

INDIVIDUALS WITH DISABILITIES
EDUCATION ACT

Mr. KOHL. Mr. President, I express my support for the Individuals with Disabilities Education Act conference report that passed the Senate yesterday. It is not a perfect bill, but I believe it represents a fair balance of the concerns of schools and parents of children with disabilities. Above all, it upholds the rights of all children with disabilities to a free, appropriate education in our public schools. It promises them access to a high quality education to help them succeed and live productive lives. And it includes strong monitoring and enforcement provisions to ensure that that promise is kept.

The bill includes several improvements over current law that will help secure the rights of children with disabilities and uphold the rights of parents advocating for their children. First, it holds schools accountable for educating disabled students by giving the Secretary of Education the tools to monitor how well States and schools are complying with the law and sanctioning those that fail to serve disabled students. It provides flexibility and resources for early intervention and preschool services for younger children, and promotes transition services for older students in order to prepare for their post-school years. It preserves the Individualized Education Programs to ensure that parents have quarterly reports of their child's progress and short-term objectives for those with the most severe disabilities. It provides for more teacher training and strengthens teacher quality requirements so that students are taught by highly qualified teachers. It also adds options for parents and schools to work together to resolve disputes, but preserves the right to due process if a school is out of compliance.

At the same time, this bill also responds to many of the concerns raised by schools and teachers. It provides relief from unnecessary and burdensome paperwork so that teachers can focus their attention on educational services. It provides more opportunities to resolve conflicts and disagreements other than through costly and acrimonious litigation. And it provides more resources for professional development so teachers are equipped to deal with the often complex but critical needs of students with disabilities.

This bill also addresses the serious issue of discipline—an issue that has caused many concerns over the years by both education officials and parents of children with disabilities. The bill includes a bipartisan compromise that clarifies and strengthens discipline provisions so that schools can remove children who pose a serious danger to themselves or others to an alternative setting, while ensuring that those children continue to receive services. At the same time, this compromise protects the rights of disabled children in disciplinary action by preserving the manifestation determination so that

children are not punished for behavior caused by their disability, and continuing services if a child is placed in an alternative setting. I know that some parents are worried about these revised discipline provisions and would prefer current law. I agree that we must continue to monitor these provisions carefully to ensure they are implemented fairly and with the best interests of disabled children in mind.

Despite these positive features, I am very disappointed that this bill does not move us any closer to fully funding IDEA. When IDEA was first enacted in 1975, Congress made a commitment to fund 40 percent of the costs, in recognition of the added expenses schools would incur in serving disabled students. Today, the Federal Government is funding IDEA at the highest levels since it was created—but sadly, that funding only covers approximately 19 percent of the costs. I have cosponsored and supported legislation that would require mandatory full funding for IDEA, and as a member of the Appropriations Committee, I will continue to fight for full funding of IDEA. It is past time for the Federal Government to live up to its obligations.

The conference report is not a perfect bill. Clearly, there are provisions that will trouble both sides—both the educational community and the families of disabled children. But on balance, I think the bill represents a real compromise and has great potential to lead to improved educational services for children with disabilities. It attempts to create a balanced approach that recognizes the challenges faced by teachers and schools, while still ensuring that all children with disabilities have access to the highest quality education. I will continue to work to fully fund its provisions so that the promises it makes will become a reality. This bill is worthy of the Senate's support and I urge my colleagues to vote for it.

BOEING 767 TANKER LEASE

Mr. MCCAIN. Mr. President, yesterday I spoke on the Senate floor regarding the investigation into the Air Force proposal to acquire Boeing 767 aerial refueling tankers. During my 45 minute remarks, I had made reference to certain letters, press articles and e-mails I ask unanimous consent that that material at a cost of \$3,200.00 be printed in the RECORD of today's proceedings.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Dec. 2, 2003.

Hon. PAUL WOLFOWITZ,
Deputy Secretary of Defense,
Washington, DC.

DEAR SECRETARY WOLFOWITZ: I commend the Secretary of Defense and yourself for the prompt actions you have taken regarding the Air Force's tanker aircraft program, in light of recent extraordinary personnel actions taken by the Boeing Company. Your decision to require a "pause" in the execution of any contracts to lease and purchase tanker aircraft is a prudent management step.

Further, I concur in your judgment to task the Department of Defense Inspector Gen-

eral, DOD-IG, to conduct an independent assessment. However, I believe that the DOD-IG assessment should go further than the review described in your letter of December 1, 2003. The DOD-IG inquiry should pursue the trail of evidence wherever it leads, in accordance with standard IG procedures. This inquiry should examine the actions of all members of the Department of Defense and the Department of the Air Force, both military and civilian, top to bottom, who participated in structuring and negotiating the proposed tanker lease contract which was submitted to the Congress in July 2003.

Your recent actions clearly indicate that there are many outstanding questions that must be answered before proceeding with this program. I expect that you will consult further with the Congress as you receive the report of the DOD-IG and that no actions will be taken with respect to the lease and purchase of KC-767 tanker aircraft until the Congress has had an opportunity to review the DOD-IG report. Ultimately, this program, as restructured, must be executed in a manner that is fully consistent with Section 135 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136).

With kind regards, I am
Sincerely,

JOHN WARNER,
Chairman.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Nov. 19, 2004.

Hon. DONALD H. RUMSFELD,
Secretary of Defense,
Washington, DC.

DEAR MR. SECRETARY: On December 2, 2003, Chairman Warner wrote to Deputy Secretary Wolfowitz to request that the Department of Defense Inspector General (DOD IG) conduct a thorough investigation of the KC-767A tanker aircraft program. According to Chairman Warner's letter "this inquiry should examine the actions of all members of the Department of Defense (DOD) and the Department of the Air Force, both military and civilian, top to bottom, who participated in structuring and negotiating the proposed tanker lease contract which was submitted to the Congress in July 2003." A copy of that letter is attached.

It was our understanding that the requested DOD IG review would assess not only individual responsibility for any allegations of criminal violations of law; but, equally important, individual accountability for management decisions and executive oversight. In essence, the Senate Committee on Armed Services, in order to conduct its necessary legislative oversight of the Department of Defense, needs to know what happened, who was accountable and what actions must be taken to prevent this situation from happening again.

It is astonishing to us that one individual could have so freely perpetrated, for such an extended period, this unprecedented series of fraudulent decisions and other actions that were not in the best interest of the Department of Defense.

We recently found out that no such managerial accountability review has been undertaken by the DOD IG. Rather, the DOD IG limited his review to determining whether there was evidence to press criminal charges. We are deeply concerned by this development. Given the Chairman's letter, why was a decision made not to do this work?

Congressional oversight of the proposed contract to lease 100 KC-767A tanker aircraft, a contract which is now prohibited by section 133 of the National Defense Authorization Act for Fiscal Year 2005, uncovered the most significant defense procurement scandal since the Ill Wind bribery and fraud

cases of the 1980s. It is imperative that the Department take actions to hold those responsible accountable. Otherwise, the fallout from this Air Force procurement scandal will have disastrous effects on the integrity of the acquisition system.

In our view, an assessment of accountability should include a review of all members of the Department of Defense and the Department of the Air Force, both military and civilian, who participated in structuring and negotiating the proposed tanker lease contract. Most importantly, this should include Secretary of the Air Force Jim Roche, and Assistant Secretary of the Air Force Marvin Sambur. We reiterate the Committee's request that the DOD IG immediately initiate such an accountability review.

Again, we do not understand how one individual could have amassed so much power that she was able to perpetuate such fraud against the federal government and other actions that were not in the best interest of the Department of Defense. Where was the oversight? Where were the checks and balances? At a minimum, the acquisition chain of the Air Force, and perhaps DOD, was woefully inadequate. The fact that no Departmental review of these questions has been conducted raises significant accountability and oversight questions that go far beyond this one case. We trust you will endeavor to rectify the situation and hold those who are responsible accountable.

Sincerely,

CARL LEVIN,
Ranking Member.
JOHN MCCAIN,
U.S. Senator.
JOHN WARNER,
Chairman.

