



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUN 29 2007

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Section 134 of the John Warner National Defense Authorization Act for FY 2007, Public Law 109-364, and section 8008 of the DoD Appropriations Act, 2007, Public Law 109-289, authorizes the Secretary of the Air Force to enter into multiyear contracts for the procurement of up to 60 F-22 aircraft beginning with the 2007 program year, subject to specified certifications.

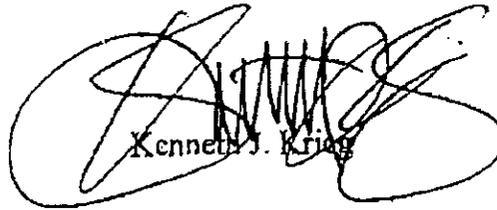
This letter provides the certifications required by title 10, United States Code, section 134 and sections 2306b. I certify that the F-22 multiyear procurement (MYP) meets all requirements of the law. Further, I certify that the current future-years defense program fully funds the support costs associated with the multiyear program. The proposed F-22 multiyear contract satisfies the requirement that the proposed multiyear contract provides for production at not less than minimum economic rates given the existing tooling and facilities. Additional data is enclosed.

Section 134 also requires performance of an independent analysis by a Federally Funded Research and Development Center. The Department contracted with the RAND Corporation to perform this work. The RAND report, which was provided directly to you by RAND, documents the F-22 MYP cost savings as compared to its estimate of the most reasonable three single-year procurements of an equal number of aircraft and engines of \$411M. These savings are substantial and justify the multiyear procurement. Historical aircraft related cost savings since 1982 for MYPs were considered in the assessment. The RAND Corporation analysis documented that the F-22 MYP cost savings are comparable to these historical benchmarks on a per aircraft cost basis, but as a percentage, the F-22 MYP savings are lower than historical aircraft programs. This difference is attributed to the relatively low production rate, small quantity of aircraft being procured, late application of Economic Order Quantity (primarily affecting Lots 8 and 9), F-22 production being farther down the learning curve, and cost reduction initiatives that have already been accomplished.



Similar letters are being provided to the President of the Senate, Speaker of the House and the appropriate congressional committees.

Sincerely,



Kenneth J. King

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member

**Discussion - 10 U.S.C. 2306b(a) Criteria
for Multiyear Procurement (MYP) of the F-22**

Substantial Savings

10 U.S.C. 2306b(a)(1): *"That the use of such a contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts"*

Implementation of the proposed MYP contract will yield substantial cost savings when compared to a series of successive annual contract procurements. The RAND Corporation's independent assessment, based on the negotiated price for the multiyear procurement, concluded that the F-22 and F119 engine multiyear procurement yields savings of \$411M (\$6.85M per aircraft) for purchase of 60 F-22 aircraft and associated engines under the multiyear contract, when compared to the cost to purchase 60 F-22 aircraft and associated engines in three single year procured lots. While the number of aircraft in the proposed F-22 MYP is small compared to previous tactical aircraft multiyear procurements, the savings on a per aircraft basis are comparable to previously approved multiyear procurements. The F/A-18 E/F MYP was approved with an estimated savings of \$3.8M per aircraft.

Stability of Requirement

10 U.S.C. 2306b(a)(2): *"That the minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate and total quantities"*

The minimum requirement for F-22 aircraft and engines is stable and is expected to remain unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities. The F-22 Raptor requirement has been consistently validated and remains a top Air Force priority. The F-22 Operational Requirements Document was validated by the Joint Requirements Oversight Council (JROC) and approved by the Chief of Staff of the Air Force. The Quadrennial Defense Review supported restructuring the F-22 program and extending production through calendar year 2011 with a multiyear procurement contract to ensure the Department does not have a gap in the production of its 5th generation tactical aircraft. The Fiscal Year 2007 President's Budget documented this decision and requested funding to support the planned multiyear procurement.

Stability of Funding

10 U.S.C. 2306b(a)(3): *"That there is a reasonable expectation that throughout the contemplated contract period the Secretary of the Air Force will request funding for the contract at the level required to avoid contract cancellation"*

The Air Force and the Department of Defense committed to provide stable funding for multiyear procurement of F-22 aircraft and engines in the Fiscal Year 2008 President's Budget and are committed to fully fund the multiyear procurement through completion. Sufficient funding will be available to avoid contract cancellation.

