

OSD RDT&E BUDGET ITEM JUSTIFICATION (R2 Exhibit)

Date: February 2007

APPROPRIATION/ BUDGET ACTIVITY RDT&E/ Defense Wide BA# 7		PE NUMBER AND TITLE 1001018D8Z – NATO Joint STARS						
Cost (\$ in Millions)	FY 2006 Actual	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Program Element (PE) Cost	24.355	41.412	41.466	42.858	50.399	55.927	60.768	66.511
P018 NATO Alliance Ground Surveillance (AGS)	24.355	41.412	41.466	42.858	50.399	55.927	60.768	66.511

A. Mission Description and Budget Item Justification: (U) This project supports the U.S. share of the cost for NATO to acquire a ground surveillance capability similar to what the NATO owned and operated Airborne Warning and Control System (AWACS) provides for air surveillance.

(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.
- May 2004, NATO AGS Steering Committee approved an updated Master Schedule supporting a 2010 Initial Operating Capability (IOC) with Full Operational Capability (FOC) by 2013.
- 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 3.3 billion euros (BY 2003 euros equivalent to TY \$5.4B).
- October 2006, AGS Industries (AGSI, former TIPS consortium) formally submitted a program proposal. CNAD agreed that the proposal would form the basis for negotiations of the D&D contract and tasked the AGS Support Staff (AGS3) to begin negotiations with AGSI. Negotiations are expected to be completed by March 2007.
- November 2006, Heads of State at NATO Riga Summit endorsed the progress on NATO AGS, with a view to achieving real capabilities, as one of a set of initiatives to increase the capacity of NATO forces to address contemporary threats and challenges.

B. Program Change Summary	FY 2006	FY 2007	FY 2008	FY 2009
Previous President's Budget (FY 2007)	25.068	41.670	53.230	57.504
Current BES/President's Budget (FY 2008/2009)	24.355	41.412	41.466	42.858

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Total Adjustments	-0.713	-0.258	-11.764	-14.646
Congressional Program Reductions		-0.244		
Congressional Rescissions				
Congressional Increases				
Reprogrammings				
SBIR/STTR Transfer	-0.713			
Other		-0.014	-11.764	-14.646

C. Other Program Funding Summary: Not Applicable.

D. Acquisition Strategy: Not Applicable.

E. Performance Metrics: Not Applicable.

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1001018D8Z – NATO Joint STARSPROJECT
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- 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. Negotiations are expected to be completed by March 2007.
- November 2006, Heads of State at NATO Riga Summit endorsed the progress on NATO AGS, with a view to achieving real capabilities, as one of a set of initiatives to increase the capacity of NATO forces to address contemporary threats and challenges.

B. Accomplishments/Planned Program:

Accomplishment/Planned Program Title	FY 2006	FY 2007	FY 2008	FY 2009

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(U) FY 2006 Accomplishments	24.355	0.000	0.000	0.000
<p>2006 Program Activities:</p> <ul style="list-style-type: none"> - Completed the Program Memorandum of Understanding (MOU), Design and Development Supplement, and Trans-Atlantic Cooperative AGS Radar (TCAR) Implementing Arrangement - Completed and provided the NATO Program Charter to Nations for review and approval. - Established an affordable procurement program cost ceiling of 3.3 billion euros (2003 Base-Year euros equivalent to 5.4 billion Then-Year dollars) - Released the Request for Proposal for the Design and Development phase, including a Statement of Objectives (SOO). - Established a formal joint activity to achieve interoperability between Joint STARS and the UK's ASTOR system. - Provided our share of personnel to the AGS Support Staff (AGS3) at NATO Headquarters. - Participated in AGS Capability Steering Committee meetings. 				
Accomplishment/Planned Program Title	FY 2006	FY 2007	FY 2008	FY 2009
(U) FY 2007/2008/2009 Plans:	0.000	41.412	41.466	42.858
<p>(U) FY 2007 Plans and Accomplishments to date:</p> <ul style="list-style-type: none"> - Receive a formal proposal from industry that was compliant with the RFP, the SOO, and within the established cost ceiling. [COMPLETE] - Evaluate the contractor proposal and started formal negotiations with a target completion date of March 2007. [COMPLETE] - Complete contract negotiations and obtain contractor signature. - Submit contract and Program Memorandum of Understanding (PMOU) for national staffing. - Revise contract and PMOU as necessary. - Secure Congressional approval to sign the MOU, authorizing NATO to commit to Design and Development contracts. - Develop and implement plans to transition the NATO AGS Capability Steering Committee to a NATO AGS Management Organization (NAGSMO). - Establish and staff a NATO AGS Management Agency (NAGSMA). 				
<p>U) FY 2008 Plans:</p> <ul style="list-style-type: none"> - Execute Design and Development contract. - Provide personnel to the NAGSMA. - Designate U.S. Representative to the NAGSMO Board of Directors (BOD). - Participate in affordability and technical Working Groups. - Improve and expand NATO alliance relationships relative to the industrial co-development. - Ensure ministerial and congressional support for AGS continues. 				
<p>(U) FY 2009 Plans:</p> <ul style="list-style-type: none"> - Provide for a professional user interface to the NATO AGS program office (NAGSMA). - Continue executing Design and Development Phase. - Initiate planning for the Engineering & Manufacturing Development (EMD) Phase. - Obtain additional funding as required to fully fund the EMD Phase. - Participate in technical and operational Working Groups. - Improve and expand industry and professional association with NATO allies. 				

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- Address Congressional, GAO, IG Actions regarding program issues as they arise.
- Ensure effective oversight of the program is provided by continuing to participate in the NAGSMA and BOD.

C. Other Program Funding Summary: Not Applicable.

D. Acquisition Strategy Pending Department and Congressional approval by late FY 2007, the U.S. will sign a multi-national Program Memorandum of Understanding (PMOU) committing the U.S. government to NATO-derived shares of the approximately 31-month Design and Development Phase. The PMOU will support the contract and acquisition strategy developed by the NATO AGS Support Staff (AGS3) in Brussels. FY 2005 funds provided the U.S. share of a NATO AGS Risk Reduction Study and its share of the AGS3 personnel. An overall program cost ceiling of €3.3 billion (BY 2003) (~\$5.4 billion TY) was established by the NATO Armaments Directors. This cost ceiling is primarily being achieved by deleting development of a second version of the radar for the UAV and using an Off-the-Shelf, Multi-Platform Radar Technology Insertion Program (MP-RTIP) equipped, Global Hawk to satisfy the NATO UAV requirement. Follow-on PMOUs will address subsequent program phases.

E. Major Performers Not Applicable.