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Exhibit R-2, RDT&E Budget Item Justification: PB 2015 Air Force									Date: March 2014			
Appropriation/Budget Activity 3600: Research, Development, Test & Evaluation, Air Force I BA 7: Operational Systems Development					R-1 Program Element (Number/Name) PE 0305238F I NATO AGS							
COST (\$ in Millions)	Prior Years	FY 2013	FY 2014	FY 2015 Base	FY 2015 OCO #	FY 2015 Total	FY 2016	FY 2017	FY 2018	FY 2019	Cost To Complete	Total Cost
Total Program Element	-	192.571	221.589	232.851	-	232.851	138.400	39.604	-	-	-	825.015
676001: NATO AGS	-	192.571	221.589	232.851	-	232.851	138.400	39.604	-	-	-	825.015
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

# The FY 2015 OCO Request will be submitted at a later date.

**Note**  
NATO AGS is an OSD special interest program.

**A. Mission Description and Budget Item Justification**  
U.S. participation in NATO Alliance Ground Surveillance (AGS) was ratified by Secretary of Defense (SECDEF) signature/approval of the NATO AGS Program Memorandum of Understanding (PMOU) in June 2009. The PMOU went into effect in Sept 2009 when 15 nations, including the United States, financially committed to support procurement and delivery of the NATO Commander's number one priority to the warfighter. Canada withdrew in August 2011, leaving 14 participating nations. Poland recently requested accession which will bring the participating nations back to 15.

In FY 2012, OSD transferred the NATO AGS project to the U.S. Air Force (USAF) for management and execution. The NATO AGS project funds the U.S. share of the cost for NATO to acquire an air-to-ground ground surveillance capability, improvements to the radar, and U.S. support of NATO AGS-related activities. Operations and continuing support will be funded through a future NATO Military Commanders' Capability Package funded within the NATO Security Investment Program (NSIP).

The AGS system will be a NATO-owned and operated airborne ground surveillance capability that provides continuous, wide area surveillance information in all weather conditions for use at the strategic, operational and tactical levels of command. Interoperable with other national assets, AGS will provide NATO decision makers with near real time, continuous information and situational awareness concerning friendly, neutral, and opposing ground and maritime forces to support mission planning and execution, including force protection and targeting.

The NATO AGS Program includes: an air segment consisting of five (5) NATO-developed air vehicles, incorporating elements of the USN Triton (previously Broad Area Maritime Surveillance (BAMS)) command and control architecture and the U.S. Multi-Platform Radar Technology Insertion Program (MP-RTIP) radar; a unique exportable configuration; a ground segment for data exploitation and distribution that consists of fixed-based site and transportable/mobile ground stations; establishment and operation of a management organization; development of operations and support concepts; and definition and establishment of an initial support capability. As part of the U.S. government agreement with NATO AGS Management Agency (NAGSMA), the U.S. will integrate Maritime Moving Target and Inverse Synthetic Aperture Radar capability into the MP-RTIP radar for NATO AGS. This design and development includes correcting deficiencies, flight testing on the modes and system level performance validation.

System level configuration changes include a unique configuration to allow for export of the system.

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<p>Deliveries are planned for 2016-2017. Follow-on sustainment and operations will be supported by all 28 NATO nations through their contributions of funding to the program. Mission elements will support two orbits. The Main Operating Base (MOB) air vehicles and mission C2 will be located at Naval Air Station Sigonella, Italy. Exploitation at the MOB will be developed by Selex. EADS and Selex will develop the transportable and mobile general ground stations.</p> <p>The program, managed by NAGSMA, is composed of design, development, demonstration, and production, as well as Initial In-Service Support (IISS). While the current program includes IISS, the current Direct Commercial Sale (DCS) contract with Northrop Grumman does not include these tasks.</p> <p>The DCS contract between Northrop Grumman and NAGSMA was signed on 20 May 2012. This funding is the U.S. cost share for the acquisition of the NATO airborne ground surveillance capability as well as the cost share associated with the IISS. IISS and In-Service Support (ISS) will be contracted under separate action. It is anticipated that ISS costs will be commonly funded through a future NATO Military Commanders' Capability Package, using the NATO Security Investment Program (NSIP). This funding also includes developmental activity for MP-RTIP to include additional functionality and configuration requirements, studies and analysis related to mission security and exportability, and current and future program planning, project execution, engineering, and program management support to NATO.</p> <p>This program is in Budget Activity 7, Operational System Development, because this budget activity includes development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current or subsequent fiscal year.</p>						
B. Program Change Summary (\$ in Millions)		FY 2013	FY 2014	FY 2015 Base	FY 2015 OCO	FY 2015 Total
Previous President's Budget		210.109	264.134	235.757	-	235.757
Current President's Budget		192.571	221.589	232.851	-	232.851
Total Adjustments		-17.538	-42.545	-2.906	-	-2.906
• Congressional General Reductions		-0.277	-			
• Congressional Directed Reductions		-	-42.545			
• Congressional Rescissions		-	-			
• Congressional Adds		-	-			
• Congressional Directed Transfers		-	-			
• Reprogrammings		-	-			
• SBIR/STTR Transfer		-	-			
• Other Adjustments		-17.261	-	-2.906	-	-2.906
Change Summary Explanation						
FY13 reductions in Other Adjustments were due to Sequestration.						
FY14 (-)\$42.5454M decrease: Congressional directed reduction.						
FY15 (-)\$2.906M decrease due to higher AF priorities						

