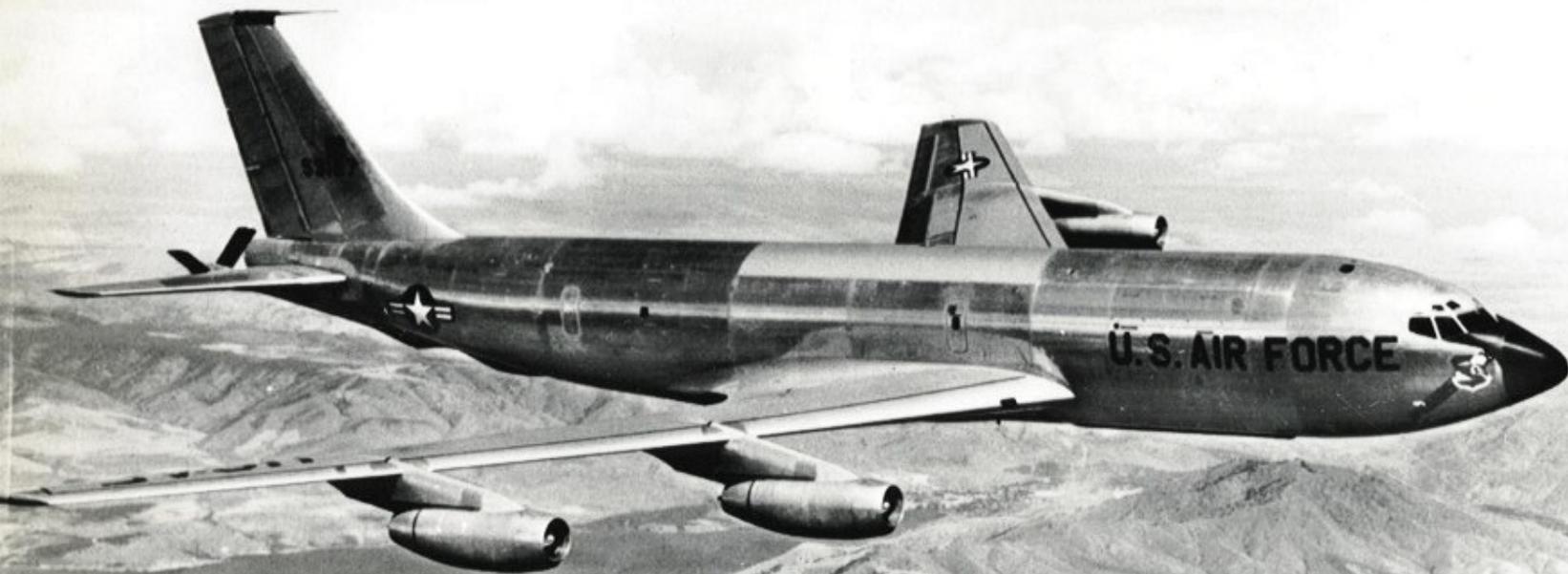




Moving Forward



William J. Lynn, Deputy Secretary of Defense

Michael B. Donley, Secretary of the Air Force

Ashton B. Carter, Under Secretary of Defense (AT&L)

September 24, 2009



Secretary of Defense Gates

- **“ I am committed to moving forward on the re-bid for the Air Force’s KC-X tanker as quickly as possible. “ (April 15, 2009)**
- **“...ensure that it is a fair, open, and transparent process” (June 9, 2009)**
- **“ I am pleased to announce that source selection authority is returning to the Air Force for the KC-X refueling tanker....., and my office will continue to have a robust oversight role.” (September 16, 2009)**
- **“ We are committed to the integrity of the selection process, and cannot afford the kind of letdowns, parochial squabbles, and corporate food-fights that have bedeviled this effort.” (September 16, 2009)**



Process and Way Ahead

■ **Source Selection Strategy**

- **Developed by OSD and USAF, approved by Secretary of Defense**
- **Source Selection Strategy will be executed by Air Force Source Selection Authority**
- **Buy unchanged: 179 KC-X aircraft (KC-Y and KC-Z to follow)**
- **Warfighter requirements unchanged, but KC-X should be “ready to go to war on day 1”**
- **Selection Criteria more precise, less subjective**

