

Exhibit MYP-1, Multiyear Procurement Criteria		Date: September 2018
Appropriation / Budget Activity: 1507 Weapons Procurement - Navy / Other Missiles (BA-02)		P-1 Item Nomenclature: Standard Missile (SM-6)
<p>1. <u>Multiyear Procurement Description:</u></p> <p>This multiyear procurement (MYP) provides for the procurement of up to 625 Standard Missile-6 (SM-6) Block I/IA guided missiles for fiscal year (FY) 2019 through FY 2023 program. Advance procurement for economic order quantities begin in FY 2019. This is a five year MYP contract.</p> <p>This multiyear contract uses Economic Order Quantity Advance Procurement funding to provide the U.S. Government maximum savings in price. Advance Procurement funding will enable material and component suppliers and subcontractors with sufficient lead time to support the planned delivery schedule within the context of the multiyear funding, prices, and cancellation ceilings.</p>		
<p>2. <u>Benefit to the Government:</u></p> <p>a. <u>Substantial Savings:</u></p> <p>Implementation of this proposed multiyear procurement (MYP) will yield substantial savings through the term of the contract. Specifically, savings for FY 2019 through FY 2023 attributable to this MYP strategy is estimated at \$331.4 million for a total of 13.7 percent.</p> <p>b. <u>Stability of Requirement:</u></p> <p>The SM-6 program is one of the core Department of Navy missile programs. The Navy requirement for SM-6 is well documented in the Capability Production Document validated December 23, 2008 by the Joint Requirements Oversight Council. The Navy and Resource and Requirements Review Board (R3B) of March 13, 2013 established a requirement for 1800 SM-6 missiles. SM-6 leverages the legacy STANDARD Missile airframe and propulsion elements, while incorporating the advanced signal processing and guidance control capabilities of Advanced Medium-Range Air-to-Air Missile (AMRAAM). SM-6 provides air defense against fixed-wing and rotary-wing aircraft, unmanned aerial vehicles, and land-attack anti-ship cruise missiles in flight, both over sea and land. SM-6 Block I is in full rate production; production commenced in FY 2009. SM-6 Block IA is in full rate production; Low Rate Initial Production (LRIP) commenced in FY 2015. A production rate of 125 missiles per year (mix of Block I/IAs) is planned through the MYP period</p> <p>c. <u>Stability of Funding:</u></p> <p>Sufficient funding exists within current budget controls to execute this procurement plan. The SM-6 program is one of the core Department of Navy missile programs and is approved through the current Future Years Defense Program. The Navy has demonstrated its commitment to a stable funding stream for the SM-6 MYP through every step of this year's budget process by fully funding the requirement. This commitment was reaffirmed by top level Navy and DoD leadership through its support in the final budget submission.</p> <p>d. <u>Stable Configuration:</u></p> <p>SM-6 Block I achieved Full Operational Capability (FOC) of 266 delivered missiles on December 27, 2017 and 411 SM-6 Block I missiles have been delivered as of December 31, 2017. SM-6 Block IA LRIP missile deliveries will commence in 4QFY2018. The minimum need for the material to be purchased is expected to remain</p>		
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substantially unchanged during the planned contract period in terms of production rate, procurement rate and total quantities. All SM-6 Block I/IA missiles procured under the multi-year contract would be of the same design. Concurrent procurement of material will ensure that sufficient parts exist to maintain a stable configuration.

e. Realistic Cost Estimate:

Cost Estimates reflect experience with Standard Missile 2 (SM-2) and SM-6 manufacturing since 1996 with the SM-2 Block IIIB configuration. SM-6 actual contract data is used to support cost estimates. SM-6 Program Life Cycle Cost Estimate (PLCCE) is updated in support of a FRP decision and Cost Assessment and Program Evaluation (CAPE) Independent Cost Estimate (ICE) in 2013. The latest PLCCE revision was documented in the Navy Service Cost Position (SCP) as part of the SM-6 FRP documentation in April 2013. This estimate was in concurrence with the ICE prepared by the CAPE for FRP which was documented in the Acquisition Decision Memorandum (ADM) dated July 15, 2013 and became the basis for the current Acquisition Performance Baseline (APB) approved in August 09, 2013. The SM-6 Life Cycle Cost has also been reported in the Annual Selected Acquisition Report (SAR), the latest of which was submitted in May 2017. There is a high degree of confidence the SM-6 program can achieve the stated savings and procure the MYP missiles within the funding identified. The five year MYP will be a firm fixed price contract.