DEPUTY SECRETARY OF DEFENSE,
Washington, DC, Nov. 19, 2004.

Hon. JOHN W. WARNER,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: As you know, the Department soon will complete the analysis of alternatives (AoA) for recapitalization of the KC-135 tanker aircraft fleet, and that portion of a broader mobility capability study (MCS) related to aerial refueling. Based upon the recommendations of the Defense Science Board, I accelerated, to November of this year, the schedule for completion of these initiatives. The AoA and MCS will be critical to our development of a plan to recapitalize the tanker fleet, and to provide adequate aerial-refueling capabilities for military aircraft over the long term.

In structuring the AoA and MCS, we recognized that we should base the recapitalization of the fleet on a thorough and careful assessment of the ways in which we might perform the aerial-refueling mission. To ensure that we consider all viable solutions, the AoA addresses a wide range of alternatives, from the retention and re-engineering of KC-135E aircraft to the development of a new military tanker aircraft.

Let me be clear: After we have selected an appropriate alternative, we intend to require competition. No matter which alternative we choose, leasing is not an option without new congressional authority.

Sincerely,

PAUL WOLFOVITZ.

[From the Defense News, Nov. 3, 2003]

FULL DISCLOSURE

In March, Defense News published a commentary by Adm. Archie Clemins, former commander in chief of the U.S. Pacific Fleet. In it, he advocated a U.S. Air Force plan to lease 100 planes from Boeing Co., which would modify the 767s for the Air Force's

aerial refueling mission. That a Navy man would back an Air Force program is what made it intriguing.

What we didn't know at the time was that Clemins did not write the piece. Nor did he think on his own to write it. Nor, for that matter, did he even think to send it to Navy Times, a sister publication, without prompting.

In truth, a Boeing representative came up with the idea, asked Clemins to write it, and provided a writer to help get the job done. Boeing also suggested where he ought to send it and provided him the e-mail address.

Clemins says he was not paid for the article and stands by what it says. We believe that.

But he acknowledged that prior to writing the article, he had done some paid consulting work for Boeing, and that he has since developed a more formal consulting arrangement with the company. He said he made no effort to "pull the wool over anyone's eyes."

In publishing the piece, regardless of who actually wrote it, we provided a forum for the free flow of ideas. That is the purpose of our Commentary pages.

But we failed to do some things we should have done. We should have asked Clemins if he had a financial relationship with the program or the contractor. We should have asked if he had, in fact, written the article himself. And we should have weighed his answers in our thinking, because that information is essential to the context of his article.

Had we known those things, we might still have published his opinion. But we would have included the other writer's name and noted Clemins' relationship with Boeing among his credentials at the end of the article. As it was, we merely noted that he was the former commander of the Pacific Fleet—true, but not the whole story.

Full disclosure is what we're after. Here, we fell short. We will work hard to ensure this doesn't happen again.

[From the Seattle Times, Nov. 18, 2004]

LOCKHEED ALLEGATIONS FOCUS ON BOEING'S CHIEF EXEC

Lockheed Martin has introduced evidence in a civil lawsuit that allegedly demonstrates Boeing Chief Executive Harry Stonecipher knew former Air Force acquisitions officer Darleen Druyun gave Boeing preferential treatment in the award of billions of dollars of Defense Department contracts before she joined the company last year.

Additionally, Lockheed introduced evidence it says shows Stonecipher and James Albaugh, chief executive of Boeing's Integrated Defense Systems unit, attended a September 1998 meeting with Druyun and Air Force Col. Richard McKinney in which Boeing allegedly received details of a confidential Lockheed proposal to provide rocket launches to the Air Force.

Druyun received a nine-month prison sentence last month for holding job talks with Boeing while still overseeing Boeing business at the Air Force. She further admitted to awarding more than \$5 billion of Defense Department contracts to Boeing in exchange for jobs for her daughter, her son-in-law and herself.

Boeing and Stonecipher have been adamant that if Druyun showed the company any favoritism, Boeing was not aware of it.

"The statements Ms. Druyun made in her sentencing papers came as a total surprise," Boeing said last month.

However, Lockheed said in a court filing last week that it has "an e-mail written by Mr. Stonecipher admitting that Darleen Druyun had favored Boeing in the past."

It is not clear from the filing when the e-mail was written. The e-mail itself was placed under seal by the court.

Lockheed and Boeing officials could not be reached for comment.

Lockheed is pursuing a civil racketeering lawsuit against Boeing in Orlando, Fla., that accuses Boeing of using 40,000 pages of stolen Lockheed documents to gain an unfair advantage in a multibillion-dollar competition to provide satellite launches to the Air Force.

Druyun was not tied to that case originally. But after her guilty plea last month, Lockheed sought Boeing e-mails and other documents showing contacts between Boeing and Druyun concerning both the rocket competition and several other contracts she awarded to Boeing rather than Lockheed.

In October 1998, the Air Force awarded 19 launches to Boeing and seven to Lockheed.

The Air Force cited Boeing's lower price-per-launch as a major reason for giving Boeing so many launches.

Lockheed said in last week's court filing that handwritten notes of the September, 1998 meeting between Stonecipher, Albaugh, Druyun, McKinney and other Air Force officials suggest Boeing also received unfair treatment in the award of those launches by receiving confidential Lockheed pricing data.

"The fact that high-level Boeing officials discussed their proposal strategy and Lockheed Martin's pricing with Ms. Druyun shortly before the final (rocket) proposal submission is damning," Lockheed said.

The meeting notes, taken by David Schweikle, project manager for Boeing's Delta IV rocket program, were, like the Stonecipher e-mail, placed under seal.

U.S. Magistrate Judge Karla Spaulding last week agreed to let Lockheed lawyers question a Boeing representative about communications with Druyun on six contract competitions, including the rocket-launch contract.

"It may lead to admissible evidence about whether Boeing had improperly acquired proprietary information of Lockheed and others that it discussed with Druyun," the judge wrote.

Boeing lawyers objected to the judge's order, and a hearing was set for next month to resolve the objections.

The Boeing attorneys, in court filings, said Lockheed's request for information on Druyun is too broad, has nothing to do with the case and is an attempt by Lockheed Martin to concoct new complaints against Boeing.

CHIEF WEAPONS BUYER FOR AIR FORCE QUILTS

WASHINGTON—The Air Force's chief weapons buyer said yesterday he is resigning to help clear the way for promotions bottled up in Congress over a stalled \$23.5 billion plan to acquire Boeing 767 tanker aircraft.

Marvin Sambur said he had resigned as assistant Air Force secretary for acquisition effective Jan. 20, or sooner should President Bush's next choice for the job be confirmed before then.

"It's becoming pretty apparent that if I stayed it would be very difficult for the Air Force to have anybody confirmed," Sambur said in a telephone interview.

On Tuesday, Air Force Secretary James Roche resigned in a move aides said was also designed to free up nominations of officers whose Senate confirmations were held up by Armed Services Committee member John McCain, R-Ariz.

McCain had blocked a range of promotions over the Air Force proposal to acquire 100 Boeing 767 aerial tankers, which he slammed as a government handout to Boeing.

Sambur was once the boss of Darleen Druyun, who admitted improperly steering billions of dollars of Air Force contracts to Boeing before joining the company as a

\$250,000-a-year vice president in January 2003.

A former president and chief executive of ITT Defense, Sambur oversees the Air Force's \$37 billion procurement budget.

[The Wall Street Journal, Sept. 3, 2003]

JOHN MCCAIN'S FLYING CIRCUS

No one denies that the U.S. Air Force needs more refueling tankers. The only questions are how and when to get them. Senator John McCain calls the Pentagon's answer, a leasing arrangement with Boeing, an unsavory example of the modern "military-industrial complex," a mistaken argument he will no doubt pursue today at hearings before his Commerce Committee. It's hard to overestimate the importance of these flying gas stations. Long-range bombers make it to their targets only because they can refuel in the air. It was our tankers that enabled coalition aircraft to circle high above Iraq's battlefields for hours, providing ground troops with the capability to call in immediate, precision air strikes on emerging targets. "Our tanker force is what makes us a global power" is the way the Air Force chief of staff, General John Jumper, puts it.