■ **Competitive Process**

- **Draft Request for Proposal (RFP) – release September 25, 2009**
 - **Comment period**
 - **RFP**
 - **Evaluation**
 - **Contract award**
-



Background



- **KC-135 entered AF inventory in 1956**
- **415 re-engined KC-135Rs are in today's fleet**
- **At 15 new tankers per year – last KC-135R will be over 80 years old at the time of retirement**
- **The KC-X program will provide 179 aircraft as the first increment of a three-phased tanker recapitalization strategy**
- **Air Refueling enables Air Force, Navy, Special Ops, and allied aircraft to accomplish their missions**



Background cont'd



- The KC-X mission requirement is built on the same wartime requirements as the KC-135R
 - Number of “booms/drogues in the air” (air refueling)
 - Range and Offload (air refueling)
 - Unit self-deployment (airlift)
- To succeed in future conflicts, the KC-X must be better in key areas
 - Permanent centerline drogue
 - Receiver receptacle
 - Defensive systems
 - Improved C2/C4 and CNS/ATM
 - Improved availability
- Thus...the KC-X will be a far more capable weapon system



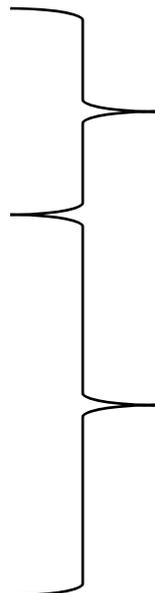
Focus on Requirements



- **Capabilities Development Document (CDD)**
 - **Air Refueling, Airlift, Survivability, Information Management, Support Requirements, World-wide Operations**
 - **Reviewed and remains unchanged**
- **Systems Requirement Document (SRD)**
 - **Direct linkage to the CDD**
 - **Provides system level requirements for offerors to base their proposals**
 - **Significant work by multiple Air Force and OSD Teams**



Focus on Requirements



- **Additional capabilities**
- **Enables offerors options to enhance their proposals**
- **Warfighter defined requirements**
- **“Go to War on Day 1”**
- **KC-135R is the baseline**

**EXTENSIVE WORK TO ELIMINATE DUPLICATION, IMPROVE CLARITY, AND ENSURE MEASURABILITY.
FAR FEWER THAN THE OVER 800 REQUIREMENTS USED IN THE LAST REQUEST FOR PROPOSAL**



Source Selection Process

- **Source Selection Authority (SSA)**
 - Senior career USAF official (not publicly identified, normal practice)
 - SSA Selects KC-X contract winner using approved Source Selection Strategy

- **New AF Acquisition Team (not identified)**
 - New Source Selection Authority
 - New Source Selection Advisory Council
 - New Source Selection Evaluation Team Leads
 - New Independent Review Teams

