

FINAL ACQUISITION ACTION APPROVAL
FOR
F-117 TOTAL SYSTEM PERFORMANCE RESPONSIBILITY WEAPON SYSTEM
SUPPORT CONTRACT

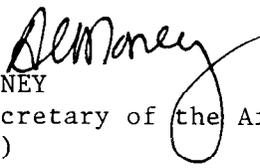
REFERENCE: J&A No. 97-JA-044

Final Acquisition Action Approval of the action described by this Justification and Approval (J&A) is provided subject to the exceptions listed below. This approval applies only to the specific acquisition actions presented in the Class Justification and Approval No. 97-JA-044, dated 09 October 1997. This Class Justification and Approval (J&A) authorizes the use of other than full and open competition procedures to obtain Total System Performance Responsibility (TSPR) depot-level acquisition and sustainment weapon system support for the F-117A Stealth Fighter.

For all exceptions, the Field Director of Contracting shall notify SAF/AQCS immediately upon accomplishment (with information copy to the MAJCOM). An exception preceded by an asterisk must be deleted by an amendment to the FAAA before the acquisition cycle may continue past the event cited in the exception.

EXCEPTION:

NONE


ARTHUR L. MONEY
Assistant Secretary of the Air Force
(Acquisition)

16 October 1997

JUSTIFICATION REVIEW DOCUMENT
SACRAMENTO AIR LOGISTICS CENTER

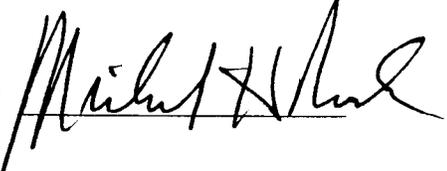
PROGRAM: Total System Performance Responsibility, F-117

PROGRAM COST ESTIMATE: \$2,062,100,000.00

AUTHORITY: 10 USC 2304(c)(1) as Implemented by FAR 6.302-1

PREPARED BY: DANNY H. EVANS/Contracting Officer
Directorate of Specialized Management
Sacramento Air Logistics Center
5020 Bailey Loop
McClellan AFB CA 95652-1034

TECHNICAL/REQUIREMENTS PERSONNEL:

NAME/TITLE	DSN	SIGNATURE/DATE
SAMUEL K. RYALS, Col, USAF System Program Director	633-1011	 29 Sep 97
DANNY H. EVANS Contracting Officer	633-1051	 29 Sep 97
MARK R. LAND, ^{lt Col} Maj, USAF Staff Judge Advocate	633-5123	 1 Oct 97
DAVID C. BLOCK Chief of Specialized Procurement	633-1051	 97 Sept 97
CHRISTINE A. SWARS Senior Center Contracting Official	633-3557	 30 Sep 97
MICHAEL H. NOCK Competition Advocate	633-5447	

NAME/TITLE

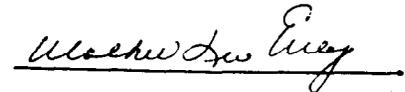
DSN

SIGNATURE/DATE

ROBERT F. RAGGIO, Maj Gen, USAF
Program Executive Officer

227-9400

 9 Oct 97


10 Oct 97

WALKER LEE EVEY
Deputy Competition Advocate General
Assistant Secretary (Acquisition)

**CLASS JUSTIFICATION AND APPROVAL
FOR
OTHER THAN FULL AND OPEN COMPETITION**

I. ORGANIZATION: SM-ALC/QLU
5020 Bailey Loop
McClellan AFB CA 95652-1034
Danny H. Evans, Contracting Officer
DSN 633-1051, ext. 304

II. NATURE/DESCRIPTION OF THE ACTION:

A. The USAF proposes to award a Total System Performance Responsibility (TSPR) sole source depot-level acquisition and sustainment weapon system support contract for the F-117A Stealth Fighter. This contract will provide the support necessary to fulfill the mission, continue operations and ensure combat capabilities, while reducing System Program Office (SPO) size and consolidating contract activities under a single source. This contract will include services presently performed by the prime contractor, breakout contractors, and logistic support services currently performed by the SPO. The contract will create a partnership among the SPO, prime contractor, and the warfighter from 01 Oct 98 - 30 Sep 06.

1. The logistics support for this operational weapon system currently includes: program management and administration; technology insertion and life extension acquisition management; Reliability and Maintainability (R&M) modification management; system and sustaining engineering management; configuration management; subcontract management; technical order management; inventory management; specialized repair activity and repair facilities management; on-call support for day-to-day support problems; component repair/procurement/configuration upgrades; readiness spares package management; Mission Capable (MICAP) program management; supply support; security/safety/quality management; production management; flight test management; and installation of aircraft/component modifications.

