



Justification and Approval (J&A) for Other Than Full and Open Competition

NOTE: If a Justification and Approval was approved for the preceding acquisition, a copy of the approved J&A for the predecessor action must be included in the staff package for approval of the instant J&A. This applies to J&A staff packages that are submitted for review and approval at a level above the contracting officer. The predecessor J&A will be used as a reference document by the approving official.

Choose the funding level for this J&A Document:

☐ ≤ \$700K ☐ > \$700K and ≤ \$13.5M ☐ > \$13.5M and ≤ \$93M ☒ > \$93M

Contracting Activity: AFLCMC/WKC 2590 Loop Road West WPAFB, OH 45433

Purchase Request / Local ID Number:

Program / Project (and PE, if applicable): KC-46 Pegasus Combat Capability (PC2)

Program Type (PEO or Other Contracting): AFPEO for Tankers, Acquisition

Authority (include full title): 10 U.S.C. 2304(c)(1) per FAR 6.302-1 (a)(2)(ii)

Estimated Contract Cost (including options): \$5.7B

J&A Type: ☒ Class ☐ Individual

COORDINATION (AFFARS 5306.304(a))

Date	Contracting Officer [Redacted] [Redacted] [Redacted]	Signature [Redacted]
Date	Project Lead / Program Mgr / Requiring Activity [Redacted] [Redacted] [Redacted]	Signature [Redacted]
Date	Local Legal Reviewer [Redacted] [Redacted] [Redacted]	Signature [Redacted]
Date	Chief of the Contracting Office (COCO) [Redacted] [Redacted] [Redacted]	Signature [Redacted]
Date	Competition Advocate [Redacted] [Redacted] [Redacted]	Signature [Redacted]



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Date	Senior Contracting Official (SCO or SCCO) [REDACTED] [REDACTED] [REDACTED]	Signature [REDACTED]
Date	PEO / Commander (Requirements Cognizance) [REDACTED] [REDACTED] [REDACTED]	Signature [REDACTED]
Date	[REDACTED] [REDACTED] Deputy Assistant Secretary (Contracting)	Signature [REDACTED]

APPROVAL (AFFARS 5306.304(a))

Date	[REDACTED] Principal Deputy Assistant Secretary of the Air Force (Acquisition & Logistics)	Signature [REDACTED]
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I. Contracting Activity.

Department of the Air Force
Air Force Materiel Command
Air Force Life Cycle Management Center
KC-46 Division (AFLCMC/WKC)
Bldg 558, Area B
2690 Loop Road West
Wright-Patterson AFB OH 45433-7424

This is a Class J&A for Other than Full and Open Competition.

II. Nature and/or description of the action being processed.

This Class J&A is for the award of a new Indefinite Delivery/Indefinite Quantity (ID/IQ) contract to The Boeing Company (hereafter referred to as Boeing) for the modification/modernization, engineering, sustainment, and test support of the KC-46A fleet. This contract will be named the Pegasus Combat Capability (PC2) contract. PC2 will not be an Acquisition Category (ACAT) Program in itself, but individual efforts which are placed on Delivery Orders (DO) may be assigned an ACAT level, as appropriate. The contract will have a five-year base ordering period and a five-year ordering period option. In accordance with DFARS 217.204(e)(iii), Senior Procurement Executive approval will be obtained for those specific orders where performance is expected to extend more than one year beyond the 10-year ordering limit. The total estimated ceiling amount of \$5.7B covers the entire ten-year ordering period (base plus option). PC2 requirements will utilize multiple contract-type arrangements, as approved at their individual Acquisition Strategy briefings, affording maximum flexibility for the KC-46 Division to tailor contract type to cost, technical, and schedule risks, as appropriate, for the specific requirement.

