

The Air Force awarded an Engineering and Manufacturing Development and early production contract for the Long Range Strike Bomber to Northrop Grumman Corporation on 27 October 2015.

The Long Range Strike Bomber (LRS-B) contract includes the Engineering and Manufacturing Development phase with a cost-reimbursable type contract including cost and performance incentives. The early production portion is for fixed price options for the first 5 production lots, which includes 21 aircraft of the fleet of 100. The Air Force remains committed to the \$550 million dollar (BY10) average procurement unit cost which translates to \$606 million in FY16 dollars. The Average Procurement Unit Cost (APUC) was directed as a key performance parameter (KPP) by then Secretary of Defense, Robert Gates, as the best means to control costs.

Table 1	Base Year 2010	Base Year 2016	Qty (Prod)
APUC KPP Requirement	\$550M	\$606M	100
Government Independent Cost Estimate	\$511M	\$564M	100

The following table provides the program's current independent cost estimates for development and average procurement unit costs with comparisons to bomber programs since 1970:

Table 2	Contract Award	Dev Cost ^{1,2} (BY16\$M)	APUC ^{2,3} (BY16\$M)	Qty (Prod)
B-1A	Jun-70	\$13,220		
B-1B	Jan-82	\$6,125	\$410	100
B-1A/B Total		\$19,345	\$410	100
B-2	Dec-81	\$37,200	\$1,512	15 ⁴
LRS-B	Oct-15	\$23,543	\$564	100

¹ Historical development costs are based on dollars reported in Select Acquisition Reports (SARs) for contract award date through developmental test and evaluation end date plus one year. B-52 SAR data is not available for comparison.

² All costs were converted to base year 2016 dollars using FY2015 OSD inflation indices.

³ Average Procurement Unit Cost (APUC) calculated by dividing total procurement cost by the number of items to be procured. Total procurement cost includes flyaway costs, plus the costs of procuring technical data, training, support equipment, & initial spares.

⁴ Six aircraft were purchased under RDT&E; total fleet of 21 aircraft.

The program base year is 2016, the fiscal year of contract award.

Base year dollars adjust for the effects of inflation, allowing dollars from one year to another to be compared. The LRS-B affordability requirements are reported in base year 2010 to ensure requirement stability and allow consistency in comparisons.

OCTOBER 27, 2015