Yet for all that power, America's tanker fleet is in sad shape because the tankers are simply too old to keep flying. The Pentagon is hoping to remedy this quickly by leasing the tankers from Boeing, and three of the four relevant committees in Congress have given their approval to the contract. The fourth—the Senate Armed Services Committee—will hold hearings tomorrow. Senator McCain's Commerce hearings today are his way of trying to preempt approval by running up his own Jolly Roger.

Let's hope he doesn't draw the fight out too long. The average tanker is now more than 43 years old. During a visit last year to Oklahoma's Tinker Air Base, then-Air Force Secretary James Roche realized the urgency of the problem when he peeled back the skin of a tanker being refurbished and found the metal underneath disintegrating.

Age isn't the only problem. Not only will the new Boeing 767s be able to refuel all planes in the military's inventory—unlike the existing KC 135E's—they carry up to 20% more fuel and three times the cargo. And the leasing arrangement used to get them to the Air Force is similar to the way foreign militaries buy planes, selecting off-the-shelf technology and then signing a contract for rapid delivery. This is how Israel and Singapore get the latest F-16s five years before the U.S. Air Force.

We're as opposed to sweetheart deals as anyone. But it seems to have escaped Senator McCain's notice that Boeing's main competitor here, the European consortium that produces Airbus, virtually defines corporate welfare. And so far as we can tell, the e-mails between Boeing, the Pentagon and the Air Force released by his committee last week seem to show only that Boeing was lobbying hard for a multibillion-dollar deal (surprise!) and that cost was a big concern.

In short, the real issue the Senate Armed Services Committee needs to zero in on here isn't just overall lifetime cost but value for money. The Air Force needs tankers now, and the leasing arrangement was deemed the way to get tankers into its hands most expeditiously, not least because it bypasses procurement procedures that could stretch out a buying decision for years.

Senator McCain and other critics like to talk about what he says are the billions more that a leasing deal will cost over buying these birds outright. Leaving aside the huge dispute over the price tag, let's hope the Armed Services Committee considers the costs our military might incur by not getting these tankers as soon as possible.

USAF E-MAILS ON BOEING 767 TANKER LEASE PROPOSAL

ORIGINATOR, DATE, SUBJECT

Roche, August 07, 2002, FW: Crosby Finds a Home at EADS; Bodie, Sept 04, 2002, Re: Fw: Defense Week Daily Update: EADS: Our Tanker Offer Cost Less Than Boeing's; Druyun, Sept 05, 2002, Our friend; Hodges, June 20, 2003, FW: KC-767 "Savings" for comment & Courtesy Copy of Memo; Wynne, June 23, 2003, Tankers; Weaver, May 7, 2003, 767 Lease; Druyun, Oct 9, 2002, Tanker Leasing; Calbis, Nov 7, 2001, CBO has questions about your scoring of the tankers; Roche, Friday, November 28, 2003, RE: Tankers; Roche, August 8, 2002, Re: hello?

Albaugh, Wednesday, September 18, 2002 8:03 PM, RE: Marvin Sambur; Ellis, Tuesday, December 17, 2002 9:36 PM, notes from jim Albaugh's meetings; Albaugh, Monday, June 23, 2003 3:00 PM, FW: Roche mtg 23 Jun 03; Wynne, Tuesday, July 08, 2003, Re: 767 and DepSecDef; Roche, Wednesday, April 16, 2003, RE: Tankers; Roche, Nov 19, 2002, 767 Lease; Roche, Monday, December 17, 2001 7:24pm, Re: 767 Leasing; Jumper, Tuesday, February 25, 2003 8:58pm, Re: Offsets for tanker lease; Wynne, Wednesday, June 25, 2003, RE: OSD(C) AND 767 LEASE; Lemkin, June 25, 2003, OSD(C) and 767 Lease.

Roche, Tuesday, July 08, 2003 9:44 pm, Re: Footnote; Roche, Tuesday, July 08, 2003, Lease; Roche, Wednesday, September 03, 2003, Re: Ken Kreig ltr; Wynne, Wednesday, July 09, 2003, RE: FW: Footnote; Cleveland, 15 May 2003, 1913, Re: Interview at NG; Jumper, June 22, 2002, RE: CNBC Interview—Tanker Recapitalization; Sambur, June 17, 2003, FW: USAF Green Aircraft Pricing; Sambur, October 10, 2002, RE: Tanker Leasing; Essex, August 03, 2002, FW: Potential OMB Problems with 767 Lease; Sambur, October 21, 2002, 767 meeting with OMB.

Sambur, September 11, 2002, 767 Tanker justification; Sambur, July 25, 2003, Re: SASC Tanker Lease Hearing; Sambur, November 19, 2003, FW: Tankers; Zakheim, November 25, 2002, RE: KC-767 Lease Delay; Wynne, July 08, 2003, RE: Footnote; Walker, August 21, 2003, Re: Revised OMB Circular A-11; Sambur, November 21, 2003, FW: 767 Update; Walker, Nov. 26, 2002, More Updates from GC; Wynne, June 24, 2003, Meeting; Wynne, July 17, 2003, Good Luck.

Wynne, November 01, 2003, RE: Two Issues—Tankers and Ship Funding; Burkhardt & Associates, May 3, 2002, WSJ; Roche, May 14, 2002, RE: Call from Boeing; Bodie, April 25, 2002, RE: US News; Roche, December 13, 2001, Fw: 767 lease; Roche, December 13, 2001, RE: Several items; Roche, March 30, 2002, RE: Tanker story; Custer, March 30, 2002, NDAA; Jumper, April 9, 2002, RE: Tanker Article; Roche, April 28, 2003, RE:.

Bodie, January 2, 2002, RE: Dear Bob; Aldridge, May 16, 2003, RE: Boeing; Roche, May 13, 2001, RE: 767 lease; Bodie, Friday, June 21, 2002 11:26 AM, RE: CNBC Interview—Tanker Recapitalization; Druyun, Wednesday, October 09, 2002 8:17 AM, OSD BRIEF TO LEASING WORK GROUP; Wynne, Tuesday, Jul 08, 2003, Re: FW: Footnote; Sambur, Tuesday, July 08, 2003 9:58 PM, Fw: Tanker Leasing Report to the Congress; Sambur, Tuesday, August 26, 2003 7:59 AM, \$2B Issue with PA&E; Aldridge, Monday, November, 04, 2002 1:22 PM, Tankers and B-52's; Spruill, Tuesday, November 12, 2002 9:22 PM, RE: Tanker Leasing.

Some of the following records are transcriptions made by Senate staff of original documents provided by the Department of Defense.

USAF E-MAILS ON BOEING 767 TANKER LEASE PROPOSAL

From: James Roche
To: William Bodie
Date: August 07, 2002
Subject: FW: Crosby Finds a Home at EADS
Well, well. We will have fun with Airbus!
Jim.

From: Miriam Thorin
To: James Roche
Date: August 07, 2002
Subject: FW: Crosby Finds a Home at EADS
Paris.—European Aeronautic Defense & Space Co. NV (N. EAD) said Wednesday that it has appointed Ralph Crosby to head its North American operation. Until January, Crosby was president of Northrop Grumman's Integrated Systems division, EADS said in a statement.

"As our senior official in the U.S., (Crosby) will oversee our efforts to expand our business, develop industrial partnerships, and ensure strong customer relationships in this critical market," EADS said.

Crosby will assume his position on Sept. 1. Manfred von Nordheim, EADS's current top representative in the U.S., will continue to work as a senior adviser, the company said.

Cordially,

Alex.

From: Bill Bodie
To: James Roche
Date: Sept 04, 2002
Subj: Re: Fw: Defense Week Daily Update: EADS: Our Tanker Offer Cost Less Than Boeing's

We don't have to turn the other cheek, you know. I'm ready to tell the truth about Airbus's boom, footprint, and financial shortcoming. But maybe we should sleep on it.

