Decision Time Nears for Boeing to Protest Air Force Tanker Award

ST. LOUIS, March 10, 2008 -- As the deadline nears for a decision on whether to protest a U.S. Air Force contract award for the next refueling tanker aircraft, officials at Boeing [NYSE: BA] spent the weekend evaluating with growing concern the information provided by the Air Force during a Friday debriefing.

"As we have gone through this process it has become clearer that this competition was much closer than has been reported, and that raises the stakes if the process was flawed and unfair in any way," said Mark McGraw, Boeing vice president and program manager for tanker programs. "We have serious concerns over inconsistency in requirements, cost factors and treatment of our commercial data."

As Boeing enters the final phase of its evaluation, the company is taking exception to reports that the Air Force had not received adequate commercial pricing data from the company. "It was clear from the Request for Proposals that the Air Force was seeking a commercial derivative tanker. However, by treating the Boeing offering as a military aircraft, the process by which the commercial cost/price data provided by Boeing Commercial Airplanes was evaluated has raised significant concerns," McGraw said. "We provided unprecedented insight into Boeing commercial cost/price data that had been developed over 50 years of building commercial aircraft. We believe this data was treated differently than our competitor's information.

"It is also important to note that the task of assembling and presenting this commercial data to the Air Force demonstrates the value of cooperation on this program within one company," McGraw added. "This is in sharp contrast to the higher risk involved in two companies from different countries and business cultures who have never worked together on a program of this size before."

Boeing is also responding to assertions that the company somehow misread Air Force requirements for the new tanker. "Our proposal was based on the stated criteria in the Air Force's Request for Proposal, with a specific focus on providing operational tanker capability at low risk and the lowest total life cycle cost," McGraw said. "We stand by our offering and believe that it did, and continues to, best meet the requirements.

"We take a protest very seriously," McGraw said. "For decades, Boeing has been recognized as a defense company that never takes lightly protests of our customers' decisions. We are following a very rigorous and deliberative process to ensure that we are comfortable that the evaluation was fair, and that ultimately it resulted in the tanker that is best suited to meet the needs of the warfighter."

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