2. The above SPO functions are currently performed at McClellan AFB CA (SM-ALC) and Wright-Patterson AFB OH. The smaller SPO will be consolidated at Wright-Patterson AFB OH in the FY99 time frame. Due to circumstances described in paragraph II.B, the services described in Section III will be acquired using other than full and open competition procedures.

B. This J&A is for a TSPR requirement from FY99 - FY06. In addition, the J&A is for the two actions that must be accomplished in FY98 that are described in paragraph V. D. The rationale for requesting this J&A for the 8-year period is that program requirements and business environment are essentially the same for all years. In addition, a long-term contract is required to reduce program administrative cost, mitigate cost risk, and allow the SPO to relocate with a current contract after base closure.

C. Period of Performance: 1 Oct 98 - 30 Sep 06

D. The following contractor represents the only known responsible source capable of providing the required total logistic and management support for the weapon system:

Lockheed Martin Skunk Works (LMSW)
1011 Lockheed Way
Palmdale CA 93599-1287

E. The contract requirements are depot-level weapon system support integration tasks described in IIA(1). The contract type will be a combination of a Requirements Task Ordering contract and an Indefinite Delivery/Indefinite Quantity (ID/IQ) contract, with a pricing arrangement of Cost Plus Incentive Fee (CPIF) with an Award Fee feature. Annual delivery orders will be issued for continuing weapon system support and individual delivery orders will be issued for one-time tasks. Over-and-above provisions will be used for catastrophic failures of the weapon system and event-driven contingencies requiring surge capabilities.

F. Technical and schedule risks associated with this requirement are low. The contractor will be expanding functions currently accomplished. There will be some new functions, e.g., SPO management tasks and engine continuing/liner engineering support. The SPO office will retain sufficient staff during the transition period to ensure continued mission support.

G. Cost risks are moderate. SM-ALC has procured these services through a combination of FFP and CPAF for over fifteen years. Sufficient historical data is available to quantify the majority of the contractor's proposal. However, LMSW will be assuming new tasks that fundamentally change the roles and responsibilities of the Government and the Contractor. There are requirements for new facilities, i.e. systems and equipment that may not be in place by 1 Oct 98. There will be a learning curve associated with new computer systems, management techniques and metrics used to judge contractor performance. At this point, it is difficult to estimate the potential cost for these new tasks. The Government will control the contractor's deliverables and cost through detailed system and contract support metrics.

H. Contract Special Features: Incentive structure; inventory consumption

III. DESCRIPTION OF SUPPLIES/SERVICES:

A. This contract provides complete acquisition and sustainment support, system engineering, flight test support, depot modifications, spares support, and logistics support for the weapon system. This includes tasks, such as: program management; administration; configuration control; inventory management support; management of specialized repair activity and repair facilities; on-call support for day-to-day operations; investigation and resolution of operational problems; support of hardware test facilities; software block change cycle support for Operational Flight Program; Air Force Mission Support System; related software support; and technical manual/service bulletin support.

B. Total Estimated Cost: \$2.0621 Billion (8 years)

Estimated costs are based on a compilation of all program budgets; USAF raw inflation indices dated 15 Feb 1994 for 3400 dollars; and an inflationary factor of 3% per year for all other appropriations with unknown budgets in the out-years. A ceiling for over and above requirements is also included.

IV. STATUTORY AUTHORITY:

10 U.S.C. 2304 (c) (1) as implemented by FAR 6.302-1, Only One Responsible Source.

V. APPLICABILITY OF AUTHORITY:

A. The F-117A Stealth Fighter was covertly developed by LMSW with a plan to utilize total Contractor Logistic Support (CLS) for the weapon system. During development, reprourement data was not acquired because this special access program was expected to remain CLS for the life of the weapon system. This concept has changed. Air Combat Command has assumed base-level support activities and the SPO has broken out subcontractors from the prime. The Government still relies on LMSW to provide significant integration, fabrication, test, and airframe depot operations to maintain configuration control and enable the aircraft to perform its mission. LMSW is the only source that possesses the required data, knowledge, skills, specialized support equipment/tooling, and personnel expertise needed to provide single source depot-level weapon system support for this aircraft. Currently there are 53 operational aircraft; the aircraft fleet life expectancy is to the year 2018.

