Boeing: Study Projects That As Oil Prices Climb, 767 Tanker Most Cost Efficient

ST. LOUIS, March 17, 2008 -- Boeing [NYSE: BA] reports that the U.S. Air Force likely would pay up to $30 billion more in fuel bills over 40 years to operate a fleet of 179 Airbus A330-200 aerial refueling tankers, compared to a similar number of tankers based on the Boeing 767-200ER.

This assessment is based on a Conklin & de Decker Aviation Information study, funded by Boeing, that calculated the Air Force's cost with oil at $100 per barrel and $125 per barrel. Oil prices hit a record high last week above $110 a barrel, and many analysts expect prices to continue climbing.

Conklin & de Decker, an independent aviation research company, recently recalculated fuel price costs for the Boeing 767-200ER and the Airbus A330-200, popular commercial twin-aisle aircraft that are being converted to military aerial refueling tankers. They fly about the same distance, but the larger, heavier A330 is less fuel efficient than the 767-200ER. As a result, the A330-200 consumes 24 percent more fuel per trip than the 767-200ER.

The study also factored in estimated costs of refining, transportation, storage, handling and fueling the aircraft. It concluded the estimated price per gallon at $3.11 with oil costing $100 per barrel would cost the Air Force about $25 billion dollar more over the 40-year service life of 179 Airbus A330-200 tankers, and $29.8 billion more with oil at $125 a barrel. The Air Force previously estimated that it pays an additional $600 million a year for each $10 per barrel increase.

In January, Boeing funded and released a 53-page study by Conklin & de Decker that showed Boeing's 767 airplane consumed 24 percent less fuel than the larger A330 and would save about $14.6 billion in fuel costs over 40 years. The study used published data to calculate the fuel consumption of flying a fleet of 179 767-200ER and Airbus A330-200 aircraft over a 40-year service life. The Air Force's Request for Proposal called for a highly capable, medium-sized, low-risk and low-cost refueling tanker to replace its aging fleet of KC-135 tankers.

On Feb. 29, the Air Force selected Northrop Grumman-EADS to build 179 next-generation A330 tankers. In briefing Boeing on their decision, Air Force evaluators acknowledged that they placed little value on fuel and maintenance lifecycle costs, despite paying $6.6 billion on aviation fuel in 2006.

Boeing has filed a formal protest with the Government Accountability Office, asking the agency to review the Air Force's decision.

"Based upon what we have seen, we continue to believe we submitted the most capable, the lowest risk and lowest cost airplane as measured against the Air Force's Request for Proposal," said Mark McGraw, vice president, Boeing Tanker Programs. "This latest estimate in increased life-cycle costs for the Airbus plane adds to our fundamental concerns with the Air Force's evaluation and decision."

For a copy of the Conklin & de Decker fuel study, visit www.globaltanker.com.

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