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BOEING TO PAY U.S. FOR SELLING ARMY DEFECTIVE HELICOPTERS

WASHINGTON, D.C. -- The Boeing Company has agreed to pay the United States up to $54 million to settle two lawsuits that allege the Seattle-based manufacturer placed defective gears in CH-47D "Chinook" helicopters and then sold the aircraft to the United States Army, the Justice Department announced today. The CH-47D, which can carry 33 combat-ready soldiers in addition to its four-person flight crew, is the Army's medium-lift helicopter used to move troops and equipment.

Boeing used two subcontractors, Litton Precision Gear of Bedford Park, Illinois and SPECO Corporation of Springfield, Ohio to manufacture the flight-critical transmission gears for the helicopter. One of the gears, manufactured by Litton, failed in flight, causing an Army Chinook helicopter to crash and burn while on a mission in Honduras in 1988. Five servicemen aboard were killed.

Two of the gears manufactured by SPECO failed in flight in Chinook helicopters. One craft, which crashed in January 1991 during Operation Desert Shield in Saudi Arabia, was totally destroyed. Two individuals aboard were injured.

In another incident at Ft. Meade, Maryland in June 1993 during a training flight, a Chinook sustained over one-half million dollars in damage. The helicopters destroyed in Honduras and Saudi Arabia were valued at more than $10 million each.

Since January 2000, the Army's Chinook fleet has been partially grounded due to additional defects found in SPECO transmission gears, which are currently being replaced. In 1997, SPECO, which had filed for bankruptcy, settled the allegations against it by agreeing to pay the United States $7.5 million.

"This case demonstrates the tragic consequences that can occur when
faulty parts are sold to the Defense Department," said David W. Ogden, Acting Assistant Attorney General of the Justice Department's Civil Division. "The lives of our service members, not only dollars, are at stake. This lawsuit sends a message that the United States will not stand by if contractors provide our military with substandard and dangerous equipment."

The settlement allows the government to recover the amounts lost due to the destruction of two helicopters and significant damage to a third, as well as the costs to replace all of the defective SPECO-made transmission gears.

The two lawsuits were filed in the Southern District of Ohio in Cincinnati by Brett Roby, a former SPECO quality engineer. Roby filed the suits under the False Claims Act, which permits private citizens, known as "relators," to sue on behalf of the government to recover federal funds that were obtained by false or fraudulent claims. The United States, which joined as a party in the two cases, alleged that Boeing and its subcontractors violated the False Claims Act when they sold the Army more than one hundred and forty helicopters containing defective SPECO gears.

In accordance with the False Claims Act, Roby will be paid $10.5 million from the Boeing settlement with the balance of $43.5 million going to the federal government. Of the $54 million to be paid by Boeing, $19 million plus interest will depend on the outcome of the aircraft manufacturer's appeal of two legal issues which the federal district court in Cincinnati previously decided in the government's favor. In addition, Boeing will pay $7.5 million for Mr. Roby's legal fees.

The case was investigated by the Defense Criminal Investigative Service's Dayton, Ohio, office and the Detroit Fraud Field Office, U.S. Army Criminal Investigation Command, Troy, Michigan. Audit support was provided by the Defense Contract Audit Agency's Mid-Atlantic Region.

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