

## **USAF Lifts Boeing Suspension**

The Air Force in early March lifted the suspension of three Boeing units that had been barred from bidding on Evolved Expendable Launch vehicle business. The suspension had been in place for 20 months.

Acting Air Force Secretary Peter B. Teets said that Boeing had taken sufficient steps to “rectify past improprieties and to develop long-lasting integrity standards.” The suspension was put in place when the Air Force determined that Boeing, in bidding on EELV work, had possessed and used thousands of pages of illegally obtained data about rocket rival Lockheed Martin’s bid proposal.

Teets, in a Pentagon press conference, said the suspension could be re-instated if Boeing is indicted or convicted of further wrongdoing on EELV contracting, or if new evidence surfaces.

Boeing had to pay the Air Force \$1.9 million to cover the costs of the service’s investigation into the matter. Boeing lost approximately \$1 billion in fines and lost business due to the suspension. The Air Force awarded some of the contracts Boeing won to Lockheed Martin. Boeing also agreed that all its costs pertaining to improving its internal ethics programs and to defending itself in a civil suit brought by Lockheed Martin are not allowable charges on any government contract. Boeing must also have its new ethics policy verified by an outside panel. This group will be headed by retired Air Force Gen. George T. Babbitt, former head of Air Force Materiel Command, with a support staff from Bearing Point, a management consulting firm.

In addition, Boeing must submit written assurance of compliance with ethics rules when it bids on any government contract—military or civil—valued at more than \$50 million. The ethics compliance measures will be in place a minimum of three years and will be lifted after that at USAF’s discretion.

Teets said Boeing has taken adequate steps to correct its corporate culture by reorganizing management responsibility for the company’s ethical conduct, and by changing its business practices.

“We hope that everyone who does business with the Air Force takes note of this case,” Teets said, “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.”

The affected units were Boeing’s Launch Systems, Boeing Launch Services, and Delta Program.

—*John A. Tirpak*