

Response to Press Reports Regarding KC-X

Following the Air Force's KC-X decision announcement, press articles have appeared quoting aerospace experts who purport to have insights into why the KC-767 was not chosen. These articles allege that "Northrop Grumman's victory was not a close outcome" and that "Boeing didn't manage to beat Northrop in a single measure of merit."

Nothing could be further from the truth.

Factor 1 -- Mission Capability

- Boeing scored "Blue (Exceptional) and Low Risk" in this area – the highest possible rating in the most critical "factor" in this competition
- The Air Force assessed Boeing as meeting or exceeding all Key Performance Parameters (thresholds and objectives)
- Indeed, the Air Force evaluated Boeing as having significantly more strengths (discriminators) than the competitor

Therefore, it follows that Boeing 1) received the highest rating possible, 2) met or exceeded all KPP thresholds and objectives, and 3) was graded as having significantly more strengths than the competition

Factor 2 -- Proposal Risk

- Boeing's proposal risk was rated "Low"
- Surprisingly, the competitor was also rated as low despite the high risk associated with its evolving multi-country, multi-facility, multi-build approach as contrasted with Boeing's integrated approach to design, build, and certification in existing facilities with experienced personnel

Therefore, it follows that Boeing 1) was low risk, 2) had an integrated and lean build approach, and 3) the competition should have been assessed greater risk for its complex and unproven multi-country build approach.

Factor 3 -- Past Performance

- Boeing's past performance was rated "Satisfactory"
- Northrop Grumman/Airbus was also rated satisfactory, despite having no relevant tanker experience and having never delivered a tanker with a refueling boom
- Press reports indicate that some of the most relevant programs for Airbus (the KC-30 for Australia and the A-400M) are both significantly over cost and behind schedule

Therefore, it follows that Boeing 1) had satisfactory past performance, and 2) relevant Airbus programs like the Australian KC-30 tanker and the A-400M are struggling.

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Factor 4 -- Cost/Price

- As determined by the RFP, “Most Probable Life Cycle Cost” (MPLCC) was the only measure of cost to be assessed
- The Air Force described the cost visibility information Boeing provided as “unprecedented” and rated Boeing’s MPLCC cost “Reasonable,” “Balanced,” and meeting “Realism” criteria – all the highest ratings a competitor can receive
- As recognized by the Air Force itself in 2002, the significantly bigger A-330 would demand a greater infrastructure investment with dramatically lower operational effectiveness

Therefore, it follows that 1) Boeing’s MPLCC was judged by the Air Force to be realistic, 2) Boeing’s submitted MPLCC were significantly lower than the Air Force adjusted MPLCC costs and, 3) the Air Force adjustments to Boeing MPLCC costs effectively deprived Boeing of the benefits associated with its integrated in-line production approach.

Factor 5 -- Integrated Assessment

- The model used by the Air Force to judge tanker “fleet effectiveness” was developed and is maintained by Northrop Grumman
- The mission scenarios and operational constraints to be used with the model issued in the draft RFP to judge tanker “fleet effectiveness,” were based upon the 2005 Air Mobility Command “Mobility Capabilities Study” (MCS).
- Before and after the RFP release, changes to the model’s parameters occurred so as to allow a “greater variety of aircraft to be considered” – in essence to allow larger aircraft to compete. However the Air Force promised that it would tie the numerical output of the model back to real-world constraints by weighing “insights and observations.”
- The inherent complexities of the model have made its results inconsistent and un-repeatable and its overall operational relevance questionable;

Therefore, 1) Northrop Grumman’s experience with the model was an inherent advantage, 2) changes were made to ensure Airbus’ larger aircraft worked in the model, but there is little evidence that the Air Force used “insights and observations” to tie the model back to real world operational constraints and 3) the model’s accuracy and relevance are debatable.

Conclusion

Boeing submitted a strong and extremely competitive proposal. In assessing the critical factor of Mission Capability, Boeing was given the highest ratings and evaluated by the Air Force as having significantly more strengths (discriminators) than Northrop Grumman/Airbus. The Air Force modified the Northrop Grumman analytical model before and after issuance of the RFP to enable competition and to allow a larger tanker to compete. In the end, the “leveling” of the competition and subjective assessments of the two proposals seems to have led the Air Force to select a larger, more expensive and operationally limited KC-30 tanker despite the fact that both Air Force requirements and the KC-X RFP call for a medium-sized tanker to replace the KC-135.