III. Description of supplies/services required to meet agency needs.

In support of the United States Air Force (USAF), Air National Guard (ANG), and Air Force Reserve Command (AFRC), the PC2 contract requirements will include, but not be limited to, modernization efforts such as hardware and software design, development, verification, integration, certification, and test; kit production (to include Federal Aviation Administration (FAA)-mandated airworthiness directives) and installation; field and depot-level support, and other general sustainment support to include spares, provisioning, support equipment or technical data; sustaining engineering; test support; and special studies and analyses in support of peacetime and contingency operations. The designation of supply or service tasks will be applied at the DO-level. To support all of the above requirements, decentralized ordering will be authorized to the KC-46 Division at both Wright-Patterson Air Force Base, OH and Tinker Air Force Base, OK.

The life cycle sustainment and related acquisition strategies for the KC-46A fleet rely on maintaining Original Equipment Manufacturer (OEM) ownership of amended and supplemental type certificates. All requirements under the PC2 Contract must maintain or update these certificates. Moreover, most of the PC2 requirements will require access to technical data and software that only the OEM can currently access and use. The combination of these two constraints--one which points to the unique capabilities of the OEM in relation to continued airworthiness and the other which points to limitations in the availability of data and software--means that only one responsible source can meet the full range of requirements for the PC2 contract.

With that said, requirements management will be a key factor in promoting and effectuating competition throughout the life cycle of the KC-46A fleet. For the PC2 contract, requirements will be carefully managed and controlled to ensure they properly reside within the scope of this J&A. Each requirement (to be addressed under PC2 as a DO) will be reviewed and approved at the appropriate levels by the KC-46 Division and/or Tanker Directorate senior functional leaders. Candidate tasks will also be reviewed by the Contracting Officer to ensure they are covered by the authority of this J&A. In addition, all ACAT programs will follow Department of Defense (DoD) Directive 5000.01 and DoD Instruction 5000.02 requirements for acquisition review and approval to ensure management oversight--commensurate with the scope and cost



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of the supported requirement. This ID/IQ contract serves as a framework to efficiently award DOs which have been through the complete acquisition process, and approved on an individual basis, utilizing a stable and comprehensive ordering vehicle. This contract framework in no way prevents the Government from pursuing component breakout or competition for any requirement involving KC-46A post-production support. The KC-46 Division will continue to seek opportunities to introduce other contractors and/or Government providers into the KC-46 Enterprise to enhance competition, lower costs, and provide continued supportability of the air vehicle. Approval of this J&A does not relieve the Program Office of its on-going responsibility to actively assess and pursue competition for out-year KC-46A fleet support, and the Program Office will pursue such competition when that avenue is available.

For example, before exercising the five-year option, the KC-46 Division will reevaluate and verify the PC2 acquisition strategy and contract approaches, as well as this J&A, to ensure the rationale on which are based remains accurate and sound. The KC-46 Division will pursue Air Force Program Executive Officer for Tankers approval as part of the option exercise process.

The requested \$5.7B J&A ceiling is based on an internal KC-46 Division estimate for the entire PC2 ordering period (to include the five (5)-year option). The ceiling value was derived from the Milestone C Service Cost Position (life cycle estimate) and updated based on in-house estimates for projected post-production requirements. The KC-46 Division anticipates using [REDACTED] funding, depending upon the scope of the individual requirement.

IV. Statutory authority permitting Other than Full and Open Competition.

All contracting actions covered by this class J&A fall within the authority of 10 U.S.C. 2304(c)(1), as implemented by FAR 6.302-1(a)(2)(ii) and (iii)-- Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.

V. Demonstration that the contractor's unique qualifications or nature of the acquisition requires the use of the authority cited above (applicability of authority).

The KC-46A will be an FAA-certified, multi-mission, tanker based on the Boeing 767-2C. As a major system, the KC-46A includes the aircraft, its subsystems, required personnel, training, support systems, and the interaction with receiver aircraft. Boeing was awarded the KC-46 Engineering and Manufacturing Development (EMD) contract in 2011 via a full and open competition. During this tenure, Boeing has developed and maintained unparalleled systems engineering, configuration management, technical data, and Type Certification (TC) expertise that is critical to long-term fleet management. No other air vehicle source possesses the unique capabilities to address the dynamic nature and range of anticipated post-production requirements (e.g., USAF and FAA), while maintaining the TC mandate in a manner that does not result in a substantial duplication of cost or unacceptable delays in meeting KC-46A life cycle and operational requirements.

