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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

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March 25, 2014

VIA U.S. MAIL & EMAIL (Chad.L.Heyen.mil@mail.mil)

The Honorable Deborah Lee James
Secretary of the Air Force
1670 Air Force Pentagon
Washington, DC 20330-1670

Dear Secretary James:

I am writing to request information on the current status of the Air Force's plans to introduce full-and-open competition into Evolved Expendable Launch Vehicle (EELV) acquisitions. Prior to 2006, Boeing and Lockheed Martin competed to win launch contracts from the Department of Defense. Boeing and Lockheed Martin subsequently merged their EELV programs and formed the United Launch Alliance (ULA). Since 2006, ULA has held a monopoly on EELV launches. Over the last eight years, EELV program costs have climbed precipitously, leading to concerns that the sole-source procurement environment has helped drive-up costs.

Today, all serious observers of the EELV program, most notably, the Government Accountability Office (GAO), believe that competition could incentivize the incumbent contractor's pricing and efficiencies, potentially yielding cost savings to the government. Indeed, in November 2012, Under Secretary of Defense Frank Kendall directed that the Air Force "aggressively introduce a competitive procurement environment in the EELV program." Kendall elaborated that the Air Force wanted to "obtain the positive effects of competition as quickly as possible." At that time, Kendall authorized the Air Force to purchase up to 36 rocket cores from ULA on a sole-source basis, and up to 14 cores through a competitive process, from FY 2015-2017.

In its FY 2015 budget rollout, however, the Air Force indicated for the first time that, of the 14 EELV launches originally designated for competition, only seven will be competitively awarded. Specifically, Major General Robert McMurry, Director of Air Force Space Acquisition, stated that five of the 14 expected competitive launches would fall outside of the FY 2015-2017 timeframe because of a slowdown in the procurement of GPS III satellites, which reduced demand for EELV launches. McMurry clarified that "those five [launches] will still be available for competition" in the future under a procurement strategy to be determined at a later date. Two other missions were completely removed from any competition and are planned to be awarded to ULA on a sole-source basis. McMurry stated that one of those two missions was shifted because none of the expected new entrants were capable of lifting the payload. According to McMurry, the other mission removed from the competition was "electively moved out . . . in order to honor the long term commitment buy that [the Air Force has] with ULA".

With the Air Force's recent decision to reduce competitive EELV launches, an essential element to the Air Force's strategy for driving down costs in this program—and making sure they stay down—may be compromised. I understand that scheduling adjustments or changes in the number of launches are to be expected. But, having the competitive portion of the EELV program entirely bear the burden of that uncertainty causes me to question the Air Force's commitment to full-and-open competition in this program.

With the foregoing in mind, please provide answers to the following questions by no later than April 15, 2014:

1. Given the apparent cancellation or postponement of all Air Force EELV launches that were originally scheduled in FY 2015, is the Air Force still planning to solicit competitive bids this year for awarding FY 2015-2017 launches? Please explain.
2. The November 2012 Acquisition Decision Memorandum (ADM) from Under Secretary Kendall directed the Air Force to "aggressively introduce a competitive procurement environment" in the EELV program. With the Air Force's recent decision to reduce FY 2015-2017 competitive launches by half, has a new ADM superseding the November 2012 directive been issued? What guidance, if any, has been issued to address how competition will be "aggressively" introduced to the EELV program in the future? Please provide a copy of any such ADM, guidance and any other relevant documentation. If the November 2012 ADM still governs future EELV competition, exactly how does the Air Force plan to "aggressively introduce" competition going forward?
3. Of the fourteen EELV launch missions originally slated for competition for the FY 2015-2017 timeframe, please describe:
 - a. The purpose of each launch;
 - b. The payload requirements of each launch based on the planned orbit and launch location; and
 - c. Whether the incumbent contractor and the expected new entrants' rockets have the capacity to lift the mission's payload.
4. For the seven EELV launch missions previously selected for competition that have been taken out of the planned competition, please describe:
 - a. Why the launch was taken out of competitive bidding;
 - b. How the Air Force anticipates that its decision to remove launches from competitive bidding and award them on a sole-source basis to ULA will lead to cost savings; and

