

GAO Highlights

Highlights of [GAO-14-259T](#), a testimony before the Committee on Appropriations, U.S. Senate, Subcommittee on Defense

Why GAO Did This Study

DOD's Evolved Expendable Launch Vehicle (EELV) program is the primary provider of launch vehicles for U.S. military and intelligence satellites. DOD expects to spend about \$9.5 billion over the next 5 years acquiring launch hardware and services through the program, during which time it will also be working to certify new launch providers. Certified launch providers may compete for up to 14 launches, likely beginning in fiscal year 2015. Until now, the United Launch Alliance (ULA) has been the sole provider of launch services through the EELV program. Because of the importance of the national security space launch enterprise, GAO has been asked to look at many aspects of the EELV program over the past 10 years.

This testimony discusses (1) changes in the EELV acquisition strategy since its inception, including DOD's December 2013 contract modification with ULA, and (2) the upcoming competition for up to 14 EELV-class launches and the implications to DOD, ULA, and potential launch providers of two possible DOD approaches to structuring competitive launch proposals. The testimony is based on the body of work GAO has performed on the EELV program from June 2004 to March 2014.

What GAO Recommends

GAO is not making recommendations in this statement but has made recommendations in its previous work to strengthen EELV acquisitions, such as improving DOD oversight and addressing knowledge gaps. DOD generally concurred and took action to address GAO's recommendations.

View [GAO-14-259T](#). For more information, contact Cristina Chaplain at (202) 512-4841 or chaplainc@gao.gov.

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EVOLVED EXPENDABLE LAUNCH VEHICLE

Introducing Competition into National Security Space Launch Acquisitions

What GAO Found

The Department of Defense (DOD) began the Evolved Expendable Launch Vehicle (EELV) program in 1995 to provide a new generation of launch vehicles to ensure affordable access to space for government satellites. In November 1997, based on commercial forecasts at that time, the Office of the Secretary of Defense (OSD) approved maintaining competition between two contractors, and in 1998, DOD competitively awarded "other transaction agreements" to Boeing and Lockheed Martin for the development and the associated launch infrastructure to meet EELV program requirements. In 2005, DOD revised the EELV acquisition strategy to reflect the collapse of the commercial launch market and the ensuing erosion of the industrial base which DOD believed threatened its assured access to space. In acknowledging the government's role as the primary EELV customer, the new strategy maintained assured access to space by funding two product lines of launch vehicles. Shortly afterwards, Boeing and Lockheed Martin announced plans to consolidate their launch operations into a joint venture—United Launch Alliance (ULA). According to DOD, the EELV program was focused on mission success in the ensuing years, until 2010, when DOD officials predicted EELV program costs would increase at an unsustainable rate. In light of new EELV program costs estimates, DOD recognized the need to reorganize the way it acquired launch services. The 2011 EELV acquisition strategy advocated a steady launch vehicle production rate that would yield both economic benefits to the government through larger lot buys of vehicles, and a predictable production tempo over time to help stabilize the launch industrial base. It also introduced the government's intent to allow competition in the EELV program.

In addition to revising its acquisition strategy, DOD undertook significant efforts to obtain greater insight into program costs in advance of contract negotiations with ULA. In December 2013, DOD signed a contract modification with ULA, committing the government to buy 35 launch vehicle booster cores over a 5-year period, and the associated capability to launch them. The new contract represents significant effort on the part of DOD to negotiate better launch prices through its improved knowledge of contractor costs, and DOD officials expect the new contract to realize significant savings, primarily through stable unit pricing for all launch vehicles. DOD is also leading a broader competition for up to 14 additional launches, expected to begin in fiscal year 2015.

In advance of the upcoming competition for up to 14 EELV-class launches, DOD is considering several approaches to how it will require competitive proposals to be structured. If DOD requires offers be structured similar to the way it currently contracts with ULA, there could be benefits to DOD and ULA as both are familiar with this approach, but potential burdens to new entrants who would have to change current business practices. Alternatively, if DOD implements a commercial approach to the proposals, DOD could lose insight into contractor cost or pricing, as this type of data cannot be required under a commercial item acquisition by the Federal Acquisition Regulation. DOD could also require a combination of elements from each of these approaches, or develop new contract requirements for this competition.