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Exhibit P-40, Budget Line Item Justification: PB 2016 Navy **Date:** February 2015

Appropriation / Budget Activity / Budget Sub Activity:
 1506N: Aircraft Procurement, Navy / BA 06: Aircraft Spares and Repair Parts / BSA
 1: Aircraft Spares and Repair Parts

P-1 Line Item Number / Title:
 0605 / Spares and Repair Parts

ID Code (A=Service Ready, B=Not Service Ready) : A **Program Elements for Code B Items:** **Other Related Program Elements:**

Resource Summary	Prior Years	FY 2014	FY 2015	FY 2016 Base	FY 2016 OCO	FY 2016 Total	FY 2017	FY 2018	FY 2019	FY 2020	To Complete	Total
Procurement Quantity (Units in Each)	-	-	-	-	-	-	-	-	-	-	-	-
Gross/Weapon System Cost (\$ in Millions)	0.000	1,087.329	1,226.651	1,563.515	-	1,563.515	1,199.818	1,135.600	908.560	865.738	Continuing	Continuing
Less PY Advance Procurement (\$ in Millions)	-	-	-	-	-	-	-	-	-	-	-	-
Net Procurement (P1) (\$ in Millions)	0.000	1,087.329	1,226.651	1,563.515	-	1,563.515	1,199.818	1,135.600	908.560	865.738	Continuing	Continuing
Plus CY Advance Procurement (\$ in Millions)	-	-	-	-	-	-	-	-	-	-	-	-
Total Obligation Authority (\$ in Millions)	0.000	1,087.329	1,226.651	1,563.515	-	1,563.515	1,199.818	1,135.600	908.560	865.738	Continuing	Continuing

(The following Resource Summary rows are for informational purposes only. The corresponding budget requests are documented elsewhere.)

Initial Spares (\$ in Millions)	-	-	-	-	-	-	-	-	-	-	-	-
Flyaway Unit Cost (\$ in Dollars)	-	-	-	-	-	-	-	-	-	-	-	-
Gross/Weapon System Unit Cost (\$ in Dollars)	-	-	-	-	-	-	-	-	-	-	-	-

Description:

The initial spares requirement funds all repairables and consumables allowances to support the quantity and type/model/series of aircraft in new procurement, during Interim Contractor Support and to support. The initial spares category includes interim spares for recently introduced equipment without adequate demand history using prescribed weapons utilization rates, as well as all aircraft engines and module spares. All spares requirements are developed using accredited sparing models. Funding requirements for major avionics are calculated on an item-by-item basis where possible.

The Vendor Direct spares element of the budget is comprised of the Aviation Outfitting Account (AOA), which sources spares from DWC/NWCF subsequent to Material Support Date, as well as a limited number of Headquarters Replenishment Accounts for spares procured at Naval Air Systems Command headquarters to support Executive Mission helicopters, interservice support requirements, and miscellaneous aircraft systems.

APN-6 funding for JSF will procure the Navy's proportional share of pooled aircraft spares and repair parts, to include spare engines and engine modules, in accordance with the joint cost sharing agreement entered by the Assistant Secretary of the Navy in Joint Program Office Decision Memorandum #25. Additionally, APN-6 funds will procure initial spares and repair parts necessary to outfit organic and commercial depot repair activities in satisfaction of the interim support arrangements made to achieve key sustainment milestones in the JSF program.

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ID Code (A=Service Ready, B=Not Service Ready) : A			Program Elements for Code B Items:			Other Related Program Elements:		
Exhibits Schedule			Prior Years	FY 2014	FY 2015	FY 2016 Base	FY 2016 OCO	FY 2016 Total
Title*	Exhibits	ID CD	Quantity / Total Cost (Each) / (\$ M)	Quantity / Total Cost (Each) / (\$ M)	Quantity / Total Cost (Each) / (\$ M)	Quantity / Total Cost (Each) / (\$ M)	Quantity / Total Cost (Each) / (\$ M)	Quantity / Total Cost (Each) / (\$ M)
APN spares	P-18		- / -	- / 1,087.330	- / 1,226.651	- / 1,563.515	- / -	- / 1,563.515
Total Gross/Weapon System Cost			- / 0.000	- / 1,087.329	- / 1,226.651	- / 1,563.515	- / -	- / 1,563.515

*Title represents 1) the Number / Title for Items; 2) the Number / Title [DODIC] for Ammunition; and/or 3) the Number / Title (Modification Type) for Modifications. Title represents the P-18 Title for Spares.

Note: Totals in this Exhibit P-40 set may not be exact or add due to rounding.

Justification:

The spares budget increases in FY2016 due to (1) the Navy's continued effort to fund Aviation Outfitting Allowance (AOA) at higher levels to improve aviation operational readiness across the Fleet while assuming greater risk in initial spares, (2) the initial spares for MQ-4C Triton associated with the first Low Rate Initial Procurement (LRIP) in FY 2016, and (3) Joint Strike Fighter (JSF) spares. FY 2015 Joint Strike Fighter (JSF) F-35B Short Take-Off and Vertical Landing (STOVL) spares were reduced by \$21 million by Congress and aircraft procurement increases from 6 in FY 2015 to 9 aircraft in FY 2016, which requires more spares. JSF STOVL and JSF Carrier Variant (CV) spares are required to support Initial Operational Capability (IOC); meet parts availability, resupply response times, and maintenance requirements; and continue progressing to Full Operational Capability (FOC). The funding will procure Afloat Spares Packages (ASP), Deployment Spares Packages (DSP), and the Navy and Marine Corps share of the JSF Global Spares Pool (GSP). The GSP is a foundational tenet of this joint program, whereby the Air Force, Navy, Marine Corps, and eight International countries share the cost of spares, eliminating need for individual entities to procure full depth and range of spares. These initial spares and repair parts are critical to establishing depot maintenance capability and meeting sustainment milestones for all partners.