- c. The magnitude of those savings as compared to a competitive-sourcing approach.
5. Of the 36 launches awarded to ULA in December 2013, how many of those missions had payloads that potential new entrants are capable of launching?
6. According to Maj. Gen. McMurry, the Air Force moved one EELV launch out of competition and into sole-source procurement because it “had a weight growth in the payload and became unliftable by ... any of the new entrants that we had expected to be ready.”
 - a. Exactly how did the weight-increase eliminate potential new entrants from competition for that launch?
 - b. Please explain the process by which changes in payload weight were identified and approved in the EELV program.
 - c. Please provide a timeline for those changes to the payload weight since the original decision to award that launch through competition.
7. Maj. Gen. McMurry said in his press availability that the Satellite Based Infrared System (SBIRS) launch was moved out of competition “to maintain the 36 core procurement amount” in order to “honor the long term commitment buy that we have with ULA.” Given that the 36 cores awarded to ULA on a sole-source basis have already been assigned to missions, how does this reassignment relate to a long-term commitment with ULA? Isn’t the SBIRS launch outside the scope of the 36-core block buy?
8. Maj. Gen. McMurry announced that the Air Force’s intent is to “look at the entire launch business after ’17 from a competitive standpoint”.
 - a. Does the Air Force plan to award more sole-source contracts for EELV launches after FY 2017?
 - b. Maj. Gen. McMurry also said that “[t]he team at Los Angeles under Lieutenant General Pawlikowski is working on that acquisition strategy now.” When is that process expected to be completed? Please provide the strategy when it is completed.
 - c. With the significant reduction in planned competitive launches over the FY 2015-2017 timeframe, what assurances can the Air Force provide to prospective bidders that the post-2017 procurement strategy will actually offer a competitive environment?
 - d. Has the Air Force identified any risk to its procurement strategy because of the unpredictable discrepancy between the *actual* number of competitive

launches and the number identified as *possibly* being competitive? Is the Air Force concerned that this uncertainty may discourage new entrants from making long-term investments conducive to ongoing participation in the program?

9. Maj. Gen. McMurry said that the procurement of new GPSIII satellites has been delayed because the previous generation of GPS satellites is “living longer than we [had] predicted.”
 - a. When did the Air Force first determine that the previous generation of GPS satellites would last longer than their originally predicted lifespan?
 - b. GPS IIA satellites will reportedly not be operated under the GPS Next Generation Operational Control System (GPS OCX). Does the Air Force anticipate that adoption of the GPS OCX will reduce the number of satellites available to constitute the GPS constellation?
 - c. What is the Air Force’s estimate for the lifespan of the GPS satellites currently in orbit? If the lifespan of the satellites currently in orbit is further extended, does the Air Force anticipate further delays to EELV launch schedules?
 - d. What is the current estimated procurement schedule for GPS III satellites from FY 2015-2017? What is the Air Force’s estimated procurement schedule that extends beyond FY 2017?
 - e. Did the Air Force consider the possibility of using dual launches of GPS III satellites when it revised its predicted launch requirements?
10. The Russian Security Council has reportedly considered banning the export of the Russian-manufactured RD-180 engines used in ULA’s Atlas V rocket.
 - a. How would the Air Force adapt to a possible Russian export ban on RD-180 engines?
 - b. Does the Air Force believe that the stockpile ULA has reportedly accumulated of RD-180 engines is adequate to serve ULA’s 36 rocket core block-buy in the event of a ban on further Russian RD-180 exports?
 - c. How many Atlas cores previously procured by the Air Force prior to the 36 block buy will utilize RD-180s currently in stockpile?
 - d. Does the Air Force believe that ULA or another American contractor could manufacture their own replacement for the RD-180 engine in the event of a Russian export ban?

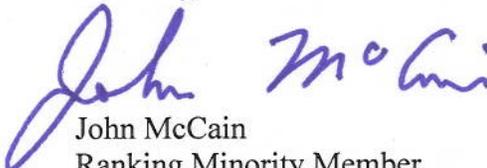
- e. Are there existing American launch vehicles with equal or greater performance to the Atlas V, which relies on the RD-180 engine?
- f. What licenses, authority, or other approvals would be required to achieve domestic production of the RD-180 engine, and from whom?
- g. Have any cost estimates been conducted of domestically producing an RD-180-type engine? If so, who has conducted such analysis, when was it conducted, and what are the findings?
- h. Who would fund such a capability?

11. In addition, please provide the following documents:

- a) Functional Availability Reports issued regarding the GPS satellite constellation since 2012 or other documents pertaining to the predicted need for additional GPS satellites.
- b) National Mission Models and National Launch Forecasts from FY 2011-2014, or other documents pertaining to the predicted demand for future EELV launches.
- c) Any launch manifests provided to support the Current Launch Schedule Review Board process.
- d) Mass-to-Orbit Performance Requirements for unclassified missions in the originally planned 36 core and 14 core procurements.
- e) Pre-decisional supporting budget documents and briefing materials from Space and Missile Systems Center and Air Force Space Command's A3, A5, and A8 staff concerning FY 2013 and beyond launch requirements that support the budgetary process.

Thank you for your attention to this important matter. If you have any questions or concerns, please have your staff contact Jack Thorlin, Counsel to the Minority, Permanent Subcommittee on Investigations, at 202/224-2224.

Sincerely,



John McCain
Ranking Minority Member
Permanent Subcommittee on Investigations