



May 21, 2007

Phillip W. Marcum
Contracting Officer
Department of the Air Force
Headquarters Aeronautical Systems Center
Wright-Patterson Air Force Base, OH 45433

Re: Sikorsky's Comments & Questions on the Draft of Amendment No. 4 to the
CSAR-X Request for Proposals

Dear Mr. Marcum:

This is in response to your letter, dated May 14, 2007, and our face-to-face meeting on May 17 in Dayton, in which the Air Force invited Sikorsky Aircraft Corporation ("Sikorsky") to provide its comments and questions concerning the draft of Amendment No. 4 to the CSAR-X Request for Proposals ("RFP"). Our general comments appear below and our questions regarding particular provisions in the draft are being submitted under separate cover.

At the outset, we reserve our right to supplement our comments and questions, which is consistent with your guidance during the May 17 meeting. As you recall, you informed us during the meeting that the discussion period for the draft would be open until the Air Force issued the final amendment.

We also respectfully urge the Air Force to reconsider its intention to provide a written response to Sikorsky (and presumably to the other offerors) along with the final amendment. Sikorsky firmly believes that allowing an additional round of questions that would add merely a few more days to the procurement is the prudent approach because: (a) it will allow the offerors to submit additional questions that may arise from further changes that the Air Force intends to incorporate into the final amendment; (b) without another iteration of the amendment, the current schedule calling for proposals within three weeks of the release of the final amendment will not yield sufficient time to prepare a proposal and seek clarification if ambiguities arise or remain unresolved; and (c) most importantly, the Air Force will surely receive better proposals because they have resulted from a fine-tuned amendment.

With that said, Sikorsky provides the following general comments regarding the draft amendment:

- **Contrary to the statements made throughout the face-to-face meeting, none of the limitations on information or proposal modifications imposed by the draft RFP are “required” by the Government Accountability Office’s (“GAO”) decisions. They have been imposed unilaterally by the Air Force, for reasons that lack any adequate explanation on the record, in a manner that appears exclusively to favor one offeror.**
- **The Air Force cannot, in good faith, ignore the directive from the Office of the Secretary of Defense (“OSD”) requiring the use of burdened fuel costs, while simultaneously burdening all other costs in the draft amendment. The failure to consider burdened fuel costs, taken alone, results in an evaluation methodology that is not reasonably calculated to evaluate actual differences in the cost of the offerors’ respective aircraft. When combined with the Air Force’s decision to ignore the OSD directive and burden all other costs, this proposed evaluation methodology creates the appearance of being specifically constructed to favor Boeing and its much heavier aircraft and to distort the actual life cycle costs of the proposed air vehicles.**
- **There is no rational basis for the Air Force to merely “consider” platform unique total adjusted maintenance manpower costs rather than including those costs in the Most Probable Life Cycle Cost (“MPLCC”) calculation. To weigh one category of costs more heavily than another is plainly arbitrary.**
- **An agency’s cost evaluation must be reasonably calculated to reflect the actual cost of offerors’ technical proposals to the Government. Accordingly, the Air Force’s proposed approach of not including the maintenance manpower efficiencies (if any) in the MPLCC calculation lacks a rational basis because it ignores differences in the cost required to hanger the offerors’ respective aircraft, to tear down and build up those aircraft for transportation, and to ferry those aircraft for deployment. Proceeding in this manner will have a profound effect on the Air Force’s cost of operation and result in an unwarranted and otherwise avoidable surcharge to taxpayers.**
- **More specifically, by choosing to ignore the competing aircrafts’ dissimilar deployability costs in the MPLCC calculation, the Air Force would be intentionally overlooking the significantly higher costs that will result from the Herculean effort required to deploy the HH-47. To be sure, in order to deploy Boeing’s aircraft, the Air Force will need to remove both sets of rotors, pylons, and gearboxes prior to loading, and then reassemble them at destination after unloading. These steps are not required for the HH-92 helicopter. As a result, the time required to load the HH-47 is reported to be 1 ½ hours, while the time required to reconfigure and deploy the HH-47 is reported to be 2 hours and 58 minutes, compared to 17 minutes on the front**

end and 38 minutes on the back end for Sikorsky. Obviously, the labor cost for Boeing's 4 ½-hour loading/unloading/ deployment process is significantly higher than Sikorsky's, and this cost will be incurred by the Air Force over the life of each aircraft every time it is deployed for a mission.