Through its development of the KC-46A from the Commercial Derivative Aircraft (CDA) 767-2C undercarriage and commercial off-the-shelf/non-development item components, Boeing has established and maintains a unique understanding and familiarity with the KC-46 engineering baseline, tools, engineering data, and systems engineering and integration expertise to address dual TC (both FAA and military) and support the Government's Operational Safety, Suitability, and Effectiveness (OSS&E) requirements across the spectrum of PC2 needs. Due to Boeing's position as the platform's sole-source integrator and the OEM, Boeing is in the unique position of being the only source capable of ensuring that emerging, post-production requirements are interoperable with the aircraft's design, will maintain the Supplemental Type Certification (STC) (in accordance with Title 14 of the Code of Federal Regulations (14 CFR)), and will not negatively affect overall system-level performance in a way that would negatively impact the USAF's operational requirements for this system. The KC-46A is currently in concurrent development and production. Production will extend through FY28, however, the Government's OSS&E responsibilities and OEM TC support will be required throughout the aircraft's operational life. As owner of the Amended Type Certification (ATC) and STC, Boeing maintains a unique and indispensable role for follow-on management and approval of configuration changes and for many aspects of fielded system support. For all PC2-supported requirements, only Boeing can complete the technical and product support-based analyses to confirm the impacts to the current TC or if a new TC is required. These TCs encompass 85% of the KC-46A air vehicle. Third party completion of PC2 requirements could not be accomplished unless Boeing supported the



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associated FAA-mandated TC verification or update. As such, award of the PC2 contract to Boeing will provide the continuity of unique engineering, TC, and product support to deliver uncompromised operational support and time-sensitive upgrade of mission capabilities without creating unacceptable delays.

Boeing has over six years of exclusive experience with KC-46 development, integration, verification, certification, production, and field support requirements--supplemented by approximately 35 years of expertise with the commercial 767 airframe and the production supplier base. As a complement, the OEM retains unique engineering knowledge and familiarity with the KC-46 system and airworthiness specifications. Only Boeing possesses the unique and highly specialized capabilities and qualifications necessary to successfully complete the required integration of new capabilities (e.g., hardware and software) while addressing parallel OSS&E and TC processes. Equally important, Boeing is the only contractor in possession of the technical expertise, technical data, system-level and sub-system source code, proprietary documentation and detailed knowledge (i.e., operations, design, facilities and tooling, configuration, manufacturing processes, and maintenance support procedures) to successfully perform these critical processes and meet the full range of PC2 requirements. As the interim Inventory Control Point and Source of Repair for all KC-46 components, Boeing also maintains a unique understanding of the inventory management and repair sources and processes to enable transparent field support and operational readiness. Boeing's posture will be maintained until fleet support transitions to an organically managed infrastructure following the completion of Interim Contractor Support obligations, at which point PC2 requirements associated with inventory management and repair sources and processes either become organically managed, or the Government is able to obtain an unlimited rights TDP that would enable PC2 requirements to be subject to full and open competition at that time.

Awarding the PC2 contract to any other source would result in unacceptable delays in fulfilling the Air Force's requirements. The loss of Boeing's unique systems engineering and TC expertise would introduce an unacceptable risk of degraded mission capability, decreased flight safety, or increased grounding actions. The realization of one or more of these eventualities conflicts and jeopardizes the KC-46A's support to its global aerial refueling mission and the U.S. National Security Strategy. As such, award to any other source would result in adverse program impacts and unacceptable delays in enhancing system performance and maintaining aircraft availability and fleet safety. If the program office was required to develop an alternative source to the OEM, the KC-46 program would experience an unacceptable delay estimated at a minimum of 9 to 11 years. This delay encompasses the time required to conduct a source selection (~1 to 2 years); develop a second source with comparable systems engineering, systems integration and verification, and TC capabilities (either ATC/STC) and field support qualifications; obtain restricted and unrestricted data from the prime contractor and its subcontractors; and qualify and verify the new source's facilities, personnel, processes and procedures (per FAA process) comparable to Boeing's existing production infrastructure (~8 to 9 years) after selection and contract award. In summary, the delay attributable to second source qualification would delay user-directed capability upgrades or FAA directives by up to 11 years, resulting in decreased mission effectiveness or aircraft grounding actions.

