

Opening Statement
Defense Appropriations Subcommittee
Hearing on AF Posture Hearing
Congressman Todd Tiahrt
March 11, 2008

Mr. Chairman, thank you for holding this hearing. I'm looking forward to the testimony from Secretary Wynne and General Moseley.

Although this is the annual Air Force Posture Hearing, I hope our witnesses will be willing to comment on the recent KC-X Tanker contract. This controversial decision to award a \$35 billion contract to a foreign supplier has rightfully outraged the American public around the country.

The losing bidder has announced they intend to protest this decision – and rightfully so – but I still believe both of you need to answer questions on this vitally important issue. The more I learn about this decision – the more I realize that this competition will need to be redone. It will save the Air Force time and money to immediately reissue the RFP with your apparent goal of replacing the KC-10.

Secretary Wynne, General Moseley, one of the most difficult things from this whole experience is that I believe I was misled by the United States Air Force. Since 2001, the Air Force has said it must replace the KC-135E, our medium-sized tanker. For seven years and countless hearings – the Air Force has said the same thing... we need to replace the medium-sized tanker.

And now the Air Force buys an airplane bigger than the KC-10, but not as efficient as the KC-10. What has changed? And why wasn't Congress informed that the Air Force actually wanted to replace the KC-10, not the KC-135. Why didn't the RFP baseline reflect a KC-10 replacement instead of a KC-135?

It is hard for me to understand how something as integral as the size of the aircraft was misconstrued until the award decision.

This is just one of many reasons why you will save time and money by deciding now to re-compete this with your real goals and intent.

However, in the meantime, I believe Congress has an important role in understanding how the acquisition system failed the American people. It is becoming clear to me that the Government has stacked the deck in favor of European Manufacturers.

As I mentioned last week – three of the last big defense contracts have been awarded to foreign companies. The Navy awarded the Marine One contract to a foreign manufacturer. The Army awarded the Light Utility Helicopter to a foreign manufacturer. And now the Air Force has awarded the KC-X to a foreign manufacturer.

Foreign competitors were able to compete and win against American manufacturers because our acquisition laws actually favor foreign competitors. The deck is stacked for foreign manufacturers.

For instance, the Air Force didn't account for the costly regulations that our domestic manufacturers have to comply with that you simply waive for our European allies. This includes the "Cost Accounting Standards," the Specialty Metal laws, Buy America provisions, Foreign Corrupt Practices Act, and ITAR Compliance. These are the ones I know of – there are probably others.

The Air Force didn't account for the \$5 billion dollars in illegal subsidies that European Governments provided to Airbus for development of the A-330 aircraft. You simply ignored these subsidies, yet the Cost Accounting Standards would require an American manufacturer to amortize such costs. Foreign manufacturers gain a huge cost advantage that is unaccounted for in your final contract award.

The Air Force didn't account for the billions of legal subsidies, such as socialized healthcare and workman compensation. The American manufacturer, because of Cost Accounting Standards, has to include these costs. That provides the French company a competitive advantage over an American manufacturer.

The Air Force didn't account for the loss of tax revenue with fewer American jobs. Under the Airbus Tanker, America will see a minimum 19,000 fewer jobs. These are good, high-paying jobs. We should expect that these workers would pay a minimum of \$10,000 a year in federal taxes. If you factor this out through the life of the program, this would total around \$3.8 billion lost to the federal treasury. So what was really the foreign competitor's true cost - \$35 billion or \$38.8 billion? We should account for this in our procurement system.

The Air Force didn't account for industrial base concerns. The Navy, when making acquisition decisions on all ships, does take industrial base into consideration. But the Air Force didn't even ask the question or maybe they just weren't interested in the answer.

The Air Force didn't account for national security concerns. As you know, tankers are a "single-point of failure" for our national defense. The United States military does not project power without Tankers. But no consideration was given to the risk found in a foreign supply chain, concern over access to spare parts, or even the basic question of whether this critical asset should be produced overseas.

Secretary Wynne, General Moseley, you may argue that you didn't have a legal responsibility to address all of these issues, but didn't you have a professional obligation? You had two competitors, but they weren't on equal footing. This was not a fair competition. The deck was stacked against American suppliers and against American workers.

I hope both the Department of Defense and Congress will learn their lessons from this experience. We can not expect our domestic manufacturers to compete when the playing field isn't level. I believe that Congress has an obligation to address these considerations and others,

and I hope that our Committee takes the lead, but this does not absolve the Air Force of responsibility. The Air Force does have the authority to account for these considerations, but chose not to.

Gentlemen, the American people have demanded answers – and I hope you are ready to provide them. I look forward to hearing from both of you on this critical matter.

Thank you Mr. Chairman.