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January 26, 2011

The Honorable Carl Levin
Chairman, Senate Armed Services Committee
United States Senate
228 Senate Russell Office Building
Washington, DC 20510



Dear Chairman Levin,

Thank you for the opportunity to provide a statement for the January 27 hearing regarding the release of proprietary data in the KC-X Tanker competition. Attached is Boeing's statement from Dennis Muilenburg, President and CEO of Boeing Defense, Space and Security. We commend your decision to hold this hearing to ensure a fair and transparent tanker competition.

The attached statement confirms Boeing's abiding interest to support our men and women in uniform by ensuring integrity in the Defense Department's acquisition process.

A similar letter has been sent to the Ranking Member.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "David Morrison".

David Morrison
Corporate Vice President
The Boeing Company

STATEMENT OF DENNIS A. MUILENBURG

President and CEO, Boeing Defense, Space and Security

Mr. Chairman, thank you for this opportunity to provide a statement to the Senate Armed Services Committee regarding the release of contractor proprietary data in the KC-X competition. I am not in a position to comment on specific actions taken by another company. I can, however, provide the facts regarding how Boeing handled the data it received. In all respects, Boeing's conduct was consistent with the highest standards of ethically responsible behavior.

- On November 1st of last year, Boeing was notified by the Air Force that a classified IFARA package was available for Boeing to receive from Wright Patterson Air Force Base (WPAFB). Boeing understood the package contained Boeing's interim IFARA evaluation data and score. Boeing retrieved the package and brought it to St. Louis for review and analysis, following strict protocol for the transport and handling of classified data.
- An analyst on the Boeing tanker program received the IFARA data package from Boeing Security in St. Louis that evening, and noted there were two disks and a cover letter. The analyst took the materials to a classified lab for review with another Boeing analyst. One of the analysts inserted the first disk into a Boeing classified laptop. The analyst reviewed the file structure and located the Excel file they believed would contain the Air Force Fleet Effectiveness Value ("FEV") for Boeing. The analysts opened this file, confirmed it contained the Boeing KC767 FEV score, and printed this classified table. An analyst then copied the contents of this first disk to the classified laptop hard drive, and removed the first disk from the computer.
- The analyst then inserted the second disk into the laptop, and reviewed the file structure of that disk more closely in an attempt to discern what the difference was between the first and second disks. The analyst then noticed that the parent folder name of the second started with the prefix "K30B." At that point, the Boeing analysts became concerned that the second disk could potentially contain competitor data. The analysts immediately removed the second disk from the laptop drive, and confirmed that the titles on the first disk did indeed contain references to "K67B" and the titles on the second disk contained references to "K30B." At no point did the Boeing analysts open any files on the second ("K30B") disk, nor did they make any copies or print outs of the second disk data. Our analysts did not forward the files or in any other way provide further access to the data to any other person.
- The cover letter, both disks, as well as the classified laptop used to open them, were all immediately sealed by security and locked in classified safes, and the analysts contacted the appropriate Boeing personnel to report the incident. Boeing notified the Air Force by phone and email that night, and received instructions the next day to repackage the materials and return them to WPAFB in Dayton. Boeing followed this direction, and couriered the materials back to Dayton that same day (November 2nd).

- On November 8th, the Air Force requested that Boeing also deliver its classified laptop computer to the Defense Computer Forensics Laboratory in Maryland on November 10th. Boeing complied with this direction.

Boeing's behavior in this instance is emblematic of our conduct throughout this competition. We have competed fairly and aggressively. We have not sought extensions of time, we have complied with every deadline, and we have followed the strictures and procedures established by the Air Force acquisition authority to the letter. And you can be sure that Boeing will do everything in its power to ensure the integrity of this competition because of its importance to our USAF customer and our military men and women that we are honored to serve.

Mr. Chairman, Senator McCain, and members of the Committee: American industry relies on the integrity of the Defense Department's acquisition processes. Your review of this matter is greatly appreciated.