The Air Force will not alter its current acquisition strategy that relies on maintaining FAA Type Certification of a 767-2C ATC and KC-46A STC. By remaining active on the Type Certification Data Sheet (TCDS), the Air Force reaps inherent value by receiving virtually the same benefits as a commercial carrier. The TCDS prescribes conditions and limitations under which the product meets the airworthiness requirements of 14 CFR and for which the TC was issued. Airworthiness standards for civil aircraft are codified in the 14 CFR, with processes described for TC in FAA Order 8110.4 and airworthiness certification in FAA Order 8130.2. Pursuit to qualify a second source would introduce substantial duplication of cost and unacceptable schedule delays. That is, if, to mitigate the extended timeframe for second source qualification, the Air Force elected to transition away from an FAA certification, and pursue a military certification (only) of the KC-46A air vehicle, the cost and schedule penalties are different, but exacting. In this instance, the schedule to complete a full MIL-HDBK-516C-based certification would be limited by the availability of an unlimited Technical Data Package (TDP)--to include all of the requisite artifacts to allow the Air Force Airworthiness Authority to independently complete its verification responsibility. This verification could not begin unless an unlimited TDP is in hand; such a TDP is not being delivered from the OEM to the Government.

Although the KC-46 program has acquired some Unlimited Rights, Government Purpose Rights, and Specifically Negotiated License Rights with respect to Operations, Maintenance, Installation and Training (OMIT) data to allow the Air Force to operate, maintain, and train systems via an organically-managed infrastructure, the Government has not



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purchased a sufficient TDP (to include software and source code) to enable competition for the PC2 requirements set or an independent military airworthiness assessment. Should the Air Force decide to purchase such data or source code, the USG would need to address any contractor assertions of rights limitations that may impact competition. Although a hypothetical third party vendor could be employed to complete a KC-46 modification or sustainment update, the cost associated with contracting to Boeing to complete FAA-mandated TC requirements would be both duplicative and prohibitive.

In the absence of an unlimited TDP, third party PC2-related modifications or sustainment updates could not be completed without substantial risk to the Government's OSS&E responsibility. Even if a partial TDP were available in time to support the PC2 contract development, the lack of key content (e.g., Level III engineering drawing, interface control documents, wiring diagrams, indented parts lists, software documentation) would place the modification or update at high risk to on-time execution and adherence to safety of flight provisions. The availability of this information is simply essential to the implementation of standard systems engineering processes during the modification/update design and verification phases. Absent an unlimited TDP and the associated air vehicle source data, Boeing's support would be required to complete the modification and associated TC verification per FAA standards.

In summary, second source qualification and the lack of a unlimited TDP would delay capability upgrades or FAA directive implementation by 9-11 years, decrease mission effectiveness, increase the risk of modification or directive incorporation to the TC standard, and incur substantial duplication of costs. The schedule delays, increased execution risk, and duplication of costs make this approach untenable.

Accordingly, the Boeing Company, as the OEM, is the only firm capable of providing the supplies and services described in Section III above without the US Air Force experiencing unacceptable delays or duplicative costs in fulfilling its requirements.

VI. Description of efforts made to ensure that offers are solicited from as many potential sources as practicable.

Currently, only Boeing can satisfy the PC2 requirements set as described above. To verify industry capabilities, a Sources Sought Synopsis (i.e., FA8625-16-R-PC2SS) was released in FEDBIZOPS (FBO) in August 2016. The PC2 synopsis incorporated a broad range of KC-46A post-DD-250 air vehicle and engine requirements--encapsulated into five general categories. Per the synopsis, these categories included: modification/upgrade/configuration management support, general sustainment and maintenance support, engineering and technical support, test, and studies and analyses. These categories were subsequently broken down into 41 discrete requirements. To emphasize the criticality of Aircrew Training Systems and TC, "training system" and "type certification" capabilities were evaluated as a subset of "modification upgrade/configuration management support."

