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United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

October 29, 2009

The Honorable Robert M. Gates
Secretary of Defense
The Pentagon
Washington, D.C. 20301-1155

Dear Mr. Secretary:

I appreciate your making Deputy Secretary Lynn, Secretary of the Air Force Donley and Under Secretary Carter available to brief the Armed Services Committee on September 24, 2009, on the way ahead on the KC-X aerial refueling tanker recapitalization program. While informative, the briefing raised additional questions concerning the source-selection methodology. In that regard, I would appreciate if you could provide responses to the following questions.

First, under the source-selection methodology outlined in the briefing, the source selection authority will adjust the bidders' Total Proposed Price (TPP) to reflect not only warfighting effectiveness but also certain costs of ownership, in particular, those ownership costs that are within the vendors' control and can be predicted forty or so years into the future. Here, those costs would be reflected in a fuel usage rate assessment (FURA) and a calculation of military construction (MILCON). But, Air Force estimates of resource requirements and costs associated with Air Force structures, missions and activities typically reflect other similar ownership costs, including research, development, testing and evaluation (RDT&E) and various operations and maintenance (O&M) costs, *e.g.*, recurring and depot-level costs.

Against that backdrop, why should the current source selection methodology not require that the TPP be adjusted to reflect those (and perhaps other similar) ownership costs? Also, under the current source-selection methodology, will the source-selection authority assess most probable life-cycle cost (MPLCC) of those aircraft offered in response to the Request for Proposals? And, why would the FURA and MILCON assessments, described above, not favor mostly smaller airframes offered in response to the Request for Proposals?

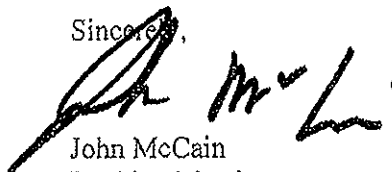
Second, the recently enacted Weapon Systems Acquisition Reform Act (WSARA) seeks to minimize the discovery of system performance problems late in the acquisition process by requiring the Department of Defense to emphasize systems engineering and developmental testing and evaluation. With that in mind, why should the current source-selection methodology not assign a premium to the Systems Engineering and Technology Maturity sub-factors (to the Mission Capabilities evaluation factor) by requiring some comparative analysis, rather than have those sub-factors evaluated on an "acceptable/unacceptable" basis? How does the source-selection methodology provide for an assessment of relative developmental and integration risk among the offerings?

Third, I understand that the requirements that were validated by the Joint Requirements Oversight Council (JROC) in connection with the pending KC-X effort were the same as those that supported the previous competition—about 800 requirements in total. But, many of those requirements were eliminated, combined or refined into 373 mandatory system-level requirements and 93 additional non-mandatory requirements, which would be considered only if the adjusted prices obtained from the offerors are within 1% of the overall adjusted acquisition price. On what basis was the categorization of requirements made as mandatory and non-mandatory? Did the JROC concur with that categorization? Were any requirements that were previously validated as mandatory in the original competition designated as non-mandatory in the pending effort? And, given that the source-selection methodology is to be based on “best value”, why should the 1% gateway not be expanded to an extent sufficient for the source selection authority to evaluate more robustly from which offering the taxpayer will extract the best value?

Finally, given the history of the KC-X program, I am keenly interested in ensuring that the source selection in this program is subjected to proper and effective oversight from the start. I understand that this time around the Source Selection Team will be drawn on from across all the Services and the Office of the Secretary of Defense (OSD) and that this effort will be supported by multiple levels of independent analysis and review. Please elaborate on how you intend to subject source selection in this program to robust, independent oversight.

If you have any questions about the foregoing, your staff may contact Minority staff member Pablo E. Carrillo, at (202) 224-6371.

Sincerely,



John McCain
Ranking Member

cc: The Honorable Michael B. Donley, Secretary of the Air Force
The Honorable Ashton Carter, Undersecretary of Defense, Acquisitions, Technology & Logistics