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<b>C. Accomplishments/Planned Programs (\$ in Millions)</b>		<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Title:</b> Design / Development of NATO Alliance Ground Surveillance (AGS) <b>Description:</b> U.S. contribution to NATO for AGS development acquisition and initial fielding.  Supports configuration changes at a system level.  <b>FY 2013 Accomplishments:</b> Continued U.S. contribution to NATO for AGS development acquisition and initial fielding.  Supported configuration changes at a system level.  <b>FY 2014 Plans:</b> Continuing U.S. contribution to NATO for AGS development acquisition and initial fielding.  Supports configuration changes at a system level.  <b>FY 2015 Plans:</b> Will continue U.S. contribution to NATO for AGS development acquisition and initial fielding.  Supports configuration changes at a system level.		162.742	176.242	220.674
<b>Title:</b> Design/Development of Maritime Modes <b>Description:</b> Supports development and flight testing of maritime modes capability for RTIP and additional configuration changes that cannot be performed under the direct commercial sale contract between Northrop Grumman and NAGSMA.  <b>FY 2013 Accomplishments:</b> Supported development of maritime modes capability and additional configuration changes that cannot be performed under the direct commercial sale contract between Northrop Grumman and NAGSMA.  <b>FY 2014 Plans:</b> Continuing to support development and flight testing of maritime modes capability as well as additional configuration changes that cannot be performed under the direct commercial sale contract between Northrop Grumman and NAGSMA.  <b>FY 2015 Plans:</b> Will continue to support development of maritime modes capability and additional configuration changes that cannot be performed under the direct commercial sale contract between Northrop Grumman and NAGSMA. Flight testing to be completed in Q1 FY15.		28.506	42.388	6.890
<b>Title:</b> Technical Support for NATO Alliance Ground Surveillance (AGS)		0.939	1.591	1.140

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<b>C. Accomplishments/Planned Programs (\$ in Millions)</b>		<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<p><b>Description:</b> Provide engineering and logistics support for NATO AGS development and initial fielding. Establish and support a program office for U.S. Government support to NATO for AGS development and initial fielding. Serve as interface to the U.S. program offices and the prime contractor for NATO AGS capability.</p> <p><b>FY 2013 Accomplishments:</b> Provided engineering and logistics support for NATO AGS development and initial fielding. Also provided support of a program office for U.S. Government support to NATO for AGS development and initial fielding. Continuing to serve as interface to the U.S. program offices and the prime contractor for NATO AGS capability.</p> <p><b>FY 2014 Plans:</b> Continuing engineering and logistics support for NATO AGS development and initial fielding. Continuing support of a program office for U.S. Government support to NATO for AGS development and initial fielding. Continuing to serve as interface to the U.S. program offices and the prime contractor for NATO AGS capability.</p> <p><b>FY 2015 Plans:</b> Will continue engineering and logistics support for NATO AGS development and initial fielding. Will continue support of a program office for U.S. Government support to NATO for AGS development and initial fielding. Will continue to serve as interface to the U.S. program offices and the prime contractor for NATO AGS capability.</p>				
<p><b>Title:</b> Test and Evaluation Support for NATO Alliance Ground Surveillance (AGS)</p> <p><b>Description:</b> Provide testing and evaluation via the Air Force Flight Test Center.</p> <p><b>FY 2013 Accomplishments:</b> Conducted preliminary test and evaluation planning with the Air Force Flight Test Center.</p> <p><b>FY 2014 Plans:</b> Completing detailed test and evaluation planning with the Air Force Flight Test Center.</p> <p><b>FY 2015 Plans:</b> Will complete detailed test and evaluation planning with the Air Force Flight Test Center.</p>		0.384	1.368	4.147
<b>Accomplishments/Planned Programs Subtotals</b>		192.571	221.589	232.851

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<b>D. Other Program Funding Summary (\$ in Millions)</b>											
			<u>FY 2015</u>	<u>FY 2015</u>	<u>FY 2015</u>					<u>Cost To</u>	
<u>Line Item</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Base</u>	<u>OCO</u>	<u>Total</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Complete</u>	<u>Total Cost</u>
• RDTE: BA07: PE 0305220F: RQ-4 UAV	240.234	120.180	244.514	-	244.514	369.014	328.899	307.451	325.463	356.428	4,504.159
<b>Remarks</b>											
<b>E. Acquisition Strategy</b>											
The U.S. signed the Program Memorandum of Understanding (PMOU) committing the U.S. Government to NATO-derived cost shares of the Alliance Ground Surveillance (AGS) prime contract for design, development, demonstration, and initial production of the NATO AGS system. The system will be delivered via a fixed price direct commercial sale contract between Northrop Grumman Integrated Sensor Systems International, Incorporated (NGISSI) & NATO, which was signed on 20 May 2012. The program is managed by the NATO AGS Management Agency (NAGSMA).											
<b>F. Performance Metrics</b>											
Please refer to the Performance Base Budget Overview Book for information on how Air Force resources are applied and how those resources are contributing to Air Force performance goals and most importantly, how they contribute to our mission.											

Exhibit R-4, RDT&E Schedule Profile: PB 2015 Air Force			Date: March 2014		
Appropriation/Budget Activity		R-1 Program Element (Number/Name)		Project (Number/Name)	
3600 / 7		PE 0305238F / NATO AGS		676001 / NATO AGS	