- **All levels below SSA joint with OSD**

THE RELEASE OF THE DRAFT RFP REPRESENTS THE BEGINNING OF A NEW SOLICITATION

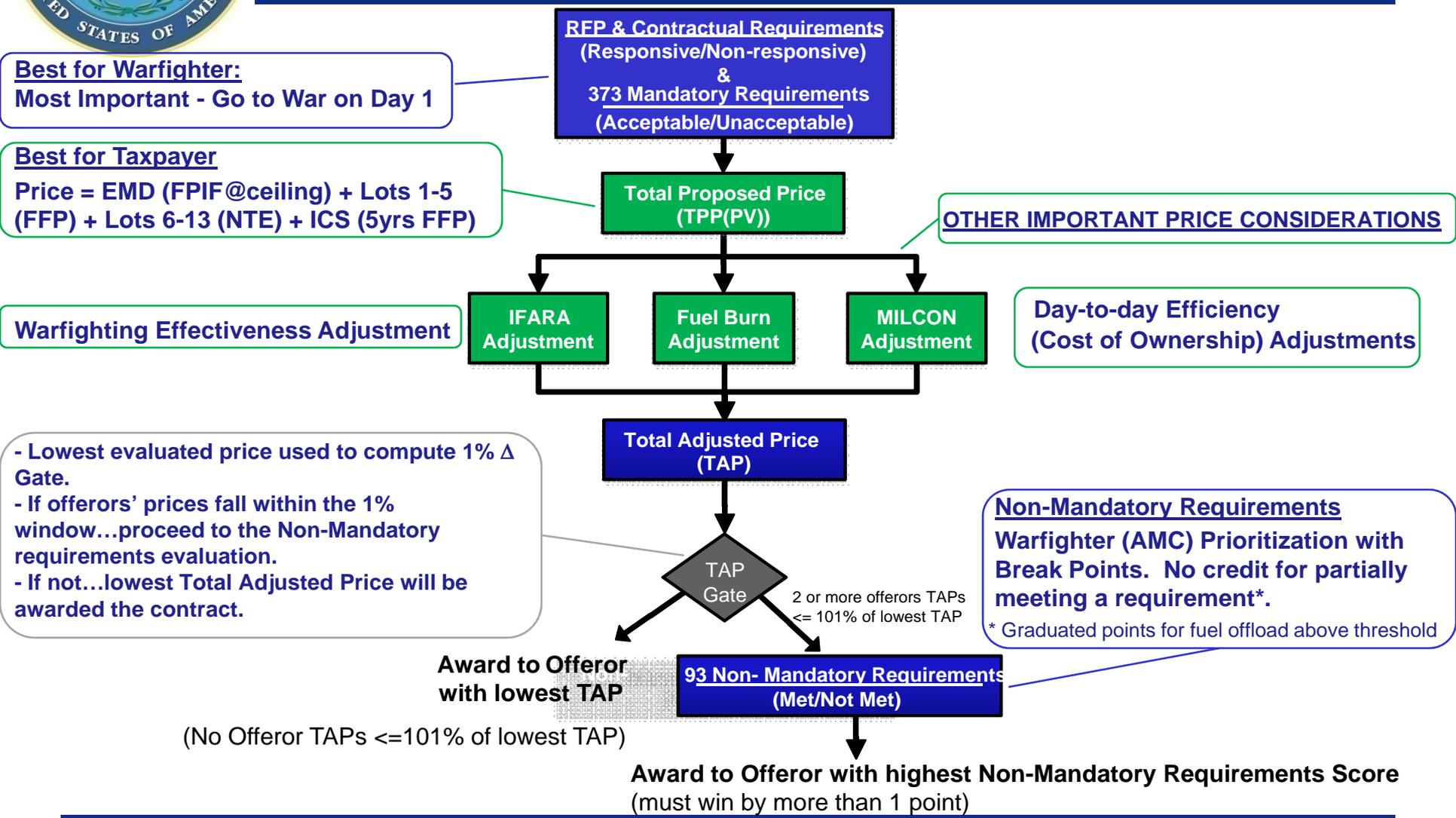


Criteria for Source Selection Strategy

Objective	More objective, less subjective
Clear	Offerors understand what it takes to win
Transparent	Offerors can see how they were evaluated at every step
Accurate	SSA will evaluate exactly according to the RFP Source Selection Strategy
Accountable	Contract will hold offerors accountable for proposal prices / performance
Fair	Right down the middle for warfighter and taxpayer
Best Value	Mandatory and trade-space capabilities, acquisition price, warfighting effectiveness and day-to-day efficiency all considered.



Source Selection Strategy





Warfighting Effectiveness

Integrated Fleet Aerial Refueling Assessment (IFARA)

Based on Combatant Command's Plans

- Time-Phased Force Deployment Document
 - Employment Air Tasking Orders
 - Homeland Defense Plan
- Compatible with QDR strategies

Planner Optimization

Inputs:

- Tanker Characteristics
- Tanker Basing
- Ramp Fuel Loads
- Track Locations
- Air Refueling Requests
- Deployment Schedule

Combined Mating And Ranging Planning System (CMARPS)

Mission Planning

Scheduling

Output:

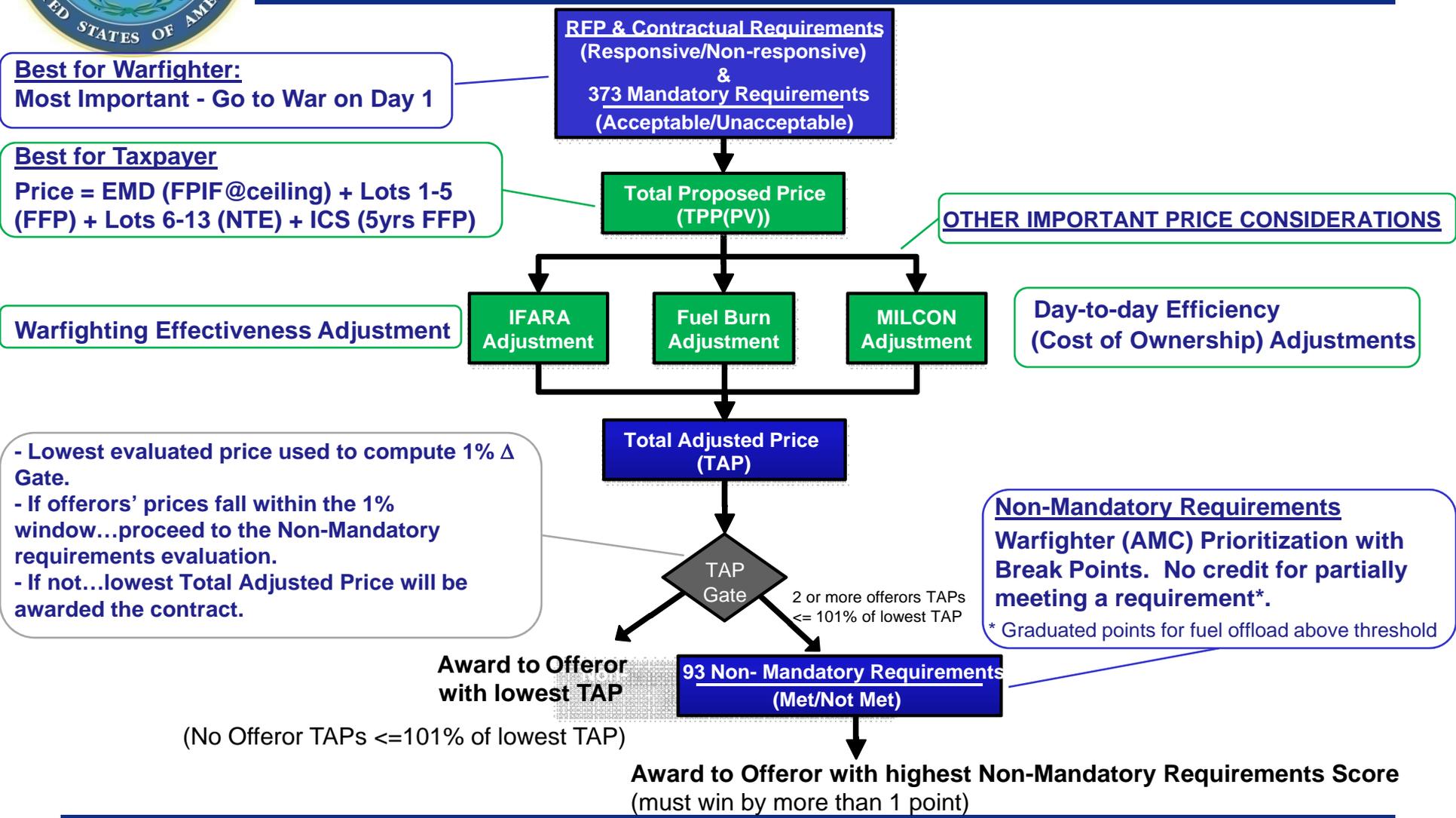
Number of tankers needed to meet Deployment, Employment, and Homeland Defense combatant requirements

Provides credit for aircraft with better wartime air refueling effectiveness

*Acq price credit = [1-(Lowest IFARA score / Offeror's IFARA score)] x 179
x Avg Unit Price of Lots 1-13 (Present Value)*



