Boeing KC-767 Tanker Adds Up to Best Value for Warfighter, Taxpayers

ST. LOUIS, April 15, 2008 -- The Boeing [NYSE: BA] KC-767 Advanced Tanker would save billions of dollars over the anticipated lifetime of the aircraft compared with the larger Airbus-based KC-30. Nonetheless, the U.S. government selected the larger air tanker from the team of Northrop Grumman and the European Aeronautic Defence and Space Company (EADS).

Due to irregularities in the competition, such as the cost comparison, Boeing has protested the decision and asked the Government Accountability Office (GAO) to determine if the tanker acquisition process, including the cost analysis, was unfair and flawed. As the GAO reviews the decision, Boeing is also calling on policymakers to question why the comparison of full costs of the new tanker fleet failed to reflect that the Airbus KC-30 tanker is larger, heavier, less fuel-efficient and -- according to the Northrop/EADS team itself -- more costly to operate.

"As Americans pay their taxes this week, it's essential that they consider how effectively those dollars will be spent to equip U.S. warfighters," said Sen. Sam Brownback of Kansas. "It's especially important to think about the total cost of developing, producing, operating and maintaining vital defense assets that must be ready to fly at least two generations of American military men and women."

In evaluating the two tanker offerings, the U.S. government determined that the Boeing KC-767 and the Northrop/EADS KC-30 were nearly equal at a cost of $108 billion to buy and operate 179 tankers over 25 years. Boeing contends that a realistic comparison of life-cycle costs -- what the Air Force calls Most Probable Life-Cycle Costs (MPLCC) -- should have resulted in a significantly higher price tag for the Airbus KC-30 when considering the biggest cost drivers: fuel, maintenance costs and infrastructure.

- **Fuel**: Using commercial aviation data, a Conklin & deDecker Aviation Information fuel study funded by Boeing indicated that with the price of oil between $100-125 per barrel, the larger, heavier and less fuel-efficient KC-30 would cost $30 billion more in fuel costs than the Boeing KC-767 over an anticipated 40-year service life.
- **Maintenance**: Based on the requirements for a smaller aircraft, the KC-767 would be approximately 22 percent less costly than the KC-30.
- **Military Construction**: The larger KC-30 would require approximately $2 billion to build or upgrade hangars, ramps, access roads and other facilities at tanker bases, while existing facilities that are sized for the current fleet of KC-135 tankers will be able to accommodate the smaller KC-767 with substantially less costly improvements required.
- **Additional Infrastructure Costs**: To accommodate Air National Guard and Air Force Reserve units -- which operate primarily from civilian airfields and have 60 percent of the Air Force tanker fleet -- further costly investment would be required to upgrade facilities where KC-30s would be based.

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