

Senate OKs revised deal to acquire tankers

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WASHINGTON—Ending a two-year battle between the Pentagon and Congress, the Senate on Wednesday approved a compromise deal allowing the Defense Department to acquire 100 air-refueling tankers from Chicago-based Boeing Co. for substantially less than originally proposed.

The revised arrangement was part of the \$401 billion defense authorization bill, which the Senate passed 95 to 3.

It is estimated that taxpayers could save as much as \$5 billion as a result of the compromise, which calls for the Pentagon to lease 20 of 100 new Boeing 767 tankers but buy the rest.

The original \$26 billion proposal, criticized as a "sweet-

heart deal" and "corporate welfare" but backed by the White House, Defense Secretary Donald Rumsfeld and House Speaker Dennis Hastert (R-Ill.), required the Pentagon to lease all 100 of the tankers.

The military traditionally has purchased all its weapons and equipment outright.

Senate Armed Forces Committee member John McCain (R-Ariz.) and other critics argued from the beginning that the 100 aircraft could be acquired for much less if purchased rather than leased.

McCain called the original deal "the single worst exploitation and abuse of the [procurement] system that I have seen in my 20 years of public service," but he supported the compromise because "we have probably saved the tax-

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payers several billion dollars."

In part because of opposition McCain generated on the Armed Services Committee, Chairman John Warner (R-Va.) and senior Democrat Carl Levin of Michigan expressed reservations about the original proposal and last month produced the lease/buy compromise.

Danielle Brian, executive director of the citizens watchdog group Project on Government Oversight, had attacked the initial proposal as "the most obscene example of corporate welfare in recent memory."

But Wednesday, the group's senior investigator, Eric Miller, called the compromise "a victory for taxpayers" that "puts the public interest ahead of special interests."

'Breaking new ground'

In earlier testimony before the Senate Commerce Committee, Boeing tanker program manager John Sams acknowledged that leasing rather than buying aircraft would be "breaking new ground" for a Pentagon that traditionally has purchased its acquisitions.

Sams called the lease proposal "a good deal for the Air Force" and "fair and equitable to the taxpayer." He said that the lease price was comparable with commercial sector prices, and that without the new tankers the Air Force would be confronted by extra costs in maintaining its fleet of 544 KC-135 tankers, which have an average age of 43 years.

Air Force Secretary James Roche told the committee that many of the older aircraft were suffering damage from corrosion and facing escalating maintenance costs. He said there was an urgent need to replace them.

"The ongoing war on terrorism heightens our concerns regarding these aging aircraft,"

he said, noting the key role the tankers played in supporting homeland security combat air patrols and the air war in Afghanistan and Iraq.

Converting Boeing's civilian airliners into tankers and leasing them made for a quicker and more efficient way of providing replacements, he said.

McCain said that the Air Force had not offered adequate proof of any serious corrosion problem, and that he disagreed that leasing rather than purchasing the tankers would make any significant difference in the swiftness of their delivery to the Air Force.

"We're going to have to keep an eye on them," McCain said. "They've tried every trick in the books. There is no underestimating the zeal to get business to Boeing."

Troubles for Boeing

The aircraft giant is under an Air Force order banning it from government satellite launch contracts because of "serious and substantial violations of federal law." The service said Boeing improperly obtained 25,000 documents from rival Lockheed Martin Corp. during competitive bidding for the launch work.

The Air Force also shifted about \$1 billion in contracts from Boeing to Lockheed as a punitive measure.

A report in January from the General Accounting Office, Congress' chief investigative arm, charged that Boeing also improperly obtained information from Raytheon Co. during bidding for work on anti-missile defense equipment.

The Defense Department's inspector general also is conducting a probe into whether a former Air Force official now employed by Boeing improperly gave the company proprietary information during early negotiations on the tanker deal.

Warren Rudman, a former Republican senator from New Hampshire, is conducting an independent review of company practices.

On Tuesday, Boeing announced it was creating a new ethics section, called the Office of Internal Governance, which would report directly to Chief Executive Phil Condit.