Source Selection Strategy





Day-to-Day Cost of Ownership

Fuel Burn



War-Related Missions



Airlift Missions



Training Missions

- Calculate offeror's average fuel burn rate using the above mission profiles
- War-Related, Airlift and Training mission profiles based on 5-yr average for the KC-135R

Provides credit for aircraft with better day-to-day fuel efficiency

*Acq price credit = [Highest Fuel Burn– Offeror's Fuel Burn] x 40yrs x 179 A/C
x KC-135 Average Yearly Flying Hrs (489) x Adjusted Fuel Price*

(Present Value)



Cost of Ownership

MILCON



- Conduct site survey of eleven representative KC-135R bases
 - 9 CONUS
 - 2 OCONUS
- Evaluate discriminator categories only
 - Ramps, Taxiways, Runways, and Hangars
- Estimates will be based on actual proposed aircraft



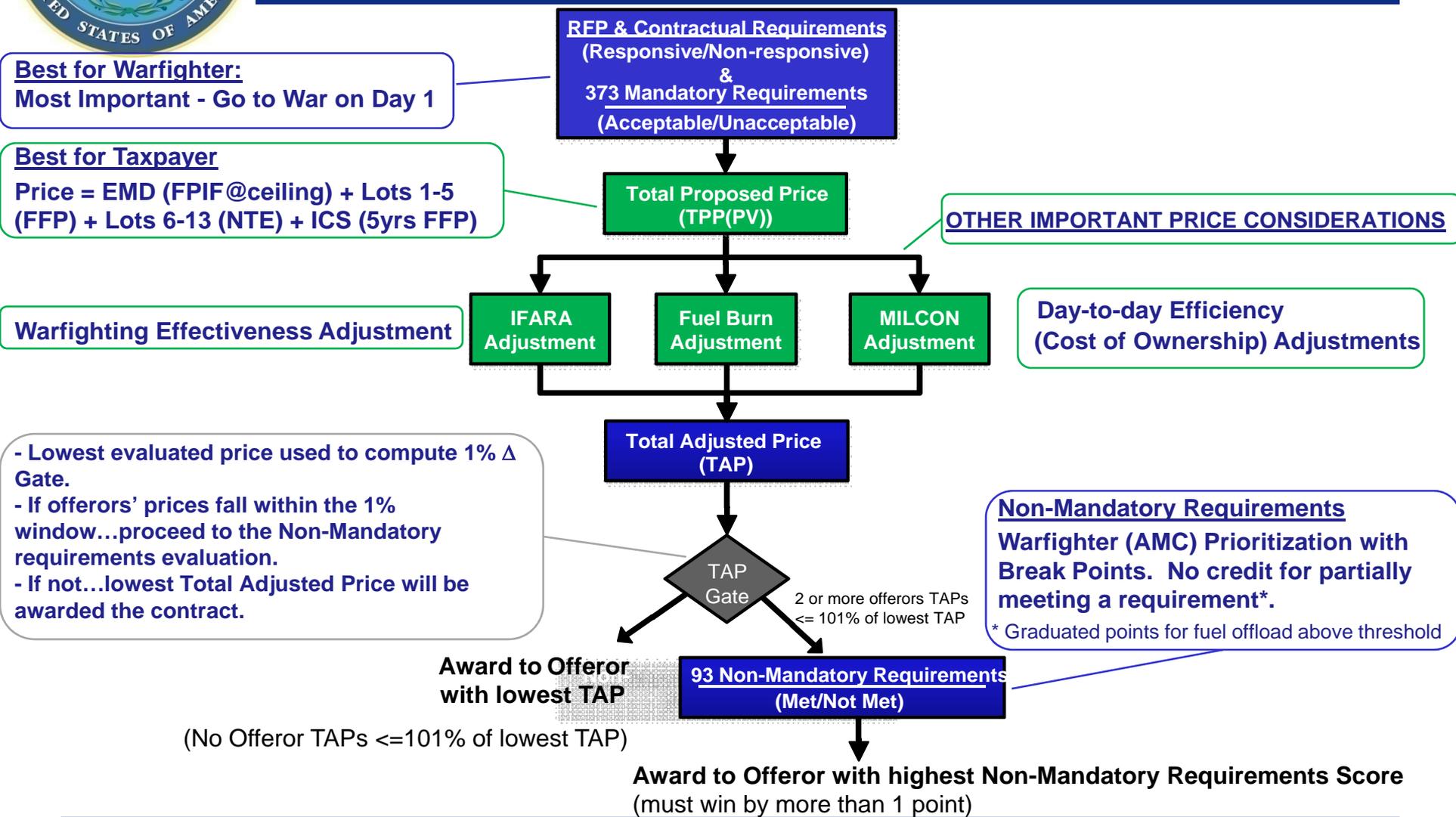
Provides credit for aircraft that require the lower MILCON investment

