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Presenter: Air Force Secretary Michael Wynne, Air Force Vice Chief of Staff Gen. Duncan McNabb, Assistant Secretary of Defense Sue Payton, and Air Mobility Commander Gen. Arthur Lichte

**February 29,
2008**

DoD News Briefing with Secretary of the Air Force Michael Wynne, Gen. Duncan McNabb, Sue Payton, and Gen. Arthur Lichte at the Pentagon Briefing Room, Arlington, Va.

SEC. WYNNE: Good afternoon. Today is an important day for our Air Force. We are pleased to announce that we have concluded the competition for the Air Force's new air refueling tanker contract and that a decision has been reached.

I'd like to offer at this time my congratulations to all of the effort, to the teams that competed. We are without a doubt blessed to have such innovation across our nation and offering these products.

While our airmen and aircraft are heavily involved in the current fight all around the world, we must also maintain our ability to provide for our national security in the future. Our airmen are performing admirably, but we cannot expect them to forever defend our national interests with our aging aircraft. Our Air Force aircraft have an average age of 25 years. And the KC-135 fleet, with some over 50 years old, is older than any other force element currently in our inventory.

The fleet's readiness, reliability and availability are steadily in decline. Today's tanker decision is a major step in the Air Force's critical recapitalization and modernization that is going to be required to defend the United States and to support our international partners in the 21st century.

This initial contract for the newly named KC-45A will provide significantly greater air refueling capabilities than our current fleet of Eisenhower-era KC-135s. The tanker will be able to refuel U.S. and allied aircraft in every area of responsibility worldwide, 24 hours a day, in adverse weather, and be equipped with defensive systems. This aircraft will also have the flexibility to perform additional taskings, including carrying cargo, passengers and air medical patients.

From deploying and employing American combat power from all the services rapidly anywhere in the world, to providing disaster relief and humanitarian supplies around the globe, these tankers will provide the air bridge for the United States to defend our national interests and assist our friends anywhere on the planet.

Today's announcement is the culmination of years of tireless work and attention to detail by our acquisition professionals and our source selection team, who have been committed to maintaining integrity, providing transparency and promoting a fair competition for this critical aircraft program. They took the time to gain a thorough understanding of each proposal. They provided continuous feedback on the strengths and weaknesses of each proposal, and they gave the offerors insight into the Air Force's evaluation.

Overall, our team engaged in unprecedented levels of information sharing and dialogue with the offerors. And although these efforts lengthened the source selection period, we believe in the end we will provide a higher-value resource to the warfighter and the taxpayer.

I'd like to specifically thank Lieutenant General Jack Hudson and his team at Wright-Patterson Air Force Base, with a special thank-you to Terry Kasten, for an outstanding effort and for showing the true strength and professionalism of our Air Force acquisition personnel.

Ladies and gentlemen, we are pleased to announce that the development and procurement of up to 179 new KC-45A tanker aircraft is awarded to the Northrop Grumman Corporation. We look forward to partnering with them as we continue to defend our great nation in the future.

Now I'd like to introduce the Air Force's vice chief of staff, General Duncan McNabb.

GEN. MCNABB: Sir, thank you. As Secretary Wynne stated, this is not just a great day for our Air Force; it is also a very significant day for our joint team, our nation and our coalition friends and allied partners.

The American people expect and rely on their Air Force to hold any target around the world at risk and respond to any crisis in hours. The KC-45, built by Northrop Grumman, will provide our nation and partners the critical ability to reach across the globe and project our combat capability or humanitarian friendship, rapidly and effectively.

These new tankers will provide global reach to our airlifters, ensure our bombers and fighters can deliver global power, and give our intelligence, surveillance and reconnaissance platforms the ability to provide global vigilance.

In short, these new tankers will keep us global by extending the range and persistence of our aircraft and those of our joint and coalition partners.

Recapitalization of our Air Force's jet tanker inventory is long overdue. Air refuelers are a single point of failure in modern military operations. Across the spectrum of what we do, we absolutely rely on the capabilities they give to us. As Secretary Wynne noted, the KC-45 will not only replace Eisenhower-era aircraft, it will bring new capabilities that will revolutionize how we do this pivotal mission.

