



Air Force Lifts Boeing Suspension

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3/4/2005 - **WASHINGTON** -- The Air Force removed the suspension of three Boeing Integrated Defense Systems business units associated with its rocket business today. Over the past 20 months, The Boeing Company has taken responsibility for the serious ethical breaches in its company and taken strong remedial action to prevent such violations from occurring in the future.

"We believe that Boeing has taken significant action over the past 20 months to rectify past improprieties and to develop long-lasting integrity standards that makes them eligible to compete for government launch contracts again," said Acting Secretary of the Air Force Peter B. Teets.

To protect the government's interest an Interim Agreement between the Air Force and Boeing has been signed. In this agreement the Air Force may revoke the agreement, and reinstate suspensions, in the event Boeing is indicted or convicted, or if new evidence is discovered. In addition, Boeing has reimbursed \$1.9 million to the Air Force for its costs of reviewing this matter. The agreement calls for the following measures:

- Boeing will be required to submit to outside verification of its remedial measures, and its compliance with the Interim Agreement through a special compliance officer who will report to the Air Force. The special compliance officer will be retired General George Babbitt, the former commander of Air Force Materiel Command, supported by a staff from Bearing Point.
- Boeing has also agreed that all of its costs related to the EELV misconduct and the improvements to its ethics program are unallowable, including its costs of defending the Lockheed Martin civil litigation.

Some of the actions Boeing has taken over the past 20 months include: recognizing management responsibility for the ethical conduct of the organization; and significant and far reaching changes to its business processes and culture.

"The Air Force can now move forward to fulfill the nation's need for assured access to space by having two launch systems which will secure our ability to launch our vital space-based capabilities," said Mr. Teets.

The Air Force suspended The Boeing Company's Launch Systems, Boeing Launch Services and Delta Program business units July 24, 2003 for serious violations of federal law. An Air Force inquiry discovered that Boeing was in possession of thousands of pages of Lockheed Martin proprietary Evolved Expendable Launch Vehicle (EELV) documents during the 1998 source selection. As part of its sanctions, the Air Force reallocated seven launches awarded to Boeing during the 1998 source selection to Lockheed Martin, permitted Lockheed Martin to develop a west coast launch capability at Vandenberg AFB, and disqualified Boeing from the award of three additional launches and awarded that work to Lockheed Martin.

"We hope that everyone who does business with the Air Force takes note of this case and is reminded that we take ethical breaches very seriously and will not hesitate to impose significant sanctions when necessary to protect the procurement process, regardless of the size of the contractor involved," said Secretary Teets.

The Boeing Delta IV and Lockheed Martin's Atlas V are the two families of EELVs developed with the Air Force to modernize and reduce the cost of the nation's spacelift operation while providing the United States with assured access to space. Full text of the Interim Administrative Agreement can be found at <http://www.af.mil> .

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