f. National Security:

The SM-6 is the primary extended range air defense weapon for AEGIS cruisers and destroyers and potentially for future combatants. SM-6 provides an extended range engagement capability to provide the air superiority and the umbrella of protection for joint U.S. forces and allies against the full spectrum of manned fixed & rotary-winged aircraft, unmanned aerial vehicles, & land attack and anti-ship cruise missiles in flight. This capability contributes significantly to the continuous protection of forward deployed ground maneuver forces as well as theater rear assets. A stable procurement will also help maintain inventory levels required for the defense of the U.S. Fleet.

3. Source of Savings:

The stability and upfront material purchase of a multiyear contract for SM-6 will enable the Prime Contractor and its suppliers to implement a more efficient planning and manufacturing cycle predicated on a production rate that supports the delivery cycle.

	<u>\$ in Millions</u>
Inflation	\$0.000
Vendor Procurement	\$331.382
Manufacturing	\$0.000
Design/Engineering	\$0.000
Tool Design	\$0.000
Support Equipment	\$0.000
Other	\$0.000
Workload Savings	\$0.000
Total	\$331.382

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4. Advantages of the MYP:

The proposed multi-year contract provides significant savings over a year-by-year contracting approach. Savings from economic order quantities and independent planning result in benefit to industry and government. In addition to providing substantial cost savings, MYP will provide the following benefits: (1) generate significant savings compared to the annual procurement cost estimates; (2) provide a long-term commitment to industry, stabilizing employment and the industrial base; (3) reduce disruptions in vendor delivery schedules; and (4) improve procurement stability. MYP would permit the use of Advance Procurement (AP) and economic order quantity (EOQ) procurement to reduce the cost of subcontractor effort, material, and components enabling greater production efficiencies and substantial cost savings.

5. Impact on Defense Industrial Base:

The stability afforded by the use of a multiyear procurement will allow the prime contractor to enter into long term agreements with suppliers, at every tier, which provide substantial benefit. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements that yield long term benefits in terms of product quality and cost. The contractor and subcontractor will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the government and industry to enter into a long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the SM-6.

6. Multiyear Procurement Summary:

	<u>Annual Contracts</u>	<u>MultiYear Contract</u>
Quantity	625	625
Total Contract Price	\$2,415.490	\$2,084.108
Cancellation Ceiling (highest point)		
Funded		\$ 0.000
Unfunded		\$ 0.000
\$ Cost Avoidance Over Annual		\$331.382
% Cost Avoidance Over Annual		13.7%

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Exhibit MYP-2 Total Program Funding Plan (NAVY)					Date: September 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027		TOTAL
Procurement Quantity	125	125	125	125	125						625
Annual Procurement											
Gross Cost	586.1	534.4	543.7	554.6	565.7						2784.4
Less PY Adv Procurement											
Net Procurement (= P-1)	586.1	534.4	543.7	554.6	565.7						2784.4
Plus CY Adv Procurement											
Weapon System Cost	586.1	534.4	543.7	554.6	565.7						2784.4
Multiyear Procurement											
Gross Cost (P-1)	490.2	488.6	490.7	489.1	489.3						2447.9
Less PY Adv Procurement		(83.8)	(83.6)	(83.5)	(83.3)						(334.3)
Net Procurement (= P-1)	490.2	404.8	407.1	405.6	406.0						2113.7
Advance Procurement											
For FY20	83.8										83.8
For FY21	25.1	58.5									83.6
For FY22	16.8	20.8	45.9								83.5
For FY23		16.7	20.8	45.8							83.3
Plus CY Adv Procurement	125.7	96.1	66.7	45.8							334.3
Weapon System Cost	615.9	500.9	473.8	451.4	406.0						2447.9
Multiyear Savings (\$)	(29.8)	33.4	69.8	103.3	159.7						336.5
Multiyear Savings (%) (total only)											12.1%
Cancellation Ceiling, Funded											
Cancellation Ceiling, Unfunded											
OUTLAYS											
Annual	35.2	55.5	229.8	567.0	539.8	515.2	502.5	339.4			2784.4
Multiyear	37.0	54.7	233.2	565.8	485.1	435.9	392.6	243.6			2447.9
Savings	(1.8)	0.8	(3.4)	1.1	54.7	79.3	109.9	95.8			336.5
P-1 Shopping List - Item No 02-2234											
<div>* Numbers may not add due to rounding.</div> <div>Exhibit MYP-2, Total Program Funding Plan</div> <div>(MYP, Page 4 of 6)</div>											