W.C. BODIE,

*Special Asst. to the Secretary and Director,
Air Force Communications.*

From: James Roche
To: Bill Bodie
Date: Sept 04, 2002
Subj: Re: Fw: Defense Week Daily Update: EADS: Our Tanker Offer Cost Less Than Boeing's

Importance: High

No, Sir, save it and blow him away. He admits that they were not technically qualified! And, we keep their record of bribes as our trump card! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Darleen Druyun
To: James Roche
Date: Sept 05, 2002
Subj: Our friend

I read with disgust the article on Airbus tankers from the new EADS CEO of North America. What BS . . . should not have been surprised at the slime . . . his day of reckoning will come hopefully.

From: James Roche
Date: Sept 05, 2002
Subj: Re: Our friend

Oy. I agree. I had hoped you would have stayed and tortured him slowly over the next few years until EADS got rid of him! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Williams Hodges
To: Marvin Sambur
CC: John Corley; Mark Murphy; Mark Beierle; Stephen Gray; James T. Rivard; Cheryl Allen; Nancy Lively; Allan Haenisch
Date: 6/20/2003

Subj: FW: KC-767 "Savings" for comment & Courtesy Copy of Memo

DR. SAMBUR: I received a call from Dave Trybula, who works for Rick Burke in

PA&E. HE stated he had just delivered a memo to Dr. Roche's office. I asked him if he could share what they had sent and he attached the memo in two files, below.

This was a total surprise and not ever mentioned in any of our discussions with Dr. Spruill or Dr. Schroeder. It appears that they have simply listed all their positions on the report and none of the accommodations reach with the leasing working group. Apparently, they no longer want to be part of the process.

I propose that we provide you with an email containing our counterpoints on their assertions, followed by a proposed response from Dr. Roche back to PA&E.

VR,

Wayne.

From: Marvin Sambur
To: James Roche
Date: June 20, 2003
Subj: FW: KC-767 "Savings" for comment & Courtesy Copy of Memo
Boss: This is getting ridiculous!!!!

Marv.

From: James Roche
To: Michael Wynne
CC: Marvin Sambur
Date: June 22, 2003
Subj: FW: KC-767 "Savings" for comment & Courtesy copy of memo

MIKE: Ever since Pete left, the bureaucrats who opposed the 767 lease have come out of the woodwork to try to kill it-yet, once again. Mike, I won't sign a letter that makes the case that we shouldn't lease the planes. Ken Krieg's memo attached is a cheap shot, and I'm sure has already been delivered to the enemies of the lease on the Hill. It was a process foul. And Ken needs to be made aware of that BY YOU!

I can't control the corporate staff on acquisition issues. Mike, this is their way of asserting dominance over you. I know this sounds wild, but animals are animals. Pete had beaten them down. Now, they are taking you on. I'm sorry. Expecting professional behavior from them is something I gave up on a while back. Among other things, they are about to cause us to embarrass SecDef, who having approved the lease, will now have to explain why his staff is destroying the case for it. I'll do whatever I can to help you, Mike, but it's your job to get the corporate staff under control. If not now, then they will overrun you whenever you "don't behave" according to their desires. This is the same game they have played for years. They and OMB are trying to set the Air Force up to be destroyed by Sen McCain WITH OSD AND OMB ARGUMENTS. As you might imagine, I won't give them the chance, but I will make it clear who is responsible to Don. I refuse to wear my flack jacket backwards! Sorry, Shipmate. Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Michael Wynne
To: James Roche
CC: Marvin Sambur
Date: June 23, 2003
Subj: RE: KC-767 "Savings" For comment & Courtesy Copy of Memo

JIM: Thanks for your note—I see this as an OSD discipline problem myself. I will be taking it to the Secretary as well—better he hear it from two sources.

Mike.

From: Michael Wynne
To: Ken Krieg, PA&E
Date: June 23, 2003
Subj: Tankers

KEN: If the purpose of your note is to run acquisition from PA&E, we have a problem that needs immediate resolution. I have plenty of problems, but being 'fragged' didn't

seem to be one of them, now I worry. If the SecDef wants to kill this he will, so far not—your note was not helpful to either one of us. I will continue to make decisions that have the potential for successful execution of the lease unless SecDef waves me off.

Best Regards,

Mike.

From: Ken Krieg, PA&E
To: Michael Wynne
Date: June 23, 2003
Subj: RE: Tankers

MIKE: That's not what I intended and I may have used the wrong instrument to communicate my concerns. I just want to get together with you and Jim to make sure you understand what we are worried about. That's why I asked for us to get together this afternoon.

KJK.

From: Ken Krieg, PA&E
To: James Roche
Date: June 23, 2003
Subj: FW: tankers

JIM: Understand from Doc that you are as mad as Mike. I am not trying to walk back anything. I am trying to get the strategy to drive the deal; the deal and contract to set the numbers; the numbers to be reopened in the report without a lot of hype.

Probably should have called you but I will explain later.

Want to get together with you and Mike to clear air.

KJK.

KEN KRIEG,

*Director, Program Analysis & Evaluation and
Executive Secretary, Senior Executive
Council.*

From: James Roche
To: Ken Krieg, PA&E
Date: June 23, 2003
Subj: RE: Tankers

Kenny, I love you, and you know that. I think you have been had by some members of the famous PA&E staff. You never should have put what you put in writing. It will now be used against me and Don Rumsfeld.

Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Paul Weaver
To: James Roche
Date: May 7, 2003
Subj: 767 Lease

MR. SECRETARY: Rudy just called me and said that Marv Sambur was getting beat up by Mike Wynn again concerning the \$125M dollar number per aircraft. Rudy would like to know if he needs to do anything like calling in the big guns to help out. I told him I would query you to get your advice.

GOD BLESS,
Paul.

From: Jim Roche
To: Paul Weaver
Date: May 07, 2003
Subj: Re: 767 lease

It's time for the big guns to quash Wynne! Boeing won't accept such a dumb contract form and price, and Wynne needs to "pay" the appropriate price! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Darleen Druyon
To: James Roche; Marvin Sambur
Date: Oct 9, 2002
Subject: Tanker Leasing

I would like to informally brief Bill Schneider on tanker leasing when he gets back from Germany. I had briefed him during the transition about the idea of leasing as a viable acquisition alternative. He has apparently had a positive conversation with Wolfowitz on leasing and is interested in

quietly helping us. If you give a nod we will use the same charts we used to brief Gingrich which was very positively received by him.

From: James Roche
To: Darleen Druyon
Date: Oct 9, 2002
Subject: Re: Tanker leasing

Please do. Thanks much. Jim.

Dr. James G. Roche.

From: Philip T. Calbis (OMB)
To: John McClelland, Rob Goldberg
Date: Nov 7, 2001
Subj: CBO has questions about your scoring of the tankers.

John-Joanne Vines from CBO called with questions about your scoring of the tankers. Specifically how did you get to the 18 billion? Her analysis shows the NPV closer to \$20 billion.

I called her back after talking it over with Rob and found out that she had a copy of your spreadsheet from the Senate budget committee folks. She was meeting with Boeing and the AF this afternoon. I asked her not to share your table with them (she said no problem because she wasn't ready to share her numbers with them either).

She would like for you to call her tomorrow at 202-226-5707. Apparently, the Senate budget committee is pressuring her to see things the AF way so Conrad can do Stevens a favor. So, talk it over with Rob and give her a call right back.

From: Jim Roche
To: Robin Cleveland
Sent: 9 May 2003 17:12
Subj: Peter Cleveland Resume & Cover letter attached for export

Be well. Smile. Give tankers now (Oops, did I say that? My new deal is terrific.) :)

Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Jim Roche
To: Stephen Dyslas Northrup Grumman
Sent: 9 May 2003 16:20
Subj: Peter Cleveland Resume and cover letter attached for export/import compliance attorney (DC) position-021495

STEVE: I know this guy. He is good. His sister (Robin) is in charge of defense and intel at OMB. We used to work together in Senate staff. If Peter Cleveland looks good to you, PLS add my endorsement. Be well. I've let Rummy con me one more time! Army! Best to Alice.