Today is therefore a critical step towards ensuring the Air Force's continued ability to give America true global vigilance, reach and power. Thank you.

MODERATOR: At this time, we will transition to the question and answer period. As I've said, we'll have Ms. Payton and General Lichte. As they are coming to the podium right now, I just want to remind you to please state your name and your affiliation. As a reminder, as General Lichte comes up here, he has a vast amount of experience in tanker operations. As a matter of fact, he gave -- Captain Art Lichte gave Cadet Darren McDew his first ride in a KC-135. (Laughter.)

And the first question to Tony Capaccio.

Q Tony Capaccio with Bloomberg news. The world is going to liken this to Giants beating the Patriots in

the Super Bowl in terms of the underdog nature of Northrop's -- the perceived underdog nature of Northrop's candidate. To the extent you can, broadly paint why the winner won. Was it the off-load capability? The fuel capability? And did they win by a lot, or was this a one-point game?

GEN. LICHTHE: Tony, being a New Yorker, I have to take a little umbrage with your question. (Laughter.) I always thought the Giants were going to win the Super Bowl. (Laughter.)

Q Sorry.

Q He didn't say it was thrown. (Laughter.)

MS. PAYTON: And Tony, having watched the consolidation of our industrial base over the last few decades, there are no underdogs out there. We have very strong industrial partners, and we had two very competitive offers in this competition. Northrop Grumman clearly provided the best value to the government when you take a look at, in accordance with the RFP, the five factors that were important to this decision: in mission capability, in proposal risk, in the area of past performance, in cost price, and in something we call an integrated fleet aerial refueling rating. So I would tell you that overall, Northrop Grumman did have strong areas in aerial refueling and in airlift, as well as their past performance was excellent and they offered great advantage to the government in cost price, and they had an excellent integrated fleet aerial refueling rating.

Q One follow-up. Under the ideal circumstances, when might the first case -- of these tankers be flying Air Force missions? What year?

GEN. LICHTHE: Well, we hope that we'll get the first aircraft into the test program beginning in 2010, and we're hoping that the first capability operationally will be about 2013.

Q Thank you.

MS. PAYTON: Any other questions?

Q Hi. Guy Raz with NPR.

MS. PAYTON: Hi, Guy.

Q Even with the high possibility that Boeing will challenge this contract, how long do you think that will -- that could delay the process of getting this program off the ground?

MS. PAYTON: Well, first I'd like to say we will be debriefing both of the offerors. Those debriefings will be very thorough. They will explain in great detail the advantages and the weaknesses that were in proposals. And I can't stress enough what an incredibly open and transparent and rigorous first selection we have gone through. For months and months, we have been telling each offeror where their weaknesses were, where their strengths were, and so they've had a lot of opportunity to communicate with us and to make sure we were not talking past each other. So having said that, disappointed offerors under statute are allowed to protest, and we should be knowing more about this in the March/April time frame.

GEN. LICHTHE: And Guy, I would like to add that it's absolutely important and critical for us to get on with this. Anything that would slow down the process has an impact on the warfighter. If everything goes smoothly and everything progresses, we will still have KC-135s flying late until the 2040s, which makes that airplane well over 80 years old and in some cases close to 90. And from the warfighter's point of view, we need to get on with this. And so I have looked at everything. I think we got a very fair and open process. I know all the communications that went back and forth to the companies, and I just hope we can go forward with this as quickly as possible.

Q Phillip Dine, St. Louis Post Dispatch. I'm a New Yorker too, but I was surprised by the Super Bowl. (Laughter.) I sat in -- well, not this same room, but another room at the Pentagon about 10 years ago, and it's maybe deja vu all over again to quote Yogi. You know, McDonald Douglas lost to JSF and basically folded after that was bought by Boeing. Can you say a little bit more about where Boeing fell short?