B. LMSW maintains proprietary data rights for processes and specifications to low observable technology. LMSW has the depot-level expertise for reprourement, manufacturing and/or repair required to ensure the continued stealth capability of this aircraft. A decision tree analysis (DTA) study was accomplished by the SPO in 1989, in which the component reprourement data cost for the 79 highest repair cost, highest failure rate items was estimated by LMSW to cost at least \$100M. A HQ AFMC cost analysis of this DTA expanded the study to look at all F-117A peculiar items. The associated costs for technical data changes, stocklisting of peculiar parts, and other materiel management functions were estimated by AFMC as \$200M to \$1B. There is no cost benefit to the Air Force to procure this data, since any cost would not amortize over the remaining life of the program. Conditions that affect the assumptions used in the study have not changed and the study is considered current.

C. The Air Force plan is to reduce the F-117A weapon system life cycle cost by consolidating non-inherit Government program management activities under a single source. The USAF can accommodate the shrinking F-117 O&M budget and the impending loss of skilled personnel due to the closure of SM-ALC, only by increasing the role currently performed by the contractor and reducing Government oversight via the TSPR contract. The contract goal is to provide depot level acquisition and sustainment support to the warfighter in a cost effective and efficient manner.

1. System integration responsibility would reside with LMSW under the concept described above. This methodology will create one contract that includes all current SPO prime contractors and functions in addition to LMSW current tasks. This concept has been chosen for maximum overall weapon system support savings.

2. The total program cost is expected to show a net decrease from current baseline. The expected cost savings will be accomplished through improved contractor performance, consolidating tasks under one weapon system integrator, and more efficient operations.

D. Two actions are required during the FY98 contract year to establish a TSPR contract beginning 1 Oct 98: (1) the responsibility to ensure spares availability to the operational unit and to the depot support function must be transitioned to LMSW; and (2) all required TSPR support subcontracts.

VI. EFFORTS MADE TO OBTAIN ADDITIONAL SOURCES:

This requirement was synopsisized as a Synopsis For Subcontracting Purposes Only in September 1996 in the Commerce Business Daily (CBD) citing conditions, which preclude full and open competition. One contractor contacted this office and asked about subcontracting opportunities for this effort. The contracting officer referred the contractor to LMSW. LMSW informed this office that a few potential subcontractors had contacted their company. These contractors were added to LMSW's vendor files as potential subcontractors.

VII. FAIR AND REASONABLE COST:

The cost of this acquisition will be fair and reasonable to the government. The pricing methodology employed will ensure this negotiation is in accordance with FAR 15.8. Fair and reasonable prices can be negotiated based on supporting information and documents from the DCAA and DCMC offices when applicable.

VIII. MARKET SURVEY:

A market survey has not been conducted in the past due to the classification of this program. Competition is not possible because of the prohibitive cost of data. A market survey will not be performed. While there are some limited tasks that could possibly be contracted by other means, the costs to develop the source, administer the resulting contracts and to integrate the effort would far exceed the value added, while increasing the costs, offsetting the savings gained through the TSPR concept. For this reason, a component breakout effort would not yield significant savings to the Air Force.

IX. OTHER FACTS SUPPORTING USE OF THE EXCEPTION:

The F-117A aircraft utilizes stealth technology, designs, and materials whose physical properties and unique characteristics are peculiar to this program. This technology was developed at LMSW expense. Because of this, LMSW owns the data rights for this technology. The Government

never purchased the proprietary data or reprocurment data for this aircraft. To date, LMSW has refused to release their proprietary claim on this technology.

X. LIST OF INTERESTED SOURCES:

Actions taken to develop new sources are described in Paragraph VI. Engineering Change Proposals that will modify the airplane will be synopsisized to allow additional interested sources to participate. No sources, other than the source listed in Paragraph II, have expressed an interest in these requirements.

XI. STEPS TO FOSTER COMPETITION:

The Government will take steps to increase competition at the subcontractor level. One of the categories for incentive in the award fee plan will be increased competition at the subcontractor level. In addition, the Competition in Subcontracting (FAR 52.244-2) clause will be included in the resulting contract.

XII. CONTRACTING OFFICER'S CERTIFICATION:

The contracting officer's signature on the Justification Review Document is evidence he has determined this document to be both accurate and complete to the best of his knowledge and belief.

XIII. TECHNICAL/REQUIREMENTS PERSONNEL CERTIFICATION:

Technical/requirement personnel signatures are evidence that any supporting data contained herein is both complete and accurate.