Jim.

From: Robin Cleveland
To: Jim Roche
Sent: 9 May 2003 15:49
Subj: Peter Cleveland resume and cover letter/Import compliance attorney (DC) position-02 1495

JIM: This is my brother's stuff. I would appreciate anything you can do to help with NG. He is an incredibly hard working, disciplined guy—worked full time with two little kids putting himself through law school at night. I would be grateful. Thanks very much, Robin.

From: Robin Cleveland
To: Peter Cleveland
Sent: 15 May 2003 19:13
Subj: Re: Interview at NG

Great hope it works before the tanker leasing issue get fouled up.

From: James Roche SAF/OS
To: Peter Teets Civ SAF/US
Date: Friday, November 28, 2003
Subj: RE: Tankers

Thanks, Pete. We can discuss on Monday.

Jim.

From: Peter Teets SAF/US
 To: James Roche SAF/OS
 Date: 11/27/2003
 Subj: Tankers

JIM: I think it is important for you to know all I know about the situation surrounding the tankers. I sat in for you at the SecDef staff meeting last Tuesday. As we went around the table, Joe Schmitz (IG) mentioned the Boeing dismissal of Sears and Druyun. The SecDef then asked if in light of that should we take a second look at her involvement in any tanker lease related matters in order to deflect possible criticism from the SASC and unfavorable publicity. I said I thought that was a good idea, and that we (the Air Force) would do so. No further discussion on the subject occurred at the staff meeting. After the staff meeting I scheduled short separate meetings with Marv Sambur and Mary Walker for Tuesday afternoon following my return from a meeting at CIA. When I returned, I learned that Marv could not meet with me at the scheduled time because he was in Mike Wynne's office discussing Darlene's involvement with tankers. I then met with Mary and asked her to think through the Darlene situation, plus another matter regarding proper packaging of material on the AFA situation that Schmitz had said was required to be delivered to the SASC. Late Tuesday afternoon I then talked to Marv Sambur and got his assurance that a thorough review of the Darlene situation had been completed and that there was no way Darlene had any influence on our current plan for tankers. Furthermore, Marv said that a letter had been prepared for the DepSecDef to send over to the SASC indicating same, and notifying them of our intent to proceed. At that point, I thought the issue was resolved. On Wednesday morning I read the Wash Post article quoting Sec Rumsfeld as saying he had asked his staff to do a review of the tanker deal. I sent Marv and e-mail offering any help I could provide, and he responded with thanks, but it was clear that this situation had once again gotten out of control. I am sorry to report the news to you, but felt you needed the whole story as it unfolded.

Best Regards,

Pete.

From: Wynne, Michael Mr. OSD-ATL
 To: Roche, James Dr. SAF/OS
 Date: Tuesday, July 08, 2003
 Subj: Re: 767 and DepSecDef

JIM: I am hoping this is about unity of command. Negotiations with OMB are down to a footnote. I've sent a stand-off note to Sen McCain and offered a meeting. Everyone's nervous as Boss testifies to SASC tomorrow.

Mike.

From: Roche, James Dr. SAF/OS
 To: Wynne, Michael, Mr. OSD-ATL
 Date: Tuesday, July 08, 2003
 Subj: 767 and DepSecDef

Good friend and fellow prisoner of the Corporate Staff, please keep in mind, and do tell Paul, that neither you nor I will sign a stupid letter to the Congress regarding the KC-767's. Last time I checked, you have an IQ greater than room temperature—and, so do I. PA&E and OMB can kill the deal and make Pete Aldridge and Don Rumsfeld look like dopes. But, we shouldn't help them!

As you can tell, I finally got some time on my boat, and am feeling like my hero, Bull Halsey: Strike Fast, Strike Hard, Strike Often! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Roche, James Dr. SAF/OS
 To: Wynne, Michael Mr. OSD-ATL
 Date: Wednesday, April 16, 2003
 Subj: Re: Tankers

Sounds good, Mike. Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Wynne, Michael Mr. OSD-ATL
 To: Roche, James Dr. SAF/OS
 Date: Wed Apr 16, 2003
 Subj: Re: Tankers

JIM: Thanks for the input—Ralph was in to see me a few weeks ago, to touch base. I think I will keep this in that same vein; about if there is anything EADS can do over the near future to keep their long term prospects open. Cancelling would not be as soft. Mike.

From: Roche, James Dr. SAF/OS
 To: Wynne, Michael Mr. OSD-ATL
 Date: Wednesday, April 16, 2003
 Subj: Re: Tankers

MIKE: One more thing that I forgot to pass to you on the phone: Don is rarely pissed at the French. Neither you nor I can attend the Paris Air Show, we are getting into a possible flap over inviting the Chief of the FAF to a gathering next September, and you are inviting them in for lunch? Hello? Within minutes of the invite, Crosby most likely used your call to butter this personal croissant in Paris, and EADS would then inform the Que d'Orsay in seconds. Be careful! Maybe you should consider postponing your lunch . . . Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Wynne, Michael Mr. OSD-ATL
 To: Roche, James Dr. SAF/OS; Sambur, Marvin Dr. SAF/AQ
 CC: Aldridge, Pete Hon. OSD-ATL
 Date: Wed Apr 16, 2003
 Subject: Re: Tankers

JIM: I have not told Ralph of the meeting's purpose, as I wanted your feedback. But where will the competition come from?

Mike.

From: Roche, James Dr. SAF/OS
 To: Wynne, Michael, Mr. OSD-ATL; Sambur, Marvin Dr. SAF/AQ
 CC: Aldridge, Pete Hon. OSD-ATL
 Date: Wednesday, April 16, 2003
 Subject: Re: Tankers

Mike, you must be out of your mind!!! Crosby has lots of baggage, as does Airbus. We won't be happy with your doing this! JGR.

DR. JAMES G. ROCHE,
Secretary, US Air Force.

From: Wynne, Michael, Mr. OSD-ATL
 To: Sambur, Marvin Dr. SAF/AQ; Roche, James Dr. SAF/OS
 Date: Wednesday, April 16, 2003
 Subject: FW: tankers

Jim, Marv; I've invited Ralph Crosby in for lunch. Ralph is the President EAD's US. I am going to ask him how much a proposal would cost. They came in a couple of weeks ago and offered to build the majority here in America. You are welcome to attend, though, it may be best to let me in my present position do the probing. I will share with you, as I have in the other case, any findings. I'd suggest that this be held quietly, but I did want you to be aware. I am not sure where this will lead, but the benefits of competition may be revealing.

Best,

Mike.

From: Wynne, Michael Mr. OSD-ATL
 To: Sambur, Marvin Dr. SAF/AQ
 Date: Wednesday, April 16, 2003
 Subject: Tankers

Marv; Some advance work for FY05 budgeting is in order. I suggest that you begin to

probe whether there's sufficient funding to start a multi-year late in FY04 and in earnest in FY05. Not that we are done yet, IDA may surface changes that make it acceptable, but some of the arguments that were tabled make the case for tanker re-cap compelling.

If I had some spare change hanging around, I'd give another supplier enough money to make a proposal for this as well. I'm not saying to buy anything other than a proposal. But, I think the leverage from that 'spare change' would be enormous. For Boeing, the risk of losing the US tanker Franchise, no matter what our final intent is would be too embarrassing. I know the opposition would be vocal as well, but with the low probability of success, I think paying to prepare is fair. If chosen we could deduct it from the final deal.

While these are idle thoughts for now, the discontent within the administration for what they perceive Boeing's response for assistance was is not good, and would support this contrary approach.

Best,

Mike.

From: James Roche
 To: William H Swanson
 Date: August 8, 2002
 Subject: Re: hello?

