



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

THE DIRECTOR

December 18, 2001

The Honorable John McCain
United States Senate
Washington, DC 20510

Dear Senator McCain:

Thank you for your inquiry regarding the costs associated with the conversion of 767 aircraft to tankers. According to the Air Force, the total cost for a program to lease 100 tankers is approximately \$26 billion. I have attached a summary of assumptions and costs they have identified. Please let me know if you require any additional information.

Sincerely,

A handwritten signature in black ink that reads "Mitchell Daniels".

Mitchell E. Daniels, Jr.
Director

Attachment: Summary of Assumptions

Cost Estimate of 767 Tankers

Assumptions

All costs based on Air Force estimates of implementing language adopted in the Senate Appropriations Bill;

Air Force program is for 100 aircraft;

All leases are for 10 years from the date of delivery, beginning in FY 2005;

Orders are made for Boeing 767s three years in advance of delivery;

Boeing has told the Air Force that for this program the unit cost of a commercial 767 is \$90 million;

Boeing has told the Air Force that the cost to convert a B-767 to a the tanker configuration is \$60 million. The Air Force has assumed that this cost will include the cost to "de-convert" the aircraft back to its commercial configuration at the end of the lease. Boeing has not specifically stated that the \$60 million includes the "de-conversion" costs. However, based on the unit price of a Boeing 767, \$60 million appears to be about double of what we (and the Air Force) would expect for just the conversion.

Schedule of Aircraft Orders and Deliveries

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	Total
Ordered	6	14	20	20	20	20					100
Delivered				4	11	20	20	20	20	5	100

Cost Estimate (Then Year Dollars in millions)

	FY 2002	FY 2003	FY 2002-2007	Total Program (FY 2002 - 2020)
Commercial 767 Lease costs	0	0	1,603.8	17,860.6
Tanker Modification	365.8	866.9	6,453.8	6,453.8
Military Construction	0	194.0	1,004.5	1,086.9
Other Government Costs*	2.0	55.1	515.7	610.3
Total	367.8	1,116.0	9,577.8	26,011.7

* Other government costs include spare parts, simulators, and program management costs.