

AERIAL TANKER UPDATE: NOC Threatens to Walk

Written by Administrator
Thursday, 03 December 2009 00:00

December 1, 2009—reports have surfaced that Northrop Grumman Corporation (NOC) has threatened to drop out of the competition for the KC-X aerial tanker unless the Pentagon makes significant changes to the evaluation scheme in the draft RFP. While [some reports](#) indicate that NOC has already dropped out of the competition, causing share prices for NOC stock to fall and share prices for Boeing stock to rise, other reports indicate a more complex situation. Many reports clarify that NOC has not actually dropped out of the competition, opting instead to ratchet up the pressure on the Pentagon by sending a letter to Under Secretary of Defense (AT&L) Dr. Ashton Carter, containing the ultimatum.

See the letter [here](#) .

The letter, while respectful, is firm. It states that NOC has learned that the Pentagon will not be issuing a second (revised) Request for Proposals (RFP), nor will it be making significant changes to the evaluation criteria in the draft RFP—an evaluation scheme that has been described as a “lowest price, technically acceptable” approach rather than the “best value”

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trade-off that had been expected.

NOC CEO Bush wrote, "Absent a responsive set of changes in the final RFP, Northrop Grumman has determined that it cannot submit a bid to the Department for the KC-X program."

Senator Jeff Sessions (R-Alabama) was quoted as saying, "It was obvious that the draft RFP totally abandoned the Air Force's stated goal of a transformational aircraft and was doctored so that the advanced capabilities of the Northrop Grumman/EADS plane would not be given credit." Similarly, Alabama's Governor (Bob Riley) accused the Obama Administration of "corrupting" the selection process. "'All along, we've said the process should be fair and the needs of our warfighters must come first. That definitely isn't happening. The question is why is this RFP so radically different than the one Northrop Grumman won last year?"

(The NOC/EADS team had planned to make Mobile, Alabama its US manufacturing base.)

According to a report on Forbes.com , the Defense Department said it "regretted" NOC's decision, but would not revise the evaluation criteria to give either Boeing or the NOC/EADS team an advantage. "The department cannot and will not change the warfighting requirements for the tanker to give advantage to either competitor. The department wants competition but cannot compel the two airplane makers to compete."

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We've written about this possibility [before](#) . Should NOC actually drop out of the bidding, it will leave Boeing as the sole bidder, creating a multi-billion dollar "sole-source" contract opportunity for Boeing. This situation would contradict the Obama Administration's

[expressed](#)

goal of using competition to drive down contract prices. And regardless of the Pentagon's official nonchalance, having Boeing remain the sole bidder would seem to be a serious setback, and would put the Defense Department in the forefront of significant Congressional criticism.

Will NOC walk? Or is this latest ultimatum simply bravado and grandstanding? And if Boeing is the sole bidder, will it use its leverage to move the contract from fixed-price to cost-plus? For answers to these and other questions, stay tuned to this Defense acquisition soap opera.

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