Stable Design

10 U.S.C. 2306b(a)(4): *"That there is a stable design for the property to be acquired and that the technical risks associated with such property are not excessive"*

The F-22's Engineering, Manufacturing and Development (EMD) phase, defining the weapon system's capability baseline for production, concluded in December 2005. The successful completion of Follow-on Operational Test and Evaluation (FOT&E) and the production readiness assessment, performed to support the Full Rate Production decision, substantiate that the F-22 design is stable. Six production lots have been awarded, and Lockheed Martin Aeronautics is currently delivering Lot 5 aircraft. Changes during performance of the MYP contract are not expected to result in any significant structural changes to the aircraft nor substantial changes to the F119 engine. Platform modernization during the course of the multiyear procurement is consistent with other multiyear procurements.

The F-22 is in operational use and has demonstrated over 10,000 developmental test and training hours and 19,000 operational flight hours. Initial Operational Capability was declared in December 2005. Two operational squadrons have been established at Langley AFB, Virginia and a squadron is being stood-up at Elmendorf AFB, Alaska.

Realistic Cost Estimates

10 U.S.C. 2306b(a)(5): *"That the estimates of both the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic"*

The estimates for both the cost of the multiyear procurement contracts and anticipated cost avoidance through the use of the multiyear contracts for the F-22 aircraft and engines are realistic. Section 134(e) of the John Warner National Defense Authorization Act for Fiscal Year 2007, Public Law 109-364, directed that the Secretary of Defense shall provide for a Federally Funded Research and Development Center to report on the cost estimates for a three-year, 60-aircraft, F-22 multiyear procurement program, beginning in fiscal year 2007, compared to a corresponding annual procurement program. The RAND Corporation conducted an independent analysis which verified the multiyear procurement cost and savings. The multiyear procurement contract price for aircraft and engines has been negotiated and the costs are considered realistic.

National Security

10 U.S.C. 2306b(a)(6): *"That the use of such a contract will promote the national security of the United States"*

Multiyear procurement of the F-22 will promote the national security of the United States by providing advanced fighter capability. There is no alternative aircraft in production offering comparable capabilities to the F-22. The F-22 is the most advanced fighter in the world. It brings unprecedented air-to-air combat capabilities and the capability to strike ground targets in heavily defended anti-access environments. In operational testing and operational exercises, the F-22 has demonstrated an order of magnitude improvement in exchange ratios over any other fighter aircraft, and on a capability basis, represents the least cost option to replace legacy fighters dedicated to air-to-air, Suppression of Enemy Air Defenses (SEAD), and Destruction of Enemy Air Defenses (DEAD). The Raptor's dominant combat capabilities will provide U.S. forces with air superiority and its robust air-to-air and air-to-ground military capabilities will afford joint combatant commanders with options for asymmetric engagement that do not exist with legacy fighters. Procurement of the F-22 maintains the Air Force's preeminence in tactical and strategic airpower and will allow the Department to efficiently deliver required fifth generation fighter capability to complement fifth generation capability which will be provided by the Joint Strike Fighter.

Full Funding

10 U.S.C. 2306b(i)(1)(A): *"That the current future-years defense program fully funds the support costs associated with the multiyear program"*

The Secretary of the Air Force is committed to fully funding F-22 support costs in the FY08-FY13 Future-Years Defense Program. The Fiscal Year 2008 President's Budget fully funds F-22 support costs. The Fiscal Year 2008 budgetary documents reflect the F-22's importance to overall DoD planning and demonstrate the Air Force's commitment to fully fund this weapon system at the proposed multiyear quantities.

Minimum Economic Rate

10 U.S.C. 2306b(i)(1)(B): *"The proposed multiyear contract provides for production at not less than minimum economic rates given the existing tooling and facilities"*

The minimum F-22 economic production rate is 20 aircraft per year. Minimum economic rate is defined by the Department as the production rate below which certain work stations within the production line would not be used, reducing production efficiencies by leaving workers and equipment idle. (The F-22 production line is currently tooled for an efficient rate of 24 aircraft per year.)