

THE TANKER DECISION.

WHY IT DOESN'T ADD UP.



On March 11, 2008 Boeing filed a formal protest regarding the selection by the U.S. Air Force of the Northrop Grumman/European Aeronautic Defence and Space Company KC-30 over the Boeing KC-767 for its KC-X medium-sized tanker program. The decision to protest was not one made lightly. However, what became clear in the debriefings following the selection was that the KC-X acquisition process was flawed. Repeatedly, fundamental but often unstated changes were made to the bid requirements and evaluation criteria. These arbitrary changes not only unfairly skewed the results against Boeing; they penalized the warfighter and the taxpayer by selecting an airplane that did not satisfy the Air Force's own bid requirements.

Let's look at the facts.

SIZE REQUIREMENT. The KC-X Request for Proposal (RFP) sought to replace aging KC-135s, a medium-sized tanker. A future program, KC-Z, would aim to replace larger KC-10 tankers. In fact, during the KC-X acquisition process, Boeing was led to believe that its 767 was the appropriate platform to offer, since it appeared to answer precisely the Air Force's requirements. Yet the KC-30 is much larger than the KC-767 and even 27% larger than the KC-10. This excess capacity sacrifices fundamental Air Force requirements of deployability and survivability. It doesn't add up.

MISSION CAPABILITY. In analyzing Mission Capability, the most important evaluation factor, Boeing received the highest possible rating, meeting or exceeding all Key Performance Parameters. Among other measurements, the Air Force identified positive "discriminators" as well as "weaknesses." While the KC-30 had 30 discriminators and five weaknesses, among them its aerial refueling boom, the KC-767 had 98 discriminators and only one weakness. It doesn't add up.

RISK. In assessing Risk, Boeing and its competitor received equal scores. And yet Boeing is an integrated company with one management team and 75 years of tanker-building experience. Furthermore, the KC-767 will be built on an existing production line that has made 767s for years.

By contrast, the KC-30 will be built by a combination of a U.S. company and a European one, with two management teams on two continents, with no experience building tankers together—utilizing numerous production facilities across Europe and in an American plant that doesn't yet exist. It doesn't add up.

COST. The RFP made clear that the Most Probable Life Cycle Cost (MPLCC) was the key Cost/Price metric for source selection. The MPLCC not only includes the cost of acquisition; it includes the cost of operation and maintenance. In its evaluation, the Air Force discounted the weight of the MPLCC and inflated Boeing's costs by billions of dollars, even though Boeing's proposed cost data was in full compliance with the Federal Acquisition Regulation. As a result, the Air Force and taxpayers will pay billions more for the Northrop Grumman/EADS airplane. It doesn't add up.

PAST PERFORMANCE. Past Performance was rated "Satisfactory Confidence" for both Boeing and Northrop Grumman/EADS, despite the enormous disparity of experience between the two in building tankers and military derivatives of commercial aircraft. Older and outdated Contractor Performance Assessment Ratings were used for Boeing while KC-X evaluators ignored or failed to adequately account for numerous troubled programs from its competitor (some examples include the Australian tanker, the A400M Airlifter, and E-2D SDD). Additionally, Boeing has certified and delivered to Japan two of the most advanced tanker aircraft in existence, a critical achievement that received insignificant credit. It doesn't add up.

The bottom line is that the selection process for the KC-X was flawed by countless irregularities. In the evaluation, selection criteria were misapplied, the RFP was disregarded and the requirements of the Federal Acquisition Regulation were not adhered to—resulting in the selection of a much larger, more vulnerable, less capable and ultimately more costly offering. It's a decision that doesn't add up; not for the warfighter or the taxpayer. And one that should not stand.

