

EXHIBIT R-2, RDT&E Budget Item Justification							DATE:		
APPROPRIATION/BUDGET ACTIVITY							February 2007		
RESEARCH DEVELOPMENT TEST & EVALUATION, NAVY / BA-5							R-1 ITEM NOMENCLATURE		
							0604262N, V-22A		
COST (\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Total PE Cost	192.338	267.448	117.997	57.058	27.218	5.398	5.442	5.482	
1425 V-22	192.338	267.448	117.997	57.058	27.218	5.398	5.442	5.482	

(U) 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) for correction of deficiencies and includes Block A and Block B upgrades because it encompasses engineering and manufacturing development of new end-items prior to a production approval decision. Block C suitability and effectiveness upgrades continue in FY08 and are the first planned upgrades after the full rate production decision.

B. PROGRAM CHANGE SUMMARY

Funding:	FY 2006	FY 2007	FY 2008	FY 2009
Previous President's Budget:	203.278	268.461	94.868	26.885
Current BES:	192.338	267.448	117.997	57.058
Total Adjustments	-10.940	-1.013	23.129	30.173

Summary of Adjustments

Congressional Reductions				
Congressional Rescissions				
Congressional Undistributed Reductions	-4.889	-1.013		
Congressional Increases	0.250			
Economic Assumptions	0.000		0.844	0.781
Miscellaneous Adjustments	-6.301		22.285	29.392
Subtotal	-10.940	-1.013	23.129	30.173

Schedule:
Not Applicable

Technical:
Not Applicable

EXHIBIT R-2a, RDT&E Project Justification							DATE: February 2007		
APPROPRIATION/BUDGET ACTIVITY RDT&E,N / BA-5		PROGRAM ELEMENT NUMBER AND NAME 0604262N, V-22A			PROJECT NUMBER AND NAME 1425, V-22				
COST (\$ in Millions)		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
1425 V-22		192.338	267.448	117.997	57.058	27.218	5.398	5.442	5.482
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. This program is funded under Engineering Manufacturing and Development (EMD) for correction of deficiencies and includes Block A and Block B upgrades because it encompasses engineering and manufacturing development of new end-items prior to a production approval decision. Block C suitability and effectiveness upgrades continue in FY08 and are the first planned upgrades after the full rate production decision.

B. ACCOMPLISHMENTS / PLANNED PROGRAM:

Continued development of Block B	FY 2006	FY 2007	FY 2008	FY 2009
Accomplishments / Effort / Sub-total Cost	73.521	116.615	92.551	44.580
RDT&E Articles Qty				

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 MV-22 Block upgrades. 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. Block C suitability and effectiveness upgrades began in FY 06 and are the first planned upgrades after the full rate production decision.

Continued support of Block B development	FY 2006	FY 2007	FY 2008	FY 2009
Accomplishments / Effort / Sub-total Cost	33.228	39.821	25.446	12.478
RDT&E Articles Qty				

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 MV-22 Block upgrades. 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. R&D support and planning for the Block C suitability and effectiveness upgrade which began in FY 06. Block C is the first planned upgrades after the full rate production decision.

EXHIBIT R-2a, RDT&E Project Justification

DATE: February 2007

APPROPRIATION/BUDGET ACTIVITY RDT&E,N / BA-5	PROGRAM ELEMENT NUMBER AND NAME 0604262N, V-22A	PROJECT NUMBER AND NAME 1425, V-22		
Continued development of Block 0	FY 2006	FY 2007	FY 2008	FY 2009
Accomplishments / Effort / Sub-total Cost	85.589	111.012		
RDT&E Articles Qty				

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.

C. OTHER PROGRAM FUNDING SUMMARY:	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	To Complete	Total Cost
164000 / V-22										
V-22 APN-1	1,256.520	1,553.786	1,959.351	2,264.587	2,347.584	2,251.509	2,486.055	2,343.101	10,710.132	27,172.625
V-22 APN-6 Spares	125.199	24.265	26.518	40.894	53.975	31.208	26.829	22.850	263.024	614.762
59000 / V-22										
V-22 APN-5	82.242	140.022	68.377	41.786	25.770	26.268	26.764	27.269	1,198.371	1,636.869
Related RDT&E:										
0401318F CV-22	33.671	25.856	16.688	18.717	42.177	39.640	33.457	24.336	175.015	409.557
1160421BB CV-22	28.860	0.000	23.473	26.375	25.335	64.508	24.757	19.485	TBD	212.793

D. 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 weather radar and cabin effectiveness suitability improvements. 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.