Over the past decade the Department had funded the AOA account below the requirement. The Department mitigated this strategy through the use of cross decking spare parts and cannibalization. However, the Department exhausted this mitigation strategy in 2013 when these two tactics were no longer able to fill the readiness gap created by lower funding levels. Prior-year AOA underfunding, coupled with an increase in overall AOA requirements, had driven a backlog of APN-6 AOA spares requisitions to over \$1 billion. The Department commenced funding the AOA Repairables (CT 9713) at higher levels in the FY 2015 President's Budget and Congress approved a FY 2014 Above Threshold Reprogramming (ATR) to start mitigating the shortfall, which is now less than \$0.9 billion. Since funding needs stability to overcome the backlog and improve readiness, the Department strategy is to control the backlog while providing enough aviation material support to the Fleet by funding AOA Repairables to no less than the 85% of the requirement each year.

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Exhibit P-18, Initial and Replenishment Spare and Repair Parts Justification: PB 2016 Navy					Date: February 2015		
Appropriation / Budget Activity / Budget Sub Activity: 1506N / 06 / 1		P-1 Line Item Number / Title: 0605 / Spares and Repair Parts			Name: APN spares		
End Item Line Item Number / Name [MDAP/MAIS]	Prior Years (\$ M)	FY 2014 (\$ M)	FY 2015 (\$ M)	FY 2016 Base (\$ M)	FY 2016 OCO (\$ M)	FY 2016 Total (\$ M)	
Initial							
BA 01 - Combat Aircraft							
0143 / EA-18G	-	10.203	-	-	-	-	-
0147 / Joint Strike Fighter CV	-	25.809	28.200	59.914	-	-	59.914
0152 / JSF STOVL	-	88.304	64.194	111.569	-	-	111.569
0164 / V-22 (Medium Lift)	-	0.677	-	0.479	-	-	0.479
0178 / UH-1Y/AH-1Z	-	0.983	-	0.658	-	-	0.658
0179 / MH-60S (MYP)	-	0.568	-	-	-	-	-
0182 / MH-60R	-	0.304	-	0.069	-	-	0.069
0193 / P-8A Poseidon	-	20.553	0.204	1.569	-	-	1.569
0195 / E-2D AHE	-	7.449	7.582	7.786	-	-	7.786
BA 03 - Trainer Aircraft							
0339 / JT Primary Acft Trnr Sys (JPATS)	-	3.018	-	-	-	-	-
BA 04 - Other Aircraft							
0416 / KC-130J	-	7.928	0.310	3.999	-	-	3.999
0442 / MQ-4 TRITON	-	-	-	153.954	-	-	153.954
0443 / MQ-8 UAV	-	12.261	12.573	-	-	-	-
0465 / Other Support Aircraft	-	2.152	-	-	-	-	-
9401 / Spares for Repair of Repairables	-	46.613	47.886	17.654	-	-	17.654
BA 05 - Modification of Aircraft							
9504 / Spares for Modifications	-	99.229	78.212	100.483	-	-	100.483
BA 07 - Aircraft Support Equip & Facilities							
9705 / Spares for Training Devices	-	23.244	24.409	48.275	-	-	48.275
9707 / Spares for CSE Parts	-	1.054	0.876	0.915	-	-	0.915
9708 / Spares for CASS Spares	-	0.070	5.950	3.275	-	-	3.275
9709 / Spares for TCTS Spares	-	0.251	0.262	0.099	-	-	0.099
<i>Subtotal: Initial</i>	-	<i>350.670</i>	<i>270.658</i>	<i>510.698</i>	-	-	<i>510.698</i>
<i>Total Working Capital Fund Spares</i>	-	-	-	-	-	-	-
<i>Total Exempt Spares</i>	-	-	-	-	-	-	-
Replenishment							
BA 07 - Aircraft Support Equip & Facilities							
9710 / Spares for 6K Cog	-	13.798	4.560	6.522	-	-	6.522

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End Item Line Item Number / Name [MDAP/MAIS]	Prior Years (\$ M)	FY 2014 (\$ M)	FY 2015 (\$ M)	FY 2016 Base (\$ M)	FY 2016 OCO (\$ M)	FY 2016 Total (\$ M)	
9711 / Spares for Adversary	-	0.863	1.266	1.336	-	1.336	
9712 / Spares for HQ Replenishment	-	34.601	52.259	46.875	-	46.875	
9713 / Spares for AOA Repairables	-	628.548	841.198	937.699	-	937.699	
9714 / Spares for AOA Consumables	-	58.850	56.710	60.385	-	60.385	
<i>Subtotal: Replenishment</i>	-	736.660	955.993	1,052.817	-	1,052.817	
Total Cost (Initial + Replenishment)	-	1,087.330	1,226.651	1,563.515	-	1,563.515	