

OSD RDT&E BUDGET ITEM JUSTIFICATION (R2 Exhibit)

February 2008

APPROPRIATION/ BUDGET ACTIVITY
RDTE, Defense Wide BA 07

PE NUMBER AND TITLE
1001018D8Z - NATO Alliance Ground Surveillance (AGS)

COST (\$ in Millions)	FY 2007 Estimate	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
P018 NATO Alliance Ground Surveillance (AGS)	42.702	31.194	27.756	75.925	95.379	85.183	85.873

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, 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 ~3.3B (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.
- 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.
- 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. Target completion date was the Fall CNAD meeting in October 2007.
- July 2007, At an Extra-ordinary CSC meeting, Canada, France, Germany, and The Netherlands indicated they could not support the Program of Record for various reasons, primarily affordability, and that they would probably not participate if carried forward. This lack of key national support caused many other nations concern and the CSC

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recommended ceasing work on the Program of Record and to go forward with an alternate 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,).

- August 2007, CNAD endorses the CSC recommendation to officially notify AGS Industries to close the Program of Record. AGS3 will be directed to revise the procurement strategy and update the funding documents and the NATO Management Organization Charter for presentation at an Extra-ordinary CSC meeting on September 6, 2007.

<u>B. Program Change Summary</u>	FY 2007	FY 2008	FY 2009
Previous President's Budget (FY 2008)	41.412	41.466	42.858
Current BES/President's Budget (FY 2009)	42.702	31.194	27.756
Total Adjustments	1.290	-10.272	-15.102
Congressional Program Reductions		-10.000	
Congressional Rescissions			
Congressional Increases			
Reprogrammings	-9.000		-15.000
SBIR/STTR Transfer	-1.159	-0.847	
Other	11.449	0.575	-0.102

Change Summary Explanation: In FY 2007, GWOT supplemental funding (\$11.449 million) has been displayed although it is actually for PE 0305125D8Z.

C. Other Program Funding Summary Not applicable for this item.

D. Acquisition Strategy Not applicable for this item.

E. Performance Metrics: Not Applicable.

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APPROPRIATION/ BUDGET ACTIVITY RDTE, Defense Wide BA 07		PE NUMBER AND TITLE 1001018D8Z - NATO Alliance Ground Surveillance (AGS)					PROJECT P018	
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P018 NATO Alliance Ground Surveillance (AGS)	42.702	31.194	27.756	75.925	95.379	85.183	85.873	

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- July 2007, At an Extra-ordinary CSC meeting, Canada, France, Germany, and The Netherlands indicated they could not support the Program of Record for various reasons, primarily affordability, and that they would probably not participate if carried forward. This lack of key national support caused many other nations concern and the CSC recommended ceasing work on the Program of Record and to go forward with an alternate 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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B. Accomplishments/Planned Program:

Accomplishments/Planned Program Title:

FY 2007

FY 2008

FY 2009

(U) FY 2007/2008/2009 Plans:

42.702

31.194

27.756

(U) FY 2007 Accomplishments:

- Receive a formal proposal from industry that was compliant with the Request For Proposal (RFP), the Statement Of Objectives, and within the established cost ceiling. [COMPLETE]
- Evaluate the contractor proposal and negotiate contract with AGS Industries (AGSI). [COMPLETE]
- Submit contract and Program Memorandum of Understanding (PMOU) for national staffing. [COMPLETE]
- Revise the Acquisition Strategy, Program Memorandum of Understanding, and NATO Management Organization Charter to reflect CNAD decision to NOT pursue the Mixed Fleet Program of Record, because of insurmountable affordability issues, and to instead move forward with a UAV-only solution based on an Off-The-Shelf Global Hawk (OTS-GH) equipped with the Multi-Platform Radar Technology Insertion Program (MP-RTIP) sensor. [COMPLETE]

(U) FY 2008 Plans:

- Prepare a RFP for a single, 2-phase contract consisting of a Design, Development, and Demonstration (DD&D) Phase and a Production Phase for a two-orbit, UAV-only, ground surveillance capability and present it to the CNAD for approval.
- Submit revised PMOU for national staffing.
- Secure Congressional approval to sign the PMOU.
- Release RFP to industry.
- Develop and implement plans to transition the NATO AGS CSC to a NATO AGS Management Organization (NAGSMO) upon contract award.
- Recruit and nominate a qualified U.S. candidate for the NAGSMA Deputy General Manager/Program Manager position [COMPLETE]
- Receive a formal proposal from industry that is compliant with the RFP.
- Evaluate the contractor proposal, and complete formal negotiations.

(U) FY 2009 Plans:

- Award contract and stand-up NATO AGS Management Organization.
- Establish and staff a NATO AGS Management Agency (NAGSMA).
- Provide personnel to the NAGSMA.
- Designate U.S. Representative to the NAGSMO Board of Directors (BOD).

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- Participate in technical and operational Working Groups.
- Provide for a professional user interface to the NATO AGS program office (NAGSMA).
- Improve and expand industry and professional association with NATO allies.
- 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 for this item.

D. Acquisition Strategy Pending Department and Congressional approval by late FY 2008, 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 72-month procurement contract consisting of a Design, Development & Demonstration Phase and a Production Phase. The PMOU will support the procurement strategy developed by the NATO AGS Support Staff (AGS3) in Brussels.

E. Major Performers Not applicable for this item.

OSD RDT&E COST ANALYSIS (R3)

February 2008

BUDGET ACTIVITY			PE NUMBER AND TITLE							PROJECT		
7 - Operational System Development			1001018D8Z - NATO Alliance Ground Surveillance (AGS)							P018		
I. Product Development	Contract Method & Type	Performing Activity & Location	Total PYs 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
NATO AGS Prime Contract						18386	4Q	26256			44642	
NATO AGS Mission Security				29010		12000	4Q	1000			42010	
NATO AGS Study				8000			2Q				8000	
ESC/JSX JAIP				1056	1-3Q	208	1-4Q				1264	
Army JAIP-AGS Interoperability and ESC/JSX TCAR				378	1-3Q	100	1-4Q				478	
Subtotal:				38444		30694		27256			96394	
II. Support Costs	Contract Method & Type	Performing Activity & Location	Total PYs 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
NATO AGS Support				4258	1-4Q	500	1-4Q	500	1-4Q		5258	
Subtotal:				4258		500		500			5258	
III. Test And Evaluation	Contract Method & Type	Performing Activity & Location	Total PYs 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
Subtotal:												
IV. Management Services	Contract Method & Type	Performing Activity & Location	Total PYs 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

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BUDGET ACTIVITY 7 - Operational System Development	PE NUMBER AND TITLE 1001018D8Z - NATO Alliance Ground Surveillance (AGS)						PROJECT P018			
NATO AGS				1-4Q		1-4Q		1-4Q		
Subtotal:										

Project Total Cost:		42702		31194		27756		101652	
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Schedule Profile (R4 Exhibit)

February 2008

BUDGET ACTIVITY
7 - Operational System Development

PE NUMBER AND TITLE
1001018D8Z - NATO Alliance Ground Surveillance (AGS)

PROJECT
P018

Event Name	FY 07				FY 08				FY 09				FY 10				FY 11				FY 12				FY 13			
	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

Schedule Detail (R4a Exhibit)

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BUDGET ACTIVITY 7 - Operational System Development		PE NUMBER AND TITLE 1001018D8Z - NATO Alliance Ground Surveillance (AGS)					PROJECT P018	
<u>Schedule Detail</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	
Restructure Program, revise acquisition strategy, update NATO funding documents	4Q	1Q - 4Q						
Notify AGS Industries of Change in Direction, Terminate Program of Record	4Q							
Contract Award			1Q					
Design, Development and Demonstration Phase			1Q - 4Q					