Oh, really. Mine is probably at "station 13" while the gang goes on August vacation. When I see it in November, I hope it's all there—and no empty wine bottles in the doors! Be well.

Jim.

From: William H Swanson
 To: James Roche
 Date: August 08, 2002
 Subject: Re: Hello?

JIM: Understand. Move explains why you and I had issues in our previous assignments.

Still no red rocket on west coast. It has sat in DC for 2½ weeks waiting on transportation. I almost called to borrow (pay for) one of your transporters. It is finally now on the road and I will see it next Friday. This has been torture. Yours will be here before I get to see mine!

Bill.

From: James Roche
 To: William H Swanson
 Date: August 08, 2002
 Subject: Re: Hello?

Right. Privately between us: Go Boeing! The fools in Paris and Berlin never did their homework. And, Ralphie is the CEO and Chairman of a marketing firm, for that's all there is to EADS, North America. The AF has problems with EADS on a number of levels. The widespread feelings about Crosby in the Air Staff, Jumper especially, will only make their life more difficult. Smiles.

JGR.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: William H Swanson
 To: James Roche
 Date: August 08, 2002
 Subject: Re: Hello?

JIM: Sent out the action will try and have late afternoon or first thing Friday morning.

Did you see the notice on Ralph and EADS?

Bill.

From: James Roche
 To: William H Swanson
 Date: August 08, 2002
 Subject: Hello?

Bill, BAE and ATFLIR? Hello?

Jim.

From: Jumper, John, Gen AF/CC
 To: Roche, James Dr. SAF/OS
 Date: Tuesday, February 25, 2003 8:58pm
 Subj: Re: Offsets for tanker lease
 Good, thanks.

John.

From: Roche, James Dr. SAF/OS
 To: Jumper, John Gen AF/CC
 Date: Tuesday, February 25, 2003 8:57pm
 Subj: Re: Offsets for Tanker lease

Good idea. I'll be honored to join you.

Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Jumper, John, Gen AF/CC
 To: Roche, James Dr. SAF/OS
 Date: Tue. Feb 25, 2003
 Subj: Re: Offsets for tanker lease

Boss, there may be a trap in letting the corporate staff diddle us on the margins of what they will or won't allow. We should consider you and me taking this directly to Pete and Dov, around the corporate staff.

John.

From: Sambur, Marvin Dr. SAF/AQ
 To: Roche, James Dr. SAF/OS; Jumper John Gen AF/CC
 Date: Tuesday, February 25, 2003
 Subj: Offsets for tanker lease

BOSS, CHIEF: We are getting tremendous pressure to show our offsets for the Tanker lease. As I explained to you in a previous email, the offset or affordability issue is not as big a deal as Dov makes it out to be. The Chief has seen the details and the full details will be briefed to you on Wednesday at 4pm. The issue is that Aldridge wants a briefings by Dr. Spruill (co chair of the leasing committee) at 8:30 am tomorrow and Zakheim wants a briefing at 3:30 pm. Since we have a good story to tell, I think it would only cause unnecessary irritation if we refuse to give them the details until you are fully briefed. Is it OK to allow BG Johns with Spruill to give the briefing to Aldridge and Zakheim before you see the full details. The Chief had no issues and as I explained to you the OSD hot points are in the 09 time frame and involve an unknown bomber and funding for LAIRCM.

Thanks!

Marv.

From: James Roche
 To: Pete Aldridge
 CC: Gen. John Jumper; Marvin Sambur; Bill Bodie
 Date: Nov 19, 2002
 Subject: 767 Lease

Pete, old Buddy, you have been our strongest supporter on the issue of the lease. I now hear that your staff is telling us that you are weakening. Please don't. Here is some food for thought:

(1) Regardless of OMB, the deal is a good one for the taxpayer.

(2) Every time we come forward with something good for the taxpayer, the bureaucrats (including yours) feel that they have to fight it (job security?)

(3) To delay for two years to do an AOA is simply silly. It just means two more years of wasted repair costs on the E models; a waste of taxpayers' money to some beltway bandit; more bureaucratic delays by PA&E; and an end which is predictable.

(4) Since neither ships, trucks, or tiny planes can serve as tankers, we will be looking at big planes. Guess what?

We're already there. We will waste money and have nothing to show for it.

(5) Hey, we can extend the life of the E's and re-engine them! We'll that doesn't pass Grant's lieutenant's test: it means we will be flying 80 year old planes in a few years!!!! Average age is now between 42 and 44 years. Re-

engining won't solve the inherent catalytic corrosion problem. More waste of money.

(6) Gee, why didn't we for 50 or 60 or 70 year old Air Force Ones? How many of our bureaucrats fly in such old planes? I'm getting used to some in their late 40s, but I'm not so picky! But, why don't we make the Navy sail 60 year old destroyers? Or submarines? Because it's dumb.

(7) If we wait, there may not be a 767 line! Hey, can we covert used ones. Here we go again. We can waste money with half measurers that are penny wise and pound foolish. Why not do the same for ships? OK, so we'll be forced to buy French airplanes.

(8) To kill this idea in OSD is proof that there may be words like "acquisition reform," but they are hollow. The bureaucrats want to keep doing things the same old way, adding little value but lots of costs.

I can only keep my sanity by remembering Andy's advice to me years ago: "there are limits to the stupidity any one man can prevent." Off to Okinawa! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Bill Bodie
 To: Jim Roche
 Date: Nov 20, 2002
 Subject: Re: 767 Lease

Good for you, boss. Aldridge may deny he's been weakening, but the smoke signals are thick. Aldridge interviewed with Anne Marie yesterday, and although he wouldn't comment on specifics of any deal and was keeping an open mind, he indicated that in general terms he would have concerns about leasing when/if buying was cheaper. That doesn't jibe with his previous support for the lease from a NPV/cash flow management perspective. In addition, the spores seem to be pushing a "what's the rush?" line: buying is cheaper (we "exaggerate" the purchase cost of a green 767), therefore better; such a large expenditure requires more "rigorous analysis" than the back-of-the-envelope assertions by the AF, hence an AOA; the AF hasn't POM'ed for the lease, so how serious can we be? There is no "urgent" need, because the AF is starting to retire the E's next year even without an immediate replacement, so why can't we be more deliberate? Boeing will still be there, making airplanes, so what's the rush? Anyway, Airbus could make planes with enough American content if need be. I rebutted all these arguments with Jaymie (as you did with Pete), but we might be in the 'power' phase with OSD on this issue. If anyone can talk sense to Aldridge, however, it's you.

From: James Roche
 To: Bill Bodie
 Date: Nov 20, 2003
 Subj: Re: 767 lease
 Importance: high

Right. I'm relaxed on this one. They have to take the bureaucratic position. Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Roche, James Dr. SAF/OS
 To: Druyon, Darleen, SAF/AQ
 Date: Monday, December 17, 2001 7:24pm
 Subj: Re: 767 Leasing

Darleen, thanks much. I'd like for us not to be embarrassed on the Third Floor. Also, we will have to see what the final language looks like. I'll be interested in the numbers, and whether our resident DeLoitte partner (Nelson) agrees. Jim.

DR. JAMES G. ROCHE,
SECAF.

From: Wynne, Michael Mr. OSD-ATL
 To: Roche, James Dr. SAF/OS
 Date: Wednesday, June 25, 2003
 Subject: RE: OSD(C) AND 767 LEASE

Usually opposition is loudest away from the decision maker—I think progress to-

wards the door will crisp up the arguments, and allow the release. Keep the team MOOSHING forward.

Best,

Mike.

From: Roche, James Dr. SAF/OS
 To: Wynne, Michael, MR. OSD-ATL
 Date: Wednesday, June 25, 2003
 Subject: FW: OSD(C) and 767 Lease

MIKE: And, here I thought Stan and the Boys were under control!

You have more work to do.

Jim.

JAMES G. ROCHE,
Secretary of the Air Force.

