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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 0401219F / KC-10s							
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	-	18.450	-	2.714	-	2.714	1.811	-	-	-	-	22.975
675195: Aircraft Modernization Program (AMP)	-	18.450	-	2.714	-	2.714	1.811	-	-	-	-	22.975
Quantity of RDT&E Articles	-	-	-	1.000	-	1.000	-	-	-	-		

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

A. Mission Description and Budget Item Justification

The KC-10A Extender is an aerial refueling asset built on the commercial DC-10 airframe. The aircraft creates an air bridge enabling rapid global mobility and global strike missions. There are 59 KC-10A aircraft in the USAF tanker fleet. RDT&E funds throughout the FYDP will be used to support the Communications, Navigation and Surveillance/Air Traffic Management (CNS/ATM) and Mode 5 modification efforts. Both programs share the same Budget Program Activity Code (BPAC) 675195 Aircraft Modernization Program (AMP). FY13 is the last year of funding for CNS/ATM development. Mode 5 integration is a new start effort that will begin in FY15.

The Mode 5 modification is a DoD-mandated (JROCOM 047-07, 5 Mar 07 directs KC-10 IOC by 2014, FOC by 2020) upgrade to the KC-10's Identify Friend or Foe (IFF) system (the primary means of aircraft identification during Air Defense operations). The Mode 5 update increases anti-spoofing and exploitation capabilities, and lowers the possibility of aircraft/aircrew loss due to misidentification of friendly aircraft. The modification includes a new Mode 5 crypto applique, new IFF control panel, a circuit card upgrade to the APX-110 transponder, support equipment upgrades and replacement/relocation of the data loader from the avionics bay to the flight deck.

B. Program Change Summary (\$ in Millions)	FY 2013	FY 2014	FY 2015 Base	FY 2015 OCO	FY 2015 Total
Previous President's Budget	24.022	-	2.748	-	2.748
Current President's Budget	18.450	-	2.714	-	2.714
Total Adjustments	-5.572	-	-0.034	-	-0.034
• Congressional General Reductions	-0.028	-			
• Congressional Directed Reductions	-3.000	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-0.591	-			
• Other Adjustments	-1.953	-	-0.034	-	-0.034

Change Summary Explanation

FY13 adjustments are from Sequestration (\$1.953M) and a Congressional Directed Reduction due to aircraft modernization program forward financing (\$3M).

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C. Accomplishments/Planned Programs (\$ in Millions)	FY 2013	FY 2014	FY 2015
Title: Mode 5 Description: DoD-mandated upgrade to the IFF system to increase anti-spoofing and exploitation capabilities and lower the possibility of aircraft/aircrew loss due to misidentification of friendly aircraft. FY 2015 Plans: Engineering design and analysis effort to include a new digital control panel and an upgrade to the existing APX-119.	-	-	2.714
Title: CNS-ATM Description: CNS-ATM upgrades the KC-10 Flight Management System (FMS) and Inertial Navigation System (INS) to meet worldwide airspace accessibility requirements and address FMS/INS obsolescence issues for the fleet of 59 aircraft. FY 2013 Accomplishments: CNS/ATM: Finished software and hardware development activities of aircraft and ATD designs and prepared aircraft for production startup in FY14. The development activities included Systems Integration Laboratory (SIL) testing, accomplishment of ATD testing and certification, and accomplishment of aircraft ground and flight tests leading to a Federal Aviation Administration (FAA) Supplemental Type Certificate (STC).	18.450	-	-
Accomplishments/Planned Programs Subtotals	18.450	-	2.714

D. Other Program Funding Summary (\$ in Millions)											
Line Item	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
• APAF:BA05:Line Item #C01000: KC-10 Mods	8.574	48.169	34.313	-	34.313	8.397	4.663	4.752	4.841	-	113.709
Remarks											
E. Acquisition Strategy Acquisition Approach Summary: CNS/ATM: The acquisition is in accordance with Federal Acquisition Regulation (FAR) Part 15, Contracting by Negotiation. Further, this acquisition was awarded to a single integrator to accomplish all activities and utilizes a firm fixed price (FFP) contract with performance based payments. Payments (expenditures) on this contract are intentionally deferred, to the advantage of the government, to incentivize the contractor to successfully complete program milestones. These deferred payments cannot be paid until these milestones have been successfully completed; thus, delaying complete expenditure of those funds. Therefore, expenditures for this effort will lag behind OSD goals.											

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Mode 5: Acquisition strategy will be a sole source, FFP contract for a 15-month RDT&E effort followed by procurement of kits and modification of fleet at depot. <u>F. Performance Metrics</u> 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.		

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Exhibit R-4, RDT&E Schedule Profile: PB 2015 Air Force		Date: March 2014
Appropriation/Budget Activity 3600 / 7	R-1 Program Element (Number/Name) PE 0401219F / KC-10s	Project (Number/Name) 675195 / Aircraft Modernization Program (AMP)