MS. PAYTON: Actually, until we debrief Boeing, I will not -- I will not go into details there. We owe it to Boeing to give them the first debrief on this, so I will defer that question and the answer to that question until we've debriefed the offer.

Q Well, could you at least answer to the same level that you answered about Northrop's strength?

MS. PAYTON: No, I don't think I should do that. I think I owe it to Boeing to discuss the elements of our decision with them first.

Q Thank you.

MS. PAYTON: Yes.

Q Courtney Kube from NBC News. When will you debrief Northrop -- or Boeing, that is, on the weaknesses? And then to what extent did Boeing past contracting problems weigh in your decision now? And if, in fact, there is an appeal, which I imagine there will be, or a protest, how can you prove to Boeing that there wasn't some sort of an inherent bias there?

MS. PAYTON: Well, the records are very clear. They were very well documented, and they know exactly where they have stood all along in all of the various factors as we were evaluating them. We will be debriefing them some time on or after the 12th of March. We want to get -- put together a very detailed debriefing for them so that they know exactly where their shortfalls were. That's the general rule of thumb to be able to do this within a couple of weeks after the award.

Q And so, you know, were there any bias with --

MS. PAYTON: Absolutely not. There was absolutely no bias in this award.

Yes?

Q Mike Mount with CNN.

To the extent of the future part of this contract that will extend to the other part of the tankers, can you tell us whether Northrop Grumman will -- are they in your favor now to continue on with the additional tankers in the future --

GEN. LICHTHE: Right.

The way we have this laid out is, the first 179 were going to be the competition that we just announced. It will start all over again in a few more years. We will take a look at the 179 aircraft that we have. We will look at the requirements and then we will go back in and look at the second tranche, known as the KC-Y. So we need to continue to look at this. But from the acquisition perspective, we had planned to do this separately.

Q And if I could just quickly follow up, I'm not sure if this is in your lane either.

This is a tremendous-size contract in terms of money. Where does this fall in terms of overall U.S. military

contracts? Is this considered one of the largest deals?

MS. PAYTON: I believe this is one of the top three awards. I do believe the Joint Strike Fighter was of more value, but this one may be second or third in that ranking.

GEN. LICHTHE: And we can take a look and get you an answer on that.

MS. PAYTON: We'd be glad to follow up on that.

GEN. LICHTHE: We'll follow up with that.

MS. PAYTON: Yes.

Q Paul Merrion with Crain's Chicago Business Magazine.

Can you tell us what the value of the contract is? And were the other factors so close that the price became a more important factor than it otherwise would have been?

MS. PAYTON: No.

Actually the cost price was one of the least important factors as we laid out the RFP. Mission capability and proposal risk and past performance were the top three, and they were all equal. And then cost price and the integrated aerial refueling factor came in after that.

Q I understand that's how it was set up.

MS. PAYTON: Yeah.

Q But in the way it was evaluated, were those other factors so close that the deciding factor was cost or not?

MS. PAYTON: No, it was not. It was an integrated assessment across all, and there were discriminators in all of the areas.

And I think you had another question about the value.

Q Yes, the value.

MS. PAYTON: The SDD, the system development and demonstration portion, will be \$1.5 billion. And the follow-on production of the 64 additional -- there will be 4 in SDD and 64 in the procurement side, the production side. That will be \$10.6 billion.

Q How many for the entire 179?

MS. PAYTON: We have negotiated the lot structure on that. We will have 5 lots. And then there will be another negotiation in more detail for lots 6 through 13.

The overall value, when you add all other government costs, and the operations and support data, becomes way out in 25 years from now.

So I'd rather have you have the numbers of 1.5 billion and 10.6 billion for those first 64.

Q Since I could follow, one left. How does this relate to the 40 billion that's been bandied about as the value of this contract?

MS. PAYTON: Right -- 35 billion would be that total if you go to those production lots that end in 13 -- lot 13, to get to the total of 179. Then you have operations and support data on top of that, and other government costs and things like that.

GEN. LICHTHE: Right there on the end.