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Exhibit R-3 Cost Analysis (page 1)										DATE: February 2007		
APPROPRIATION/BUDGET ACTIVITY		PROGRAM ELEMENT			PROJECT NUMBER AND NAME							
RDT&E,N / BA-5		0604262N, V-22A			1425, V-22							
Cost Categories	Contract Method & Type	Performing Activity & Location	Total FY s Cost	FY 2007 Cost	FY 2007 Award Date	FY 2008 Cost	FY 2008 Award Date	FY 2009 Cost	FY 2009 Award Date	Cost to Complete	Total Cost	Target Value of Contract
PRODUCT DEVELOPMENT												
CV-22 Develop Support Equip	VARIOUS	VARIOUS	8.554	7.659	Jan 2007						16.214	
CV-22 Hardware Dev Airframe	SS-CPAF	BOEING COMPANY, RIDLEY PARK, PA	854.918	87.232	Jan 2007						942.150	942.150
CV-22 Hardware Dev Propulsion	C-CPIF	ROLLS-ROYCE CORP, INDIANAPOLIS, IN	12.239	.577	Jan 2007						12.816	12.816
MV-22 Develop Support Equip	VARIOUS	NAWCAD, LAKEHURST NJ	3.987	1.250	Jan 2007						5.237	
MV-22 Develop Support Equip	C-CPIF	BOEING COMPANY, RIDLEY PARK, PA	42.624	1.300	Jan 2007						43.924	43.924
MV-22 Hardware Dev Airframe	SS-CPAF	BOEING COMPANY, RIDLEY PARK, PA	3,708.484	103.432	Jan 2007	88.587	Jan 2008	43.472	Jan 2009	20.430	3,964.405	3,964.405
MV-22 Hardware Dev Propulsion	C-CPIF	ROLLS-ROYCE CORP, INDIANAPOLIS, IN	190.073	2.153	Jan 2007	1.437	Jan 2008	1.108	Jan 2009	.967	195.738	195.738
MV-22 Training Development	VARIOUS	VARIOUS	18.004	8.600	Jan 2007	3.882	Jan 2008	.779	Jan 2009	1.709	32.974	
SUBTOTAL PRODUCT DEVELOPMENT			4,838.884	212.203		93.906		45.359		23.107	5,213.459	

Remarks: Total award fee pool available for MV and CV combined is \$238,258,837. To date \$212,673,225 has been awarded for a percentage of 89.3 percent. Award Fee included in MV-22 Primary Hardware Development Airframe line.

SUPPORT												
Cost Categories	Contract Method & Type	Performing Activity & Location	Total FY s Cost	FY 2007 Cost	FY 2007 Award Date	FY 2008 Cost	FY 2008 Award Date	FY 2009 Cost	FY 2009 Award Date	Cost to Complete	Total Cost	Target Value of Contract
CV-22 Govt Engineering Sppt	WX	NAWCAD, PATUXENT RIVER MD	20.495	2.216	Nov 2006						22.711	
CV-22 Integrated Log Sppt	VARIOUS	VARIOUS	8.049	.347	Nov 2006						8.395	
CV-22 Technical Data	C-CPIF	BOEING COMPANY, RIDLEY PARK, PA	4.567	2.378	Nov 2006						6.945	6.945
CV-22 Technical Data	WX	NAV AIR TEC EN SV CMD, SAN DIEGO CA	6.131								6.131	
MV-22 Govt Engineering Sppt	WX	NAWCAD, PATUXENT RIVER MD	1,093.142	.842	Nov 2006	.634	Nov 2007	.547	Nov 2008	.742	1,095.907	
MV-22 Integrated Log Sppt	VARIOUS	VARIOUS	28.203	.666	Nov 2006						28.869	
MV-22 Technical Data	C-CPIF	BOEING COMPANY, RIDLEY PARK, PA	93.395	11.030	Nov 2006	2.527	Nov 2007				106.952	106.952
SUBTOTAL SUPPORT			1,253.982	17.478		3.161		.547		.742	1,275.910	