Synopsis respondents were asked to describe the company's capability to meet the specific requirements. As a complement to the assertion(s), each respondent was requested to provide supporting information that clearly demonstrated the company's capability and qualifications. If subcontract arrangements were required to support one or more assertions, the respondents were asked to outline projected teaming arrangements. Given the KC-46 program's complicated data rights posture and delays in data deliverables (due to slips in the program schedule), the Government could not commit to the availability of a TDP-equivalent to support the synopsis. Instead, the respondents were requested to identify the scope of technical data, based on past experience for comparable requirements, required to execute asserted requirements.

Five industry responses were received to the PC2 synopsis. These sources included: Boeing, [REDACTED]. Based on the respondents' assertions, the evaluation team completed thorough reviews of the individual industry responses and technical assessments of capabilities and qualifications via internet searches. These reviews confirmed the respondents' qualifications, relative to the PC2 requirements set, and their ability to deliver the range of support without qualification or caveats. These caveats included dependence upon an Associate Contractor Agreement (ACA), or undefined teaming arrangements to address PC2 mission and FAA compliance requirements. With the exception of [REDACTED] Although Contractor Performance Assessment Reports were available to the evaluation team, these references were not required to complete the technical evaluations. The technical evaluation



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verified that [REDACTED] could meet system-level engine requirements (without caveats). As such, system-level engine requirements were removed from the contract scope. Three sources [REDACTED] had the qualifications to address subsets of the PC2 air vehicle system requirements, but only with caveats. These caveats included a reliance of establishing an ACA (to obtain technical support or access to technical data) and/or undisclosed teaming arrangements. In each instance, the respondents directly or indirectly referenced the need for technical information to support their PC2 assertions. While these references confirmed a general understanding and dependency of technical data to complete contractual validation and verification requirements, the presentations failed to address the risk (to the Government) of their inability to obtain the data, or their execution with partial or incomplete data.

A comprehensive data availability assessment complemented this technical evaluation. This assessment reviewed all contract parameters related to data rights, data deliverables, and OEM data rights assertions; and confirmed that an unlimited TDP was not available to support competitive strategies. Given the results of this assessment and the uncertainties as to the Government's ability to deliver technical support or data access, these caveats increased the risk of these sources as system-level, air vehicle support providers to an unacceptable level.

The analysis confirmed that only Boeing has the unique capabilities to meet the USAF's operational and sustainment requirements. As shown by the industry responses and associated market research, only the OEM can address the full range of system-level, PC2 air vehicle requirements without caveats. As such, Boeing was verified as the only industry source capable of addressing the total range of related requirements.

VII. Determination by the Contracting Officer that the anticipated cost to the Government will be fair and reasonable.

The KC-46 Division Contracting Officer has determined that the Government can obtain and negotiate fair and reasonable prices for efforts under this contract. Thorough technical, price, and/or cost analyses will be performed as necessary by the KC-46 Division in conjunction with the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA), as required. Boeing will be required to furnish certified cost or pricing data for proposals meeting the thresholds for submission of such data (per FAR 15.403-4). Assist audits, rate reviews, and other evaluations of major subcontracted efforts will be accomplished, as necessary, by the cognizant DCAA and DCMA organizations. DCAA and DCMA analyses will be combined with KC-46 Division analyses and used in the substantiation of fair and reasonable prices. For those orders that do not meet the threshold or are otherwise excepted by the Truth In Negotiations Act from submitting certified cost or pricing data, data other than cost or pricing data will be obtained from the contractor in sufficient detail to support cost/price evaluation. The Contracting Officer will verify that the anticipated cost to the Government is fair and reasonable based on the enterprise assessment of this data.

VIII. Description of the market research conducted and the results, or a statement of the reasons market research was not conducted.

