

**ANALYSIS OF FUNDING 115
APACHES
FY17-FY21**

**Using Funds From Existing
Aviation Accounts**

ARMY COMMUNICATION TO SIKORSKY

- Army concerned about language delaying Apache turn-in and language tying reman turn-in Qty's to total
- Army warned the SecDef will delay his approval to move forward with MYIX contracting (due in July) as part of the FY17 budget build until the FY16 NDAA results are determined
- Guard retention of Apaches could create \$4.6B Apache bill (115 new acft)
- H-60 program a major bill payer
- H-60 procurement reduced to "Army's minimum sustainment rate" – 18 aircraft per year

ARMY COMMUNICATION TO SIKORSKY

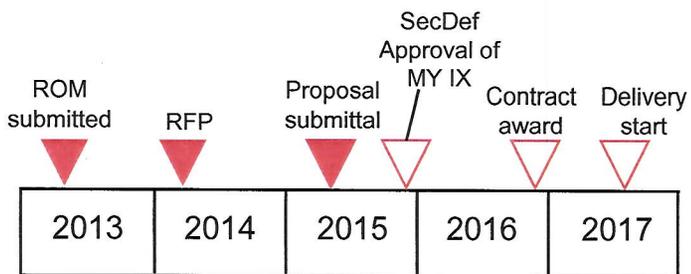
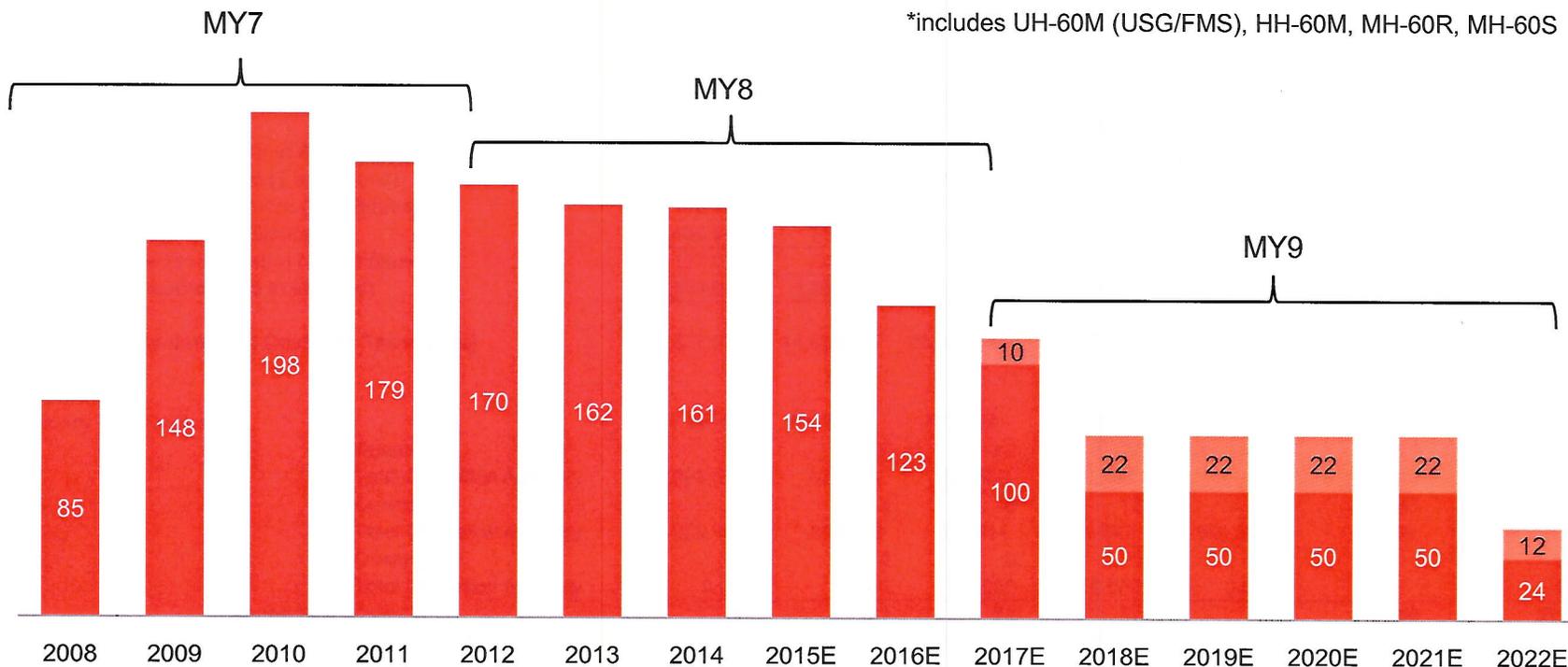
- Sikorsky Leadership deeply concerned about Army's warning
- Sikorsky MY IX proposal includes a Sikorsky minimum rate of 36 A/C per year. Sikorsky does not concur with Army's 18 per year production rate
- Dropping to 18/year will
 - require a re-pricing of the contract
 - result in a production line break
 - will mean a conversion to single year pricing
 - Increase per unit costs significantly
 - Delay Guard UH-60A retirement/UH/HH-60M modernization more than 10 years

