIR FORCE:HANSCOM AFB, MA | 2.100 | - | | - | | - | | - | 0.000 | 2.100 | |
| NATO AGS MARITIME MODES | SS/CPAF | NORTHROP GRUMMAN CORPORATION:MELBOURNE, FL | 10.500 | - | | - | | - | | - | 0.000 | 10.500 | |
| Subtotal | | | 169.866 | - | | - | | - | | - | 0.000 | 169.866 | |

| Management Services (\$ in Millions) | | | | FY 2012 | | FY 2013 Base | | FY 2013 OCO | | FY 2013 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 | 13.276 | - | | - | | - | | - | 0.000 | 13.276 | |
| Subtotal | | | 13.276 | - | | - | | - | | - | 0.000 | 13.276 | |

| | | | Total Prior Years Cost | FY 2012 | | FY 2013 Base | | FY 2013 OCO | | FY 2013 Total | Cost To Complete | Total Cost | Target Value of Contract |
|----------------------------|--|--|-------------------------------|----------------|--|---------------------|--|--------------------|--|----------------------|-------------------------|-------------------|---------------------------------|
| Project Cost Totals | | | 183.142 | - | | - | | - | | - | 0.000 | 183.142 | |

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| Remarks | | | | | | | | | | | | | |
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| Exhibit R-4, RDT&E Schedule Profile: PB 2013 Office of Secretary Of Defense | | | | | | | | | | | | DATE: February 2012 | | | |
| 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> | | | |

| | FY 2011 | | | | FY 2012 | | | | FY 2013 | | | | FY 2014 | | | | FY 2015 | | | | FY 2016 | | | | FY 2017 | | | |
|--|---------|---|---|---|---------|---|---|---|---------|---|---|---|---------|---|---|---|---------|---|---|---|---------|---|---|---|---------|---|---|---|
| | 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 |
| CONTRACT AWARD | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DESIGN, DEVELOPMENT AND DEMONSTRATION PHASE | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PRODUCTION PHASE | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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Exhibit R-4A, RDT&E Schedule Details: PB 2013 Office of Secretary Of Defense **DATE:** February 2012

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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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Schedule Details

| Events | Start | | End | |
|---|---------|------|---------|------|
| | Quarter | Year | Quarter | Year |
| CONTRACT AWARD | 3 | 2011 | 3 | 2011 |
| DESIGN, DEVELOPMENT AND DEMONSTRATION PHASE | 3 | 2011 | 1 | 2015 |
| PRODUCTION PHASE | 2 | 2015 | 4 | 2016 |