

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00

We have posted numerous articles on the sad soap-opera saga of the US Air Force's attempt to contract for its next generation aerial tanker. Our latest article, discussing the current Request for Proposals (RFP) and its Section M evaluation criteria, can be found [here](#). In that same article, we concurred with the Northrop Grumman (NOC) analysis (insofar as we understood it from published accounts) that the EADS/NOC team essentially had zero chance of winning its competition with Boeing, that the evaluation scheme was, in essence, a "lowest-price, technically acceptable" (LPTA) instead of a true "best-value trade-off". A best-value trade-off would have permitted the evaluators to trade a higher price for more military capability. Instead, the RFP called for the offerors to be evaluated against pass/fail "Mission Capabilities" subfactors (including such areas as Program Management and Past Performance). If each offeror passed the Mission Capabilities subfactors, then the lowest price won. Period.

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00

(Sure there were 93 “non-mandatory technical requirements” that might have helped the EADS/NOC team, but those factors would not be evaluated unless the offerors’ prices were within one percent of each other. In such circumstances, the 93 other factors would be used as a tie-breaker. T
he chances of the offerors’ prices being within one percent of each other, given that Boeing was proposing a significantly lighter plane? Effectively zero.)

So NOC walked, and it looked like a good decision to us. But that left EADS with no US partner and, apparently, no chance of bidding. Boeing to win by default. But hold on a second. First,

[reports emerged](#)

that the Air Force was considering a delay in the RFP deadline, in order to give EADS a chance to find another partner and to submit a bid without Northrop Grumman.

Next, according to

[this report](#)

, the Pentagon “indicated it would welcome” a bid from EADS.

The Financial Times article noted that EADS might need more time than the Defense Department would offer, reporting—

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00

EADS executives were due yesterday to meet Pentagon officials to discuss the terms of any bid extension. 'It has got to be more than just another 30 days,' said a person close to the situation.

One report stated that EADS was asking for a 90-day extension to the deadline, in order to line up a new partner.

Now it gets weird. We have been pessimistic about this competition for months. We thought nothing could surprise us. But never would we have predicted this bizarre turn of events. Never.

According to this Wall Street Journal [article](#), a Russian aircraft firm (United Aircraft) is planning to bid on the contract, offering its Ilyushin-96

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00

widebody jetliner, which would be called the Il-98. According to the article—

The planes would be largely built in Russia, and assembled in the U.S., this person says. United Aircraft will partner with a 'small U.S. defense contractor,' which will be renamed United Aircraft Corp. America Inc., this person said, declining to name that contractor.

According to this article on [Wikipedia](#), each Il-96 has a unit cost of \$40 to \$50 million. Figure a 50% increase to meet military specs and you're looking at an offer of roughly \$75 million per plane. Boeing's KC-767 reportedly will have a unit cost of \$130 to \$150 million. Think about that for a moment.

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00

Assuming Russia can pass the Mission Capabilities subfactors, there is no way Boeing can come in with the low bid. The US Air Force seems to have shot itself in the proverbial foot with its flawed evaluation methodology.

We have [written before](#) about Russia's recent defense activity, both on the import and export side. It would be bitingly ironic if Russia ended up as the Air Force's tanker contractor, because it wanted to skew award to the low bidder and damn the consequences. Well this is one possible consequence that we hope does not come to pass.

Be careful what you wish for, DOD. Because you may not like what you get.

TANKER UPDATE: Be Careful What You Wish For!

Written by Administrator
Monday, 22 March 2010 00:00