- And by choosing to ignore the competing aircrafts' dissimilar ferrying costs in the MPLCC calculation, the Air Force would be intentionally overlooking the number of aircraft, personnel and associated costs, *e.g.*, fuel, needed to transport the HH-47. To illustrate: three HH-92's helicopters fit in a C-5 and two in a C-17; for the HH-47, it is reported that the comparative numbers are two and one, respectively. Thus, to deploy five HH-47's, the Air Force will need an extra transport – three in all – all of which will be ferrying approximately 69 percent more weight per helicopter (*i.e.*, 32,000 pounds for the HH-92 helicopter vs. 54,000 for the HH-47).
- There is no rational basis for the Air Force to prohibit and/or ignore proposed cost savings in the areas of Unit Mission Personnel, MER Contractors, and Indirect Support. The assumption that these costs will be identical for all offerors unreasonably ignores cost differences that will result from the offerors' widely divergent technical approaches. Indeed, in its decision the GAO criticized the Air Force's prior evaluation that "ignore[d] the most likely maintenance requirements for the new CSAR-X for nearly all of its operational life and to rely instead on a maintenance approach" in the MER that is based on a high maintenance aircraft that was not offered by any of the parties.
- Because – as we learned during the face-to-face meeting on May 17 – the Air Force intends to negotiate a modification to the contract schedule immediately following award, the existing technical evaluations are, and the new cost evaluations necessarily will be, based upon proposed schedules that the Air Force now deems irrelevant. This irrational evaluation methodology will result in an award determination that is not based on the actual cost and performance risk of the offerors' respective aircraft. If the Air Force does not intend to require the awardee to perform in accordance with its previously proposed schedule, it must permit offerors to revise their proposed schedules and evaluate the cost and performance risk of each offeror's proposal in light of that offeror's newly proposed schedule.
- The Air Force's acknowledgment that it intends to modify the contract schedule immediately following award also indicates that the schedule requirements for this procurement have changed. When an agency's requirements change during the course of a procurement, it must amend the solicitation, solicit revised proposals, and evaluate those proposals based upon its changed requirements.

- When an agency solicits revised cost proposals, it is required to allow each offeror to revise any aspect of its technical proposal that could impact that offeror's evaluated cost. Because the Air Force has solicited revised cost proposals, it must allow offerors to revise their technical proposals and reevaluate those proposals in light of any changes.
- The GAO's reconsideration decision includes a footnote indicating that there was a "discrepancy" between Boeing's technical proposal and the fact that it was given credit in the technical evaluation for meeting the specification objective of no more than 10 maintenance man-hours per flight hour. The opinion further expressed the GAO's expectation that "the agency will resolve this discrepancy during reopened discussions." Because the Air Force is required to reopen discussions with Boeing to correct this discrepancy in Boeing's technical proposal, it also must reopen discussions with other offerors regarding their technical proposals, solicit revised technical proposals from all offerors, and conduct a new technical evaluation.
- An agency may not ignore relevant information that is close at hand. Accordingly, the Air Force is required to reevaluate offerors' technical and cost proposals in light of newly developed and revealed public information regarding the schedule risk, performance risk, and overall capabilities of the offerors' respective aircraft. There is simply no rational basis for the Air Force to ignore information that has been brought to its attention repeatedly and of which it is plainly aware. It is almost as if the Air Force does not care if the evaluations previously made in the technical proposals are still valid or even if they were correct to begin with.
- More specifically, Defence Systems Daily has reported that following hurricanes Katrina and Rita, the Army National Guard had to stop using the H-47's to hoist survivors from the water lest a 'massive' whirlwind generated by these helicopters potentially drown the very people the Army was trying to save. The Army had to reassign the H-47 to its primary role – ferrying supplies into the hurricane ravaged Gulf coast and relocating groups of displaced persons from the disaster area – a traditional cargo helicopter, not CSAR role. Defence Systems Daily also reported that the Army projected an eleven-month production span-time increase from 30 months to 41 months, promoting questions about Boeing's ability to deliver the HH-47 to the Air Force several months early.
- The draft solicitation allows offerors to provide information to support claims of enhanced maintenance manpower efficiencies. There is no rational basis for the Air Force to refuse to reevaluate offerors' technical proposals, including the impact of such efficiencies on strengths and weaknesses

assigned in relation to the Weapons System Specification ("WSS"), in light of such new information.

- For similar reasons, there is no rational basis for the Air Force to bar offerors from modifying their WSS to reflect the impact of the new information on maintenance manpower or for the Air Force to decline to evaluate such modifications.

Simply stated, the draft of Amendment No. 4 contemplates a corrective action that is seriously flawed and one that will unnecessarily cost taxpayers billions of dollars which otherwise could have been avoided. Not only is the Air Force's draft contrary to the GAO's decision and an OSD directive, it also refuses to include the real cost of operating and maintaining the CSAR-X aircraft in the MPLCC calculation and, instead, merely intends to "consider" these costs. Failing to allow for proposal updates, even though the Air Force intends to negotiate a modification to the contract schedule following award to accommodate the changes that are readily apparent today, indicates an attempt to justify the prior award without regard to consideration of the true attributes of the competing helicopters.

Sikorsky is confident that the HH-92 is the absolute best solution for the combat search and rescue mission; for its part, the Air Force is obligated to give the HH-92 helicopter a fair chance to compete for this requirement. Rest assured, Sikorsky will vigorously oppose any effort by the Air Force to repeat its mistakes, make new ones, or otherwise bypass the mandate for full and open competition.

Thank you for your attention to this matter. We trust that the Air Force will take Sikorsky's comments and questions seriously when preparing the final version of Amendment No. 4. In the meantime, please do not hesitate to contact Jim Robinson by phone (203-386-3309) or by e-mail (jrobinson@sikorsky.com) if you have any questions.

Sincerely,



Ariel R. David
Director, Government Contracts &
Associate General Counsel