

THE TANKER DECISION.

MORE RISK, MORE COST, LESS CAPABLE.

IT DOESN'T ADD UP.

Boeing's protest of the U.S. Air Force selection of the Northrop Grumman/European Aeronautic Defence and Space Company KC-30 over the Boeing KC-767 focuses on numerous and significant inconsistencies in the application of evaluation criteria. The result was the selection of a tanker that offers less capability than the Boeing KC-767—and one that comes with far greater risks and costs. It doesn't add up.

Let's look at the facts.

PRODUCTION RISK. The KC-767 would be built on an existing production line that has made more than 900 767s, using a proven and efficient commercial in-line production process with one management team.

By contrast, KC-30 production would be managed by two companies, on two continents, in five separate countries. According to Northrop Grumman and EADS (the parent company of Airbus), the initial development KC-30

aircraft will be produced primarily at a variety of EADS/Airbus facilities throughout Europe. For example, the first development aircraft will be produced at a facility in France, sent to another facility in Germany for modification to add a cargo door, then sent to yet another facility in Spain to install a boom, then sent to Florida for "Development Center Completion." The second and third development aircraft will skip the Spanish leg (but still go from France to Germany) and proceed to Florida where apparently the work that was being done in Spain will now be performed for the very first time. The fourth aircraft will supposedly skip both Spain and Florida (but not France or Germany) for delivery to a facility in Alabama that doesn't yet exist. Yet the complex Northrop Grumman/EADS plan was rated equal in risk to the more efficient Boeing plan. It doesn't add up.

COST RISK. The KC-X Request For Proposal (RFP) specifically called for a "commercial derivative" aircraft. To achieve maximum value, Boeing offered a

commercial cost structure saving billions of taxpayer dollars. The Air Force itself noted the "unprecedented" levels of data provided by Boeing. Yet, in the end, the Boeing data was rejected and its costs inflated by billions—while the enormous costs associated with the complex development and production plans of Northrop Grumman and its European partner were apparently discounted. Also overlooked were \$49 billion in KC-767 life cycle costs savings over the KC-30. It doesn't add up.

EXPERIENCE/SCHEDULE RISK. Boeing has built or upgraded more than 2,000 operational tankers, including the delivery of more than 1,800 air-to-air

refueling booms. By contrast, working together for the very first time on a tanker program, the Northrop Grumman/EADS entity has never built, delivered or FAA certified a single tanker or boom. In fact, its

proposed boom was rated a "weakness" in the competition. In addition, Boeing has delivered more than 100 commercially derived military aircraft to the U.S. Armed Forces, all passing the rigorous process of FAA certification. And Boeing has already delivered five commercial derivatives of the initial 767 airplane and delivered the first two KC-767 global tankers internationally. No other company or partnership of companies in the world can match this record of performance. Still, the KC-30 and KC-767 were rated equal in risk in their ability to meet key schedule and delivery milestones. It doesn't add up.

The bottom line is that the selection process for the KC-X had many inconsistencies—inconsistencies that increase risk rather than lower it. As a result, an oversized, higher risk, less capable, more costly KC-30 tanker was selected over the more capable, more deployable, more efficient and survivable KC-767 tanker. It's a decision that doesn't add up. And one that should not stand.

RISK REDUCTION	BOEING	NG/EADS
Tankers Delivered	2,000	0
Operational Booms Delivered	1,800	0
FAA-Certified Commercial Derivatives	100+	0
Years in Tanker Business	79	5
Production Approach	In-Line	Complex
40-Year Life Cycle Costs	\$212B	\$261B
USAF Evaluated Proposal Strengths	98	30
USAF Evaluated Proposal Weaknesses	1	5

Analysis based on publicly available and Boeing data.