



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

IN REPLY TO:
CJ&A No. 51,106
Code: 0251
PR No.: N0002411NR41188

CLASS JUSTIFICATION AND APPROVAL FOR USE OF OTHER THAN FULL AND OPEN COMPETITION

1. Contracting Activity.

Naval Sea Systems Command (NAVSEA), Surface Systems Contracts Division (SEA 025).

2. Description of the Action Being Approved.

NAVSEA will utilize other than full and open competition to award a class of contract actions to Lockheed Martin Mission Systems and Sensors (LM MS2) in Moorestown, New Jersey (NJ) for the procurement and integration of two (2) Aegis Weapon Systems (AWS) in support of DDG 116 and the Aegis Ashore Missile Defense System (AAMDS) Host Nation #1 (HN-1), and associated engineering services in support of production efforts. The authority to act under the CJ&A expires on 30 September 2015.

3. Description of Supplies/Services.

The anticipated contract actions will provide for delivery of two (2) AWS equipment sets, one each for DDG 116 and AAMDS HN-1. The AWS shipset for DDG 116 will include production of selected equipment and integration and system-level testing of the AWS at the Moorestown, NJ Production Test Center (PTC). The AAMDS HN-1 equipment set includes the production of selected equipment and cabinet and sub-assembly level testing of the equipment. Once this testing is complete, LM MS2 will deliver the HN-1 equipment set to MDA as Government Furnished Equipment (GFE). LM MS2 will be responsible for production and fabrication of the AN/SPY-1D(V) arrays (4 per shipset), including an integrated Multi-Mission Signal Processor (MMSP), Aegis AMOD Upgrade equipment (AAU), and Combat System Support Equipment (CSSE) for each equipment set. LM MS2 will also be responsible for integrating the DDG 116 Fire Control System MK 99, including the MK 82 Directors and MK 200 Director Controls, and the AN/SPY-1D(V) Transmitter Group delivered under separate contracts into the AWS and performing full functional testing of the complete AWS at the PTC. Once AWS system level testing at PTC is complete, the DDG 116 AWS equipment set will be delivered to the shipyard for installation into the ship. LM MS2 will also be responsible for system engineering and technical services in support of the manufacturing process and ship integration, industrial level testing, and sea trials.

The government's minimum needs have been verified by the certifying technical and requirements personnel.

The estimated total value of the LM MS2 DDG 116 and HN-1 requirement is \$190,000,000. The funding profile is as follows:

Estimated Dollar Value (\$M) and Quantities

	FY12	FY13	FY14	FY15	Total
SCN – DDG 116	████	-	-	-	96.2
R & D – HN-1 (MDA)	████	████	-	-	93.8
Total (\$M)	████	████	-	-	190.0
Ships	1	-	-	-	1
AAMDS	1	-	-	-	1
Total (Qty)	2	-	-	-	2

4. **Statutory Authority Permitting Other Than Full and Open Competition.**

10 U.S.C.2304(c)(1). Only one responsible source and no other suppliers or services will satisfy agency requirements.

5. **Rationale Justifying Use of Cited Statutory Authority.**

Pursuant to 10 U.S.C. 2304(c)(1), LM MS2 is the only responsible source capable of satisfying the Navy's requirements for delivery of a complete, fully functionally tested AWS shipset for DDG 116 and AAMDS HN-1 including production of the AN/SPY-1D(V) arrays, MMSP, AAU and CSSE. LM MS2 possesses unique experience in AWS design, development, production, assembly, and testing, and currently provides the necessary services to deliver an integrated and tested AWS to the fleet. LM MS2 also provides installation material, ancillary equipment, provisioning items, administrative data, technical data, and provisioning technical data. As such, LM MS2 understands the system functionality and detailed specifications in order to produce systems that satisfy the AWS requirements and are compatible with existing components and infrastructure of the entire Aegis Combat System (ACS), of which the AWS is one component. All previous AWS production contracts for shipsets and AAMDS equipment have been awarded on a sole-source basis to LM MS2 (or its antecedents). Under these contracts, LM MS2 has developed an extensive infrastructure at its Moorestown, NJ facility to support AWS production. This infrastructure (production facilities, qualified supplier base, special test equipment, data networks, system test environments, producibility engineering workstations, etc.) also supports the separate LM MS2 contractual responsibilities for Aegis

development, FMS AWS production, U.S. Navy and FMS in-service engineering, and other depot operations. Because this infrastructure supports other ongoing contractual responsibilities, the Navy could not transfer it to another contractor for performance of these requirements. LM MS2 is the only existing source with the in-depth technical expertise, knowledge, resources, and infrastructure to produce, integrate, and test the AWS without adverse impact to deliveries in support of the USN shipbuilding schedule and ship deployment requirements for operational use, and the Aegis Ashore program's initial operational capability (IOC) date of 31 December 2015.

The DDG 116 production schedule as outlined in USS ARLEIGH BURKE (DDG 51) Guided Missile Destroyers/Aegis Weapon System Acquisition Strategy Update of 8 April 2011 and the AWS Acquisition Plan PEO IWS 1P-08-01 Rev 5 requires a fully tested AWS suite to be delivered to the shipbuilder between August 2015 and February 2016. The production lead time for DDG 116 equipment is thirty-one (31) months with an additional six (6) months at PTC and four (4) months to pack and ship the equipment to the shipyard. The AWS timeline from production start to delivery to the shipyard is then forty (41) months. In order to deliver a fully functionally tested AWS for DDG 116 without causing unacceptable delays in the shipbuilding schedule, the Navy must award this sole-source contract action no later than second quarter FY12.