UTC/SIKORSKY CONTACT

- Sikorsky had remained neutral on ARI until Army's warning regarding significant cuts to Black Hawk funding
- Army stated that if the turn-in language remains in the final bill, the SecDef will delay his approval to move forward with MYIX contracting as part of the FY17 budget build
- A letter was sent to the Governors (highlighting job losses in the states) , and to the TAGs (highlighting the slow down of UH-60M fieldings as a result of the cuts)
- UTC lobbyists coordinated multi-signature letter asking for changes to Apache turn-in language under consideration in the FY16 NDAA

SIKORSKY Multi year programs

Helicopter deliveries



Demonstrated multi-year savings

ARI potential delays

NOTIONAL REDUCTION OF UH-60 BLACKHAWK PRODUCTION TO 36 AIRCRAFT PER YEAR

* estimated

Potential Reduction in UH/HH-60M procurement to fund Apaches

Assumption: Reduce Qty from 50 to 36 A/C per Year (21 UH, 15 HH), (see notional Fly away cost calc tab for unit costs)

Resource Summary		MY VIII FY 2016	MY IX FY 2017	MY IX FY 2018	MY IX FY 2019	MY IX FY 2020	MY IX FY 2021	Total
Procurement Quantity (Units in Each)		94	36	36	36	36	36	274
Gross/Weapon System Cost (\$ in Millions)		1,558.330	863.100	863.100	863.100	863.100	863.100	5,873.830
Less PY Advance Procurement (\$ in Millions)		122.385	127.079	124.286	124.286	124.286	108.273	731
Net Procurement (P1) (\$ in Millions)		1,435.945	736.021	738.814	738.814	738.814	754.827	5,143.234
Plus CY Advance Procurement (\$ in Millions)		127.079	124.286	124.286	124.286	108.273	108.273	716
Total Obligation Authority (\$ in Millions)		1,563.024	860.307	863.100	863.100	847.087	863.100	5,859.718
Gross/Weapon System Unit Cost (\$ in Thousands)		16,577.979	23,975.000	23,975.000	23,975.000	23,975.000	23,975.000	21,437.336
Secondary Distribution		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Army	Quantity	79	36	36	36	36	36	259
	Total Obligation Authority	1,303.574	860.307	863.100	863.100	847.087	863.100	5,600.268
ARNG	Quantity	15	0	0	0	0	0	15
	Total Obligation Authority	259.450	-	-	-	-	-	259.450
AR	Quantity	0	0	0	0	0	0	0
	Total Obligation Authority	0.000	0.000	0.000	0.000	0.000	0.000	0
Total:	Secondary	94	36	36	36	36	36	274
Distribution	Total Obligation Authority	1,563.024	860.307	863.100	863.100	847.087	863.100	5,859.718

Funds Generated from BlackHawk Reduction	402.747	319.299	79.970	113.443	415.268	1,330.727
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Resource Summary	AH-64 Apache Block IIIB New Build Fly away Cost estimate: \$40M						Total
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Procurement Quantity (Units in Each)	-	23	23	23	23	23	115
Gross/Weapon System Cost (\$ in Millions)	-	920.000	920.000	920.000	920.000	920.000	4,600.000
Less PY Advance Procurement (\$ in Millions)	-	-	156.400	156.400	156.400	156.400	625.600
Net Procurement (P1) (\$ in Millions)	-	920.000	763.600	763.600	763.600	763.600	3,974.400
Plus CY Advance Procurement (\$ in Millions)	-	156.400	156.400	156.400	156.400	-	625.600
Total Obligation Authority (\$ in Millions)	-	1,076.400	920.000	920.000	920.000	763.600	4,600.000

Shortfall: (673.653) (600.701) (840.030) (806.557) (348.332) (3,269.273)

Possible funding sources:

Cut AH-64 Reman Program by 42%	2,569.000
Cut CH-47G New A/C program by 33%	700.000
Total	3,269.000

Notes

- BH production reduced to 36 A/C per year
- BH unit price increase 35%
- Funds 26% of Apache Shortfall
- Remaining funding from AH-64 remanufacture program and CH-47G new A/C program

ARI CONSIDERATIONS

- ARI created in response to sequestration cuts
- Cancellation of Armed Arial Scout program resulted in Apache/UAV interim Scout mission plan
- ROM estimate of ARH scout program is \$20M X 300 A/C = \$6 Billion (includes RDTE and procurement cost)
- 115 A/C New build Apache procurement is \$4.6 Billion
- Army may want to
 - re-visit funding the ARH program to solve the ARI conflict