Q Thanks. Dana Hedgpeth with The Washington Post. Can you say what does this say -- you're accusing Northrop Grumman about putting the past Druyan-Boeing decision behind the Air Force?

MS. PAYTON: I'm sorry, could you repeat that?

Q Sure. Yes. In your picking Northrop Grumman, obviously there's been a lot of attention paid to this contract and its past history --

MS. PAYTON: Oh, okay.

Q -- of the Darleen Druyan situation.

MS. PAYTON: Okay. Yeah, well, the Darleen Druyan situation was a-half-a-decade ago, and we have proven in this source selection that we have done everything according to the federal acquisition regulations. We have been extremely open and transparent. We have had the DOD IG come in and take a look at all of our audit trail from the document that we got from the JROC, our Joint Requirements Oversight Council, as we built the systems requirements document and as we built the RFP. We've had the GAO in to take a look at all of our processes and what we were doing, and we have had tremendous peer review by OSD. And Secretary Young has sent a team in. We had people from the Army and Navy that were acquisition experts. And so we have had a very thorough review of what we're doing. We've got it nailed, and I don't see any relationship to what has gone on in the past at all.

GEN. LICHTHE: Okay, in the back.

Q Eric Rosenberg, Hearst Newspapers. Were either of you surprised, or do you think your colleagues will be surprised by the selection? And then secondly, do you think that there'll be blowback from congressional types, concerning for the fact -- the simple fact that this is not just Northrop Grumman, there's a high foreign component in this?

GEN. LICHTHE: Well, I think it's simply a great day for America. I think this is a move forward. When you ask if we're surprised, we are just happy to be moving on. Every day in Air Mobility Command, we're launching sorties and we're engaged in the fight. There are some 1,000 sorties that are being flown right now around the world; 250 of them are tanker sorties out there. And so for me, as the commander of Air Mobility Command, every 90 seconds we can see an Air Mobility aircraft rolling down a runway somewhere in the world. And so for me, it's not a surprise. We are working hard every day.

What this is, is relief, because we know that in the future years, we will have a new tanker, because tankers are what really enable the fight. We can look all over the world from space, and then when we find a problem, if we need to put bombs on target, it's the tanker that enables that, or we can go with an outreach hand for humanitarian airlift. So --

Q But institutionally, it is a surprise. I mean, Boeing has been building these for so many years that it has to strike your colleagues -- it must strike your colleagues as something curious.

GEN. LICHTHE: I guess I'd tell you to turn back the clocks and look at the last time we bought a new tanker, when we were discussing whether we were going to buy 747s or DC-10s built by McDonnell Douglas. And so we have a combination of Boeing tankers -- certainly from the years '56 to '64 we had some 700 tankers built by Boeing -- but we've also had tankers that were built originally by McDonnell Douglas.

Q And the foreign element? Do you think that you're going to get some blowback from Capitol Hill about this?

GEN. LICHTHE: This is an American tanker. It's flown by American airmen. It has a big American flag on the tail, and every day, it'll be out there saving American lives.

Yeah?

Q Justin Fischel with Fox News. The contract is going to EADS, then, which is overseas. Boeing argued, however, that it would create about 40,000 American jobs here. Did that weigh into your decision at all? Obviously, with it going to EADS, there won't be as many American jobs created. How do you respond to that?

MS. PAYTON: Well, I'd be happy to respond to that. I -- the RFP is not involved with -- the requirements of the RFP were not such that this was taken into consideration. The RFP had to do with requirements that the warfighter needed, and we balanced the requirements of the warfighter with the best value for the taxpayer, relative to how much this system is going to cost and how well it's going to perform.

Q And just to follow, did size matter in this issue? I mean, the KC-30 is twice as large as the 767. Did that play into cost savings, and was that an issue in this decision?

GEN. LICHTHE: Well, I -- from a warfighter's perspective, and I know the team looked at a whole number of things, but from my perspective, I can sum it up in one word: more.

More passengers, more cargo, more fuel to offload, more patients that we can carry, more availability, more flexibility and more dependability. And so from my aspect, the team did tremendous work and now we will take that and put it into the fight.

