Boeing KC-767 Tanker Cost Advantage Grows as Fuel Prices Soar

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ST. LOUIS, July 16 /PRNewswire-FirstCall/ -- As the U.S. military expresses concern over escalating fuel costs stressing defense budgets, Boeing (NYSE: BA) reports that the U.S. Air Force could pay as much as $44 billion more in fuel bills over 40 years to operate a fleet of 179 Airbus A330-200 aerial refueling tankers, compared with 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 $130 per barrel, $150 per barrel and $200 per barrel(1). Oil prices hit a record high last week above $147 a barrel, and many analysts expect prices to continue climbing. Escalating fuel costs are a critical military concern. As the largest consumer of fuel in the Department of Defense (DOD), the Air Force, for example, spends an additional $600 million annually for each $10 increase in the price of a barrel of oil, spending approximately $6.6 billion on aviation fuel costs in 2006 alone.

"Boeing's primary focus and objective, as always, is on our customers' operational needs -- and affordable life cycle cost is a key component to any aircraft acquisition," said Dave Bowman, vice president and general manager of Boeing Tanker Programs. "This is even more evident today as our Air Force customer seeks the most affordable and capable solution."

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. The larger, heavier A330 is less fuel-efficient than the 767-200ER and, as a result, 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.

The Air Force's Request for Proposals (RFP) called for a highly capable, medium-sized, low-risk and low-cost refueling tanker to replace its aging fleet of KC-135 tankers. However, on Feb. 29, the Air Force selected Northrop Grumman-EADS to build 179 next-generation tankers based on the A330. The DOD called for a recompetition after the Government Accountability Office (GAO) urged the Air Force to reexamine 10 of 15 significant issues in Boeing's protest of the contract award. Among the sustained issues, the GAO concluded that fuel costs needed reevaluation. The report stated that "even a small increase in the amount of fuel that is burned per hour by a particular aircraft would have a dramatic impact on the overall fuel costs." The Air Force is now preparing a new RFP for an expedited competition.

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

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses specializing in innovative and capabilities-driven customer solutions. Headquartered in St. Louis, Boeing Integrated Defense Systems is a $32.1 billion business with 71,000 employees worldwide.

(1) International Energy Agency (complete citation)

SOURCE: Boeing

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