Acq price credit = Highest MILCON Estimate – Offeror's MILCON Estimate

(Present Value)



Source Selection Strategy

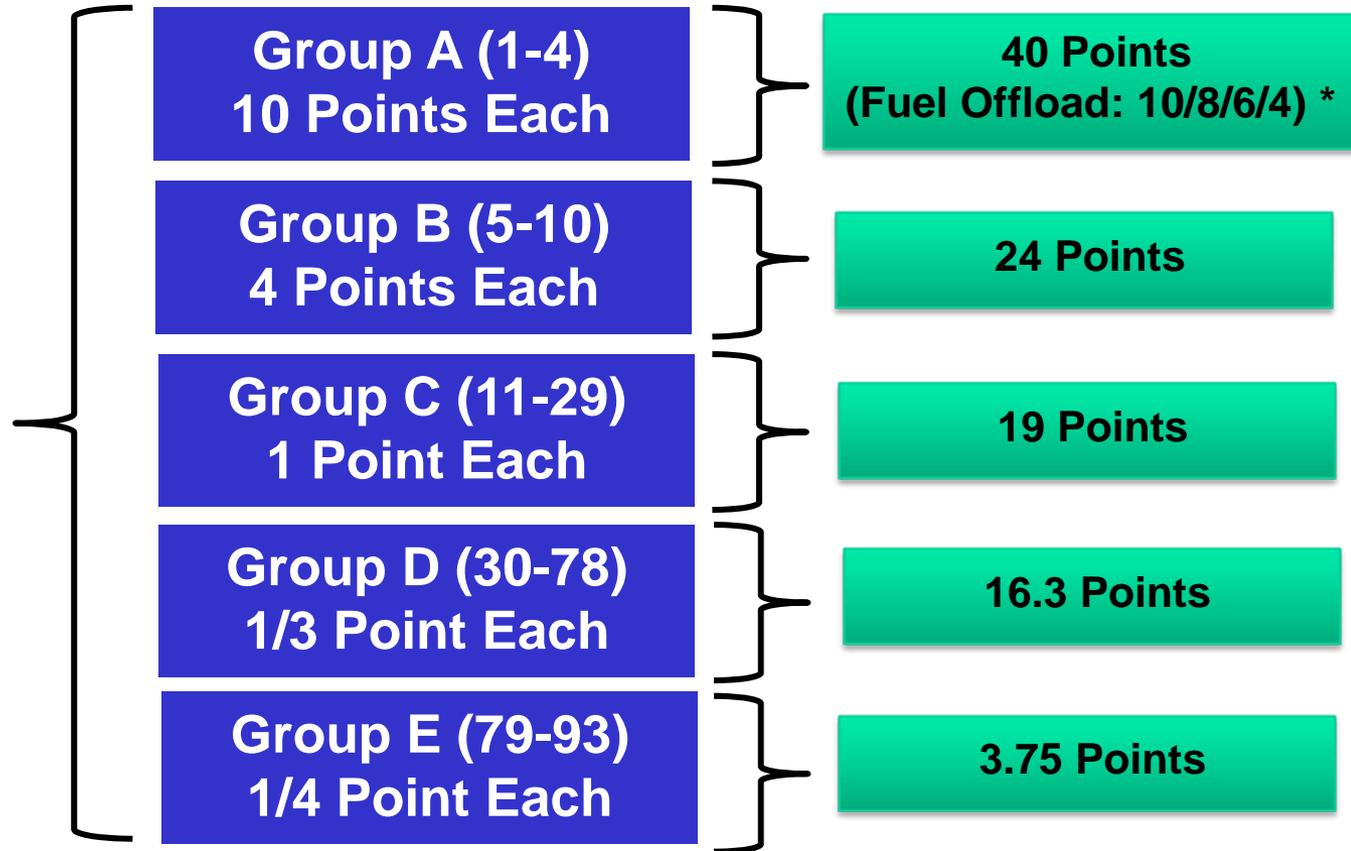




Non-Mandatory Requirements (Trade Space) Evaluation

Warfighter Priorities

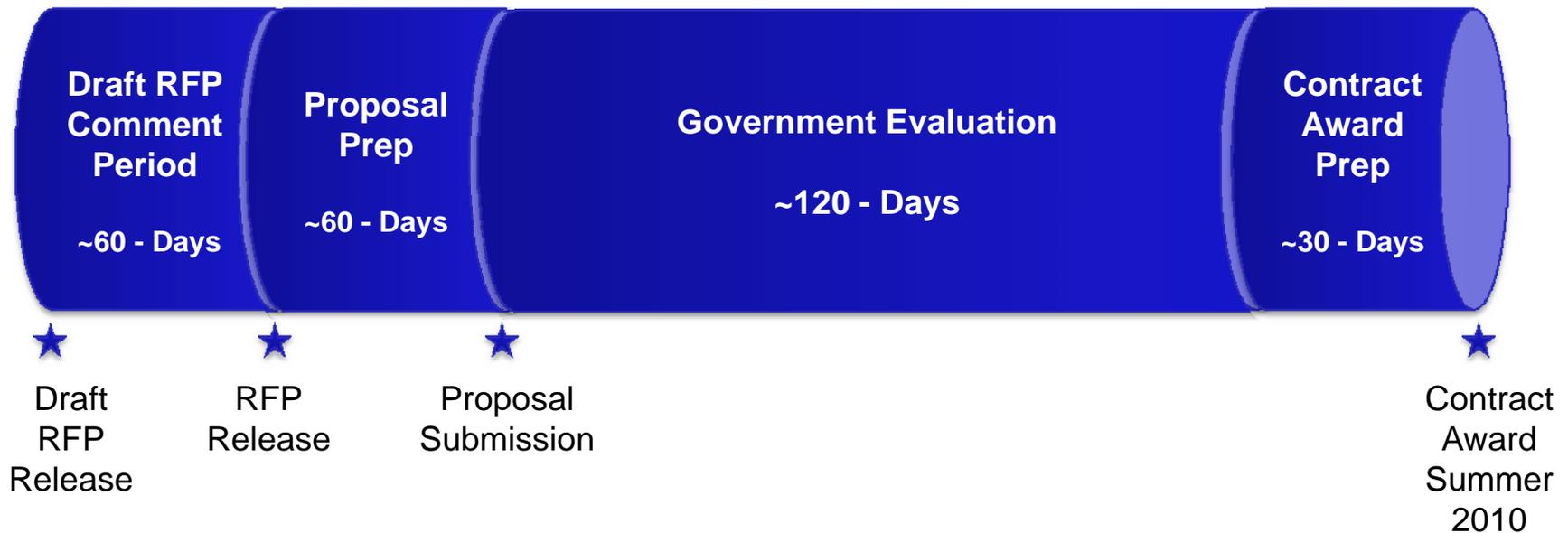
93 Non-Mandatory
Evaluation Elements



- *Elements evaluated as either technically Met or Not Met*
- *Fuel Offload is the only evaluation element with graduated credit*
- *Must win this evaluation by more than 1 point*



Timeline to Contract Award





Key Features

- **Changed Source Selection Strategy**
- **Importance of price and technical factors**
- **Acquisition Reform**
- **Straight down the middle**



Process for Comments on the Draft KC-X RFP

Comments on the draft RFP should be directed in writing to

Mr Shay Assad

Director, Defense Procurement & Acquisition Policy

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Washington, DC 20301-3060

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