Remarks:

TEST & EVALUATION												
Cost Categories	Contract Method & Type	Performing Activity & Location	Total FY s Cost	FY 2007 Cost	FY 2007 Award Date	FY 2008 Cost	FY 2008 Award Date	FY 2009 Cost	FY 2009 Award Date	Cost to Complete	Total Cost	Target Value of Contract
CV-22 Dev Test & Eval	MIPR	EDWARDS AFB, CA	33.468	5.142	Nov 2006						38.610	
MV-22 Dev Test & Eval	WX	NAWCAD, PATUXENT RIVER MD	935.639	14.082	Nov 2006	13.158	Nov 2007	7.487	Nov 2008	14.494	984.860	
MV-22 Live Fire Test & Eval	WX	NAWCWD, CHINA LAKE CA	1.636								1.636	
MV-22 Oper Test & Eval	WX	OPER T & E FOR CD 30, NORFOLK VA	37.157	3.091	Nov 2006	2.861	Nov 2007	.669	Nov 2008	.517	44.295	
SUBTOTAL TEST & EVALUATION			1,007.900	22.314		16.019		8.156		15.011	1,069.401	

Remarks:

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Exhibit R-3 Cost Analysis (page 1)							DATE: February 2007				
APPROPRIATION/BUDGET ACTIVITY RDT&E,N / BA-5			PROGRAM ELEMENT 0604262N, V-22A			PROJECT NUMBER AND NAME 1425, V-22					

MANAGEMENT											
CV-22 Engineering Tech Sppt	VARIOUS	VARIOUS	9.963	4.567	Nov 2006						14.529
CV-22 Management Sppt Serv	VARIOUS	VARIOUS	12.511	.634	Nov 2006						13.145
CV-22 Program Mgmt Support	WX	NAWCAD, PATUXENT RIVER MD	9.830	.161	Nov 2006						9.990
CV-22 Travel	WX	NAWCAD, PATUXENT RIVER MD	4.406	.100	Nov 2006						4.506
MV-22 Engineering Tech Sppt	VARIOUS	VARIOUS	1,030.280	5.233	Nov 2006	2.006	Nov 2007	.914	Nov 2008	.745	1,039.178
MV-22 Management Sppt Serv	VARIOUS	VARIOUS	144.769	2.879	Nov 2006	1.737	Nov 2007	1.347	Nov 2008	1.474	152.206
MV-22 Studies and Analyses	VARIOUS	VARIOUS	1.244	.204	Nov 2006	.214	Nov 2007				1.662
MV-22 Program Mgmt Support	WX	NAWCAD, PATUXENT RIVER MD	47.535	1.172	Nov 2006	.630	Nov 2007	.420	Nov 2008	1.692	51.448
MV-22 Travel	WX	NAWCAD, PATUXENT RIVER MD	12.531	.505	Nov 2006	.324	Nov 2007	.314	Nov 2008	.769	14.443
SUBTOTAL MANAGEMENT			1,273.068	15.453		4.910		2.995		4.680	1,301.107

Remarks:

Total Cost			8,373.834	267.448		117.997		57.058		43.540	8,859.877
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Remarks:

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CLASSIFICATION:

EXHIBIT R4, Schedule Profile

DATE:

February 2007

APPROPRIATION/BUDGET ACTIVITY

PROGRAM ELEMENT NUMBER AND NAME

PROJECT NUMBER AND NAME

RDT&E, N / BA-5

0604262N, V-22A

H1425, V-22

Fiscal Year	FY 2006				FY 2007				FY 2008				FY 2009				FY 2010				FY 2011				FY 2012				FY 2013			
	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	1	2	3	4
Program Milestones	MS-III ▲					MV-22 IOC △								CV-22 IOC 2Q FY09 △																		
Engineering Milestones						Bik C - PDR △		Bik C - CDR △						FCA △										PCA △								
Test & Evaluation Milestones		CV-22 3-4Q		OUE ■																												
Deliveries																																

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