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Exhibit MYP-3 Total Contract Funding Plan (NAVY)					Date: September 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027		TOTAL
Procurement Quantity	125	125	125	125	125						625
Annual Procurement											
Gross Cost	516.4	461.7	469.9	479.3	488.2						2415.5
Less PY Adv Procurement											
Net Procurement (= P-1)	516.4	461.7	469.9	479.3	488.2						2415.5
Plus CY Adv Procurement											
Contract Price	516.4	461.7	469.9	479.3	488.2						2415.5
Multiyear Procurement											
Gross Cost (P-1)	421.6	417.1	418.1	414.3	413.0						2084.1
Less PY Adv Procurement		(83.8)	(83.6)	(83.5)	(83.3)						(334.3)
Net Procurement (= P-1)	421.6	333.3	334.5	330.8	329.6						1749.9
Advance Procurement											
For FY20	83.8										83.8
For FY21	25.1	58.5									83.6
For FY22	16.8	20.8	45.9								83.5
For FY23		16.7	20.8	45.8							83.3
Plus CY Adv Procurement	125.7	96.1	66.7	45.8							334.3
Contract Price	547.3	429.4	401.2	376.6	329.6						2084.1
Multiyear Savings (\$)	(30.9)	32.3	68.7	102.8	158.5						331.4
Multiyear Savings (%) (total only)											13.7%
Cancellation Ceiling, Funded											
Cancellation Ceiling, Unfunded											
OUTLAYS											
Annual	1.5	22.0	174.8	498.0	465.0	472.0	461.4	320.7			2415.5
Multiyear	1.6	23.2	182.6	505.6	418.5	389.7	346.3	216.6			2084.1
Savings	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1			331.4

P-1 Shopping List - Item No
02-2234

* Numbers may not add due to rounding.

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Exhibit MYP-4 Present Value Analysis (NAVY)					Date: September 2018						
PROCUREMENT					P-1 Line Item Nomenclature - Standard Missile (SM-6) (NAVY)						
	2019	2020	2021	2022	2023	2024	2025	2026	2027		TOTAL
Annual Proposal											
Then Year Cost	1.5	22.0	174.8	498.0	465.0	472.0	461.4	320.7			2415.5
Constant Year Cost	1.5	21.2	164.8	460.2	421.3	419.3	401.8	273.8			2163.9
Present Value	1.5	21.2	164.5	459.4	420.4	418.3	400.7	273.0			2158.8
Multiyear Proposal											
Then Year Cost	1.6	23.2	182.6	505.6	418.5	389.7	346.3	216.6			2084.1
Constant Year Cost	1.6	22.3	172.1	467.2	379.2	346.2	301.6	184.9			1875.1
Present Value	1.6	22.3	171.8	466.4	378.4	345.3	300.7	184.3			1870.9
Difference											
Then Year Cost	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1			331.4
Constant Year Cost	(0.1)	(1.1)	(7.3)	(7.0)	42.0	73.1	100.2	88.9			288.8
Present Value	(0.1)	(1.1)	(7.3)	(7.0)	42.0	72.9	99.9	88.6			288.0
Multiyear Savings (\$)	(0.1)	(1.1)	(7.8)	(7.6)	46.4	82.3	115.1	104.1			331.4

NOTE: MYP Procurement Period is 8 years. Real Interest Rate for MYP Procurement Period of 8 years is 1.00030000%.
(OMB Circular No. A-94, January 2018)

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Exhibit MYP-4 Present Value Analysis
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