Q And how big is it a factor that Boeing had not yet built its own boom? They hadn't build their own model yet. Was that a factor?

MS. PAYTON: As I said earlier, I'd like to discuss the Boeing situation with Boeing first. And I think I owe that to them, so I won't be commenting on that.

Q Kiernan Chaisson with the Journal of Electronic Defense. The secretary mentioned self-protection of the aircraft as a factor. This is something new for this type aircraft. Could you give a little more on that?

GEN. LICHTHE: Sure. We're looking at defensive systems for the tanker, for this KC-45A. When you look at the new white paper that's been released by the chief of staff of the United States Air Force, he said we have to be looking out and looking at emerging threats. And so what we're doing with this source selection, we are taking that into account so that we can get the tanker closer to the fight and offload as much fuel as possible. So we did look at defensive systems, and these aircraft will come equipped with defensive systems.

MODERATOR: We have time for about just two more. Just two more.

MS. PAYTON: Let's go to this side of the room. Yes?

Q From an operator's perspective, General, how does having a larger aircraft change the way you'll treat this tanker? It's more like a DC -- KC-10, in a lot of ways than the KC-135s its replacing.

GEN. LICHTER: It certainly gives us flexibility. And what I will tell you gives us even more flexibility is the fact that it has a receiver receptacle so that it can give gas or it can take gas, and it also has the ability to pass gas by way of the boom or it can pass gas by way of drogue. That gives us all a flexibility, and so we can have a mix of aircraft up forward in the fight, that when the time is right, that tanker can offload all the remaining gas into another tanker. And so it gives us the flexibility for the warfighter's point of view. And that was all factored in through this process. So I am very happy with what we get, and we'll put it to good use.

Q Can you repeat your "mores"? You said more, and you said about six traits.

GEN. LICHTER: Sure, if I can remember them.

MODERATOR : This will be the last one, though.

Q Oh, I didn't mean to get --

MODERATORs i: You didn't mean to jump in?

Q No, I just wanted him to repeat.

GEN. LICHTER: He just wanted more.

Q Oh, you want to get your quote of more?

Q Yeah, get that quote.

GEN. LICHTER: More passengers, more cargo, more fuel to offload, more availability, more flexibility, more dependability, and I also mentioned that it could carry more patients in the aeromedical evacuation role.

Q Thanks, sir.

GEN. MCNABB: Okay.

MODERATOR: Now one more. (Laughter.)

MS. PAYTON: Have you asked a question yet back there?

MODERATOR : No, she hasn't.

MS. PAYTON: Please.

Q General, Marc Schanz of the Air Force Magazine. What are you going to do with the KC-135s? Are they so old that you're going to begin retiring them before the 45 comes on-line?

GEN. LICHTER: Right. We'd like to start retiring them as soon as possible. We have -- our oldest models are the KC-135Es, E models. They have problems with the struts. They have restrictions placed on them. We'd like to start retiring them as soon as possible. We are still working with Congress on some restrictions that are in the language, but as soon as we can retire them, what we will do is we'll put them out to retirement.

They'll go out to Davis-Monthan Air Force Base and then we can use them to help the supply for the ones that we keep flying through the 2040 time period. And so we're looking forward to the day we that we can start accelerating that retirement, and of course, as a result of the great work that the team has done to get the KC-45 into our inventory.

Q You would like to retire those before the 45 comes on?

GEN. LICHTER: Sure.

Q Okay.

Q Can I ask one quick clarification, Ms. Payton? I just want to be sure that I understood this correctly. It's fair to say that the possibility of this creating jobs in the United States was not a factor in your selection process; correct?

MS. PAYTON: That's correct.

Q And is it 13 or 15 lots total that you're --

GEN. LICHTER: We'll get the -- we can get the facts to you. If you have an factual questions, we can get folks to answer all those questions.

MS. PAYTON: Thirteen.

Q Thanks.

GEN. LICHTER: Okay? Thank you all very much.

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