From: Lemkin, Bruce S, SES, SAF/FM
 To: Roche, James Dr. SAF/OS; Sambur, Marvin Dr. SAF/AQ
 CC: Montelongo, Michael, Civ, SAF/FM
 Date: Wednesday, June 25, 2003
 Subject: OSD(C) and 767 Lease

MR. SECRETARY AND MARV: At this morning's Dov Zakheim meeting with Service FMs, Dov stated that he will not agree to including an AF position in the Report to Congress that is different from the OSD position. He directed me to "tell Jim and Marv" that he intends to send SECDEF a memo stating this. Szemborski piped up that PA&E has "formally non-concurred" to SECDEF.

After the meeting, I got hold of the Leasing Panel co-chair, Wayne Schroeder, and told him that our position is that SECDEF has approved the lease-how can one or more of his staff "non-concur?"—so, now, it is our obligation to work together to submit a Report to Congress that unconditionally supports the lease.

Marv—We in FM are standing by to continue to assist to break this free. Let me know how else we can help.

VR,
 Bruce.

From: Bruce Lemkin [Principal Deputy Assistant Secretary AF, Financial Management]

To: James Roche; Marvin Sambur
 CC: Michael Montelongo
 Date: June 25, 2003
 Subj: OSD(C) and 767 Lease

MR. SECRETARY AND MARV: At this morning's Dov Zakheim meeting with Service FMs, Dov stated that he will not agree to including and AF position in the Report to Congress that is different from the OSD position. He directed me to "tell Jim and Marv" that he intends to send SECDEF a memo stating this. Szemborski piped up that PA&E has "formally non-concurred" to SECDEF.

After the meeting, I got hold of the Leasing Panel co-chair,

Wayne Schroeder, and told him that our position is that SECDEF has approved the lease-how can one or more of his staff "non-concur?"—so, now it is our obligation to work together to submit a report that unconditionally supports the lease.

Marv—We in FM are standing by to continue to assist to break this free. Let me know how else we can help.

VR,
 Bruce.

From: Marvin Sambur
 To: Bruce Lemkin; James Roche
 CC: Michael Montelongo
 Date: June 25, 2003
 Subj: RE: OSD(C) and 767 Lease

BRUCE: We have made every compromise possible. I do not understand Szemborski's position. I spoke to his boss this morning and I thought they were rewriting the non-concur. In any event, we are submitting the report this afternoon. I added a line the OMB wanted (lease decision was predominantly made due to schedule). However, I am not moving off the position that the fair market

purchase price is \$138.4 (not \$131M which requires that we give them the money 4 years ahead of delivery) and that the lease is a wash art purchasing from a financial point of view. I will not give your enemies the tools to bury us!

Marv.

From: Roche, James Dr SAF/OS
To: Sambur, Marvin DR SAF/AQ
Date: Tuesday, July 08, 2003 9:44pm
Subj: Re: Footnote

Marv, what about my just adding my language? Why not? It's my letter. Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Sambur Marvin Dr SAF/AQ
To: Roche James Dr SAF/OS
Date: Tue Jul 08 2003
Subj: Re: Footnote

Boss: Our introduction makes that point that the lease is the fastest way to get tankers given our funding constraints. What they are forcing us to say is that IF congress gave us permission to PURCHASE under the same MYP terms as the lease, then the lease is DUMB financially.

Robin wanted it in the text and Mike got her to accept it as a footnote. Wynne is not willing to go further. My point is that Mike has tossed the bomb back to us in a take it or leave it terms. He claims that we will still win and our enemies know about this already. I spoke to Dicks last week and he told me to hold firm and not to go along with Robin. I want to check again.

Marv.

From: Roche, James Dr. SAF/OS
To: Durnan, Jaymie CIV OSD
Date: Tuesday, July 08, 2003
CC: Bodie William C Civ SAF/OS
Subj: Lease

Jaymie, Mike Wynne has fallen for Cleveland's line that our letter must show the bogus calculation which is NPV negative by \$1.9 billion.

Why bogus? If we had the budget, we wouldn't need to turn to a lease. But, we don't. Thus, to assume that it exists (wrong premise), and then to assume the Congress passed legislation which it didn't, and then to condemn ourselves in writing by stating the calculation based on a fantasy simply is crazy. It is a bureaucratic trick to make a fool out of Don as well as the Air Force. All this was "resolved" by Pete Aldridge before he left. To quote him: "We need to go forward with DoD's position. If OMB wants to comment, let them."

Point: we are running aground because PA&E and OMB want me to sign a suicide note. BUT I WILL NOT. This whole drill has gotten out of hand! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Roche, James Dr SAF/OS
To: Wynne, Michael Mr. OSD-ATL
Date: Wednesday, September 03, 2003
Subj: Re: Ken Kreig ltr

Keep the faith, Baby, we'll need it tomorrow. Please be prepared to tell the SASC that we did discuss whether or not to do an AOA, and that one isn't required. Further, Sen McCain thinks Schmitz is an authority on the subject! Jim.

DR. JAMES G ROCHE,
Secretary of the Air Force.

From: Wynne, Michael Mr. OSD-ATL
To: Roche, James Dr. SAF/OS
Date: Wed Sep 03, 2003
Subj: Re: Ken Kreig Ltr

James, You are nearing sainthood, inspite of your youth. I think your sidebar with Tony C. Made a difference.

Best Regards,

Mike.

From: Wynne, Michael, Mr. OSD-ATL
To: Roche, James Dr. SAF/OS
Date: Wednesday, July 09, 2003
Subj: RE: FW: Footnote

I can only repeat that you are actually winning. To change subjects, the F-22 DAB went reasonably well, and will lead to a second IPR and decision DAB in September. I complimented Rick Lewis, and Tom Owen, but told them not to let up. September will come quickly.

Best,

Mike.

From: Roche, James Dr. SAF/OS
To: Wynne, Michael Mr. OSD-ATL
Date: Wednesday, July 09, 2003
Subject: RE: FW: Footnote

Mike, thanks for your candor. I will only add to the footnote of the letter I sign that "the funds to execute such an alternative could not be made available without harming combat capability." Then, no one can accuse Don of "wasting" \$1.9B of taxpayer money. Stan Crock's article is another in a long series on varying issues where my friend missed the point. Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Wynne, Michael, Mr. OSD-ATL
To: Roche, James Dr. SAF/OS
Date: Wednesday, July 09, 2003
Subj: RE: FW: Footnote

Jim—Good on Pete—he left before the fight—I believe that this is a fair display. This is a footnote to a lengthy text, and offers a bone to the critics recently in Business Week who say that you and we tortured the economic argument to get what we want. I believe that addressing this point in this fashion takes the teeth out of their criticism. This will not embarrass at all the Secretary, as I would not even have considered it otherwise. This followed one full week of negotiation to remove it from the text and get it to only footnote status.

My advice to you is to take the deal as written, sign it out of this Building—get the term waiver, and let the House and Senate proponents, do their magic. I think you have a major victory, and are letting a minor math point get in front of a major policy win.

Best,

Mike.

From: Roche, James Dr. SAF/OS
To: Wynne, Michael, Mr. OSD-ATL
Date: Tuesday, July 08, 2003
Subject: RE: FW: Footnote

Mike, it's not that easy for you. Pete resolved these. You don't want to be put in a position of embarrassing Don; nor do I. If I refuse to sign, you will have to explain it anyhow! We should present DoD's position and let OMB add the bogus point not us. Bogus because we DON'T HAVE THE \$\$\$ NOW WITHOUT GIVING UP COMBAT CAPABILITY! This was Pete's argument. We turned to a lease because of this reality. The footnote to which you agreed? NEVER mentions this point! That's just not wise. Don't you agree? Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Wynne, Michael, Mr. OSD-ATL
To: Roche, James, Dr. SAF/OS
Date: Wednesday, July 08, 2003
Subj: RE: FW: Footnote

JIM: I am out of this now—though I will front what you want. As a footnote, this could be any number, not one that either you and I must defend. At this juncture, it's up to you to sign or not. I hope you think it over and get it out of the building.

Best,

Mike.

From: Roche, James Dr. SAF/OS
To: Wynne, Michael Mr OSD-ATL
Date: Tuesday, July 08, 2003
CC: Sambur Marvin Dr. SAF/AQ
Subj: Re: FW: Footnote

Mike, I don't like it. Why? Because we don't agree with the calculation! As important, it fails to give an alternative, lease supportive case where the NPV is positive! If the addition to the footnote added: "... Similarly, if blah blah, then the NPV would favor a lease by \$\$\$." As this stands, it is embarrassing to you, me, and the Sec Def. Senator McCain and others who oppose the lease will leap to this number! Why is this so hard for you to see, Mike? Further, the footnote missed Pete Aldridge's point that this is a hypothetical since the Air Force doesn't have the BA to enter into such a multi year contract, even if the Congress bent its rules to do so without limited production!

Marv, what do you think? Please get together with Mike to come up with a more palatable and balanced version of the footnote.

Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Wynne, Michael Mr OSD-ATL
To: Roche, James Dr. SAF/OS
Date: Tue Jul 08, 2003
Subject: FW: Footnote

JIM: I've gotten the 1.9B relegated to a footnote and I've made an agreement with OMB so that we can proceed. You can sign it in the morning if you agree if not I'm not sure what to do. Meeting with DSD went fine. Most are hoping that you refuse to sign. I told them not so fast.

Best,

Mike.

From: Spruill, Nancy Dr. OSD-ATL
To: Wynne, Michael Mr. OSD-ATL
Date: Tuesday, July 08, 2003
CC: Spruill, Nancy, Dr. OSD-ATL
Subject: Footnote.

MIKE: This is what I've copied for your convenience.

Thanks,

Nancy.

The Footnote is to the sentence that says: Applying the A-94 test, it was determined that the net present value of the multi-year lease option and a traditional purchase option results in a NPV favoring a purchase of \$150 million, as shown in Table 1[1].

Footnote: [1] In evaluating the net present value of the lease and purchase options as required by OMB Circular A-94, the Air Force relied on the availability of multi-year lease authority granted by Congress in 2002 Defense Appropriations Act. Had the Congress chosen instead to provide multi-year procurement authority the NPV could favor purchase by up to \$1.9 billion. While this information affords a measure of clarity in an equitable comparison of terms and NPV, it is provided with the understanding that multiyear procurement authority was not available and therefore not a viable option for the Administration's analytical consideration.

From: John Jumper AF/CC
To: William Bodie SAF/OS; James Roche SAF/OS
Date: June 22, 2002
Subj: RE: CNBC Interview—Tanker Recapitalization

Great themes, thanks. JJ.

From: William Bodie SAF/OS
 To: James Roche SAF/OS; John Jumper AF/CC
 Date: June 21, 2002
 Subj: FW: CNBC Interview—Tanker Recapitalization

We've got Loren doing the Lord's work again. "3rd Party" support at its best.

From: T124C41
 Sent: Friday, June 21, 2002 10:55 AM
 To: carey
 Cc: william.bodie
 Subject: CNBC Interview—Tanker Recapitalization

To: Mac Carey
 From: Loren Thompson
 Date: June 21, 2002
 Subj: CNBC Interview—Tanker Recapitalization

Last Monday I was interviewed by CNBC for an upcoming segment on the Air Force tanker leasing controversy. I talked to CNBC anchor Marsha McCallum yesterday, and she said the segment is due to air at 3:15 pm on Monday. Senator McCain will also be on the segment.

CNBC will only use a small portion of what I said. For the record, though, here are the ten themes I told her, in some cases several times:

(1) Tankers are essential enablers of American military power, and will become more so as our network of overseas bases continues to shrink.

(2) Every bullet and bean America delivered to Afghanistan, not to mention every soldier and fighting system, got there on an airplane that had to be refueled in flight by a tanker.

(3) This month marks the 45th anniversary of the first delivery of a KC-135 tanker to the Air Force, reflecting the fact that 90% of the tanker fleet has grown quite aged.

(4) The fleet is so old that a third of airframes are in repair shops or waiting to go there on any given day.

(5) The planes must be replaced, and the Air Force has determined that the Boeing 767 is the best aircraft to use.

(6) Replacement of over 500 tankers may prove to be the biggest defense procurement program of this generation.

(7) But even if we begin buying planes at the rate of two dozen per year, it will take the Air Force 20 years to replace the fleet—by which time some of the KC-135s will be at twice their design lives.

(8) Flight hours is a useful indicator of airframe fatigue, but it tells you very little about the toll corrosion may be taking on the planes.

(9) Leasing is a common practice among commercial airlines to mitigate the cost impact of acquiring large aircraft.

(10) Senator McCain—the only critic of leasing in Congress—will not succeed in blocking a 767 lease because tanker replacement is critical and he has offered no alternative to leasing.

Martha and I have actually had a number of conversations outside the taping, allowing me to repeat some core themes. She seems thoughtful and open-minded, with no axe to grind. Incidentally, I told her the lease was the exact opposite of a Boeing "bailout"—it's a government attempt to get good terms from the company by taking advantage of a downturn in demand for commercial transports.

2004 Defense Planning Guidance directs a review of tanker replacement options, indicating the issue is now on OSD's radar screen.

From: Bodie, William C., Mr, SAF/OS
 Sent: Friday, June 21, 2002 11:26 AM
 To: Roche, James, Dr., SAF/OS
 Subject: RE: CNBC Interview—Tanker Recapitalization

We'll track it to see if CNBC gives us a fair shot. Glad we're doing 737 stuff Monday.

From: James Roche
 To: William Bodie
 Date: June 21, 2002
 Subj: RE: CNBC Interview—Tanker Recapitalization
 Good work!
 Jim.

JAMES G. ROCHE,
Secretary of the Air Force.

From: Bodie, William C., Mr, SAF/OS
 Sent: Friday, June 21, 2002 11:08 AM
 To: Roche, James, Dr., SAF/OS; Jumper, John, Gen, AF/CO
 Subject: FW: CNBC Interview—Tanker Recapitalization

We've got Loren doing the Lord's work again. "3rd Party" support at its best.

From: T124C41
 Sent: Friday, June 21, 2002 10:55 AM
 To: carey
 Cc: william.bodie
 Subject: CNBC Interview—Tanker Recapitalization

TO: Mac Carey
 FROM: Loren, Thompson
 DATE: June 21, 2002
 RE: CNBC Interview—Tanker Replacement

Last Monday I was interviewed by CNBC for an upcoming segment on the Air Force tanker leasing controversy. I talked to CNBC anchor Marsha McCallum yesterday, and she said the segment is due to air at 3:15 PM on Monday. Senator McCain will also be in the same segment.

CNBC will only use a small portion of what I said. For the record, though, here are the ten themes I told her, in some cases several times:

(1) Tankers are essential enablers of American military power, and will become more so as our network of overseas bases continues to shrink.

(2) Every bullet and bean America delivered to Afghanistan, not to mention every soldier and fighting system, got there on an airplane that had to be refueled in flight by a tanker.

(3) This month marks the 45th anniversary of the delivery of a KC-135 tanker to the Air Force, reflecting the fact that 90% of the tanker fleet has grown quite aged.

(4) The fleet is so old that a third of airframes are in repair shops or waiting to go there on any given day.

(5) The planes must be replaced, and the Air Force has determined that the Boeing 767 is the best aircraft to use.

(6) Replacement of over 500 tankers may prove to be the biggest defense procurement program of this generation.

(7) But even if we begin buying planes at the rate of two dozen per year, it will take the Air Force 20 years to replace the fleet—by which time some of the KC-135s will be at twice their design lives.

(8) Flight hours is a useful indicator of airframe fatigue, but it tells you very little about the toll corrosion may be taking on the plane.

(9) Leasing is a common practice among commercial airlines to mitigate the cost of acquiring large aircraft.

(10) Senator McCain—the only critic of leasing in Congress—will not succeed in blocking a 767 lease because tanker replacement is critical and he has offered no alternative to leasing.

Martha and I have actually had a number