The latest proposed revision to the Aegis Ashore schedule requires delivery of the HN-1 equipment set to its OCONUS location in November 2014. This will allow MDA thirteen (13) months to complete the system integration testing, equipment packing and shipping, and site installation at the OCONUS location prior to the mandated initial operational capability (IOC) of 31 December 2015. The production lead time for AAMDS HN-1 is twenty-seven (27) months with four (4) months to pack and ship to MDA. In order to deliver the AAMDS without causing unacceptable delay to MDA's schedule, the Navy must award the procurement on a sole-source basis no later than second quarter FY12.

Competition of these requirements would result in unacceptable schedule delays for DDG 116 and HN-1 equipment sets. An AWS Technical Data Package (TDP) sufficient for competition with one exception is under development, but its completion and certification by the Navy is not anticipated until October 2013. Due to the proprietary nature of certain key BMD elements of the MMSP, the Navy is currently reviewing which parts of the MMSP may be competed in the future. Concurrent with the development of the TDP, the Navy will hold an industry day and begin the competition process upon receipt of the TDP in June 2013. The Navy will issue a draft RFP while it conducts its review and certification of the final TDP. Certification of the TDP is estimated to take three (3) months, at which point an RFP would be issued for competition. NAVSEA estimates the total time required to conduct a competition once the TDP is approved (12 months) and qualify a new vendor (24 months) is thirty-six (36) months. Factors contributing to the length of the qualification period include production infrastructure process review, QA plan review, infrastructure set-up, pilot production, first article test, vendor base qualification, and environmental qualification. Assuming that the qualification period is successful, the equipment would

pass the Production Readiness Review and production of the first shipset would begin in the following month, November 2016, at the earliest. Under the terms of a competitive procurement, DDG 116 hardware would be delivered to the shipyard in April 2020, forty-one (41) months after production start and fifty-six months later than the current DDG 116 delivery plan. The HN-1 equipment set would be delivered to MDA in May 2019, approximately 5 years later than the AAMDS production schedule. Allowing 18 months for deckhouse integration, system acceptance testing, overseas delivery and site installation and final testing, the HN-1 IOC date would slip to November 2020, nearly five (5) years to the right of the current date of 31 December 2015.

The delay inherent in full and open competition for AWS production is unacceptable for an important element of the Navy's shipbuilding plan and the new and strategically important Ballistic Missile Defense system that has the intense interest of our Allies and potential adversaries.

6. Description of Efforts Made to Solicit Offers from as Many Offerors as Practicable.

NAVSEA synopsized this AWS production contract via posting on the Federal Business Opportunities (FEDBIZOPS) and Navy Electronic Commerce On-Line (NECO) websites on 6 July 2011. No responses from Industry resulted. NAVSEA concluded that additional market research was not necessary given the lack of response by Industry and the unique expertise, prior experience, and production infrastructure resident at LM MS2.

7. Determination of Fair and Reasonable Cost.

The Contracting Officer has determined the anticipated cost to the Government of the supplies/services covered by this CJ&A will be fair and reasonable. The NAVSEA contracting office will use cost and price analysis to determine that the final price is fair and reasonable. Assistance from the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) will be utilized to analyze, evaluate, and negotiate based upon detailed cost or pricing data, which will be certified by Lockheed Martin at the conclusion of negotiations. Lockheed Martin has produced a significant amount of Aegis Weapon Systems, which will provide actual production cost data in this future proposal that will allow the Navy to negotiate a fair and reasonable contract value for this procurement.

8. Actions to Remove Barriers to Future Competition.

LM MS2 is under contract to deliver an AWS technical data package capable of supporting full and open competition for future production requirements with exceptions for the MMSP described in Paragraph 7 above. Based on the rationale contained in Paragraph 5 above, there are no plans to consider competition for the AWS production requirements until October 2013 following TDP certification. The earliest competitive award would be [REDACTED] [REDACTED] for equipment sets that would not be delivered until [REDACTED]. The Navy will consider future production requirements under full and open competition on a case-by-case basis.

CERTIFICATIONS AND APPROVAL

TECHNICAL/REQUIREMENTS CERTIFICATION

I certify that the facts and representations under my cognizance which are included in this Justification and its supporting acquisition planning documents, including the USS ARLEIGH BURKE (DDG 51) Guided Missile Destroyers/Aegis Weapon System Acquisition Strategy Update of 8 April 2011 and the AWS Acquisition Plan PEO IWS 1P-08-01 Rev 5, except as noted herein, are complete and accurate to the best of my knowledge and belief.

TECHNICAL COGNIZANCE:

[Redacted signature area]

Signature Name (Printed) Phone No. Date

REQUIREMENTS COGNIZANCE:

[Redacted signature area]

Signature Name (Printed) Phone No. Date

LEGAL SUFFICIENCY REVIEW

I have determined this Justification is legally sufficient.

[Redacted signature area]

Signature Name (Printed) Phone No. Date

CONTRACTING OFFICER CERTIFICATION

I certify that this Justification is accurate and complete to the best of my knowledge and belief.

[Redacted signature area]

Signature Name (Printed) Phone No. Date

SENIOR PROCUREMENT EXECUTIVE APPROVAL

Upon the basis of the above justification, I hereby approve, as Senior Procurement Executive of the Navy, the solicitation of the proposed procurement(s) described herein using other than full and open competition, pursuant to the authority of 10 U.S.C. 2304(c)(1).

Mr. Sean J. Stackley, ASN (RD&A) 3 October 2011

Signature Name (Printed) Date