As described in Section VI above, market research, in accordance with FAR Part 10, was conducted via an FBO-posted synopsis advising industry of the proposed acquisition and soliciting inquiries from interested parties. This synopsis was posted in August 2016 and was available for industry response for 30 calendar days. The SSS received five responses: Boeing, [REDACTED]. After a thorough technical assessment, the Boeing response was the only one deemed technically capable to meet the full range of PC2 air vehicle, system-level requirements without caveats. [REDACTED]

[REDACTED] were determined not to be viable candidates. This distinction centered on their documented inability to support the full range of PC2 system-level, air vehicle requirements, and the multiple caveats associated with asserted capabilities. These caveats included ACAs (to obtain technical support or access to technical data) and/or undisclosed teaming arrangements (that could hypothetically address these requirements). As such, the market survey verified that Boeing was the only source that is capable of accomplishing the range of PC2 air vehicle tasks.

Given its experience with the CDA undercarriage (i.e., 767-2C) and its unique role as the KC-46A system integrator and manufacturer, Boeing is the only entity with detailed knowledge of the proprietary design, OSS&E and TC requirements, and sustainment/field support and manufacturing infrastructure (to include processes, manufacturing and integration facilities, and skilled labor) to meet the full range of PC2 air vehicle requirements.



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IX. Any other facts supporting the use of Other Than Full and Open Competition.

Boeing is the only industry source in possession of the technical engineering, integration, and TC expertise; access to proprietary technical documentation/data; and knowledge and experience with the KC-46A-unique manufacturing/product support infrastructures to successfully execute the PC2 contract.

X. List of sources, if any, that expressed interest in the acquisition.

See Section VI above.

XI. A statement of the actions, if any, the agency may take to remove or overcome any barriers to competition before making subsequent acquisitions for the supplies or services required.

The KC-46 Division will continually search for opportunities to compete or pursue breakout strategies for the PC2-supported requirement set. Engine product support needs, for example, have already been broken out as a result of the PC2 market research. The KC-46 Division management, as an element of its internal post-production change management processes, will review and approve all PC2 contract actions. At a minimum, individual program managers will be required to present a validated user requirement, and the DO framework (e.g., cost estimate, integrated acquisition and contract strategy, and schedule) for senior management review prior to Request for Proposal release. This presentation will also present the current state of TDP content and availability (as it is contractually delivered) and the application of alternative contract approaches. In each instance, the KC-46 System Program Manager and Air Force Program Executive Officer will review and approve associated acquisition strategies (to verify alternatives), and a Contracting Officer will verify that the DO framework and a sole-source award to Boeing is within the scope of this J&A.

Moreover, each requirement pursued as part of the PC2 contract will be subject to the following prerequisites: (1) Market research, which will be conducted and documented to determine whether a sole source acquisition pursuant to this J&A is appropriate and authorized. (2) Publication, pursuant to FAR 5.201, of proposed contract actions in advance of their award; (3) Documentation, of the above and other circumstances, to ensure no other exception to full and open competition applies; and (4) Continuous efforts, to include the above and throughout the life of the PC2 contract, to improve the competitive landscape for the KC-46 system. When other circumstances justify other than full and open competition, a separate J&A will be used to authorize the contract action.

In parallel, the KC-46 program will continue to explore all options to secure data deliverables and rights consistent with the EMD contract. As the results of these investigations are known and as applicable, alternative contracting strategies will be presented for internal review and approval.

The Competition in Subcontracting (FAR 52.244-5) clause and the Limitation on Pass-Through Charges (FAR 52.215-23) clause will be included in the PC2 contract.

XII. Certification by the Contracting Officer.

As evidenced by her signature, the Contracting Officer has determined this document to be both accurate and complete to the best of her knowledge and belief (FAR 6.303-2(b)(12)).

XIII. Certification by the technical/requirements personnel.

As evidenced by their signatures, the technical and/or requirements personnel have certified that any supporting data contained herein, which is their responsibility, is both accurate and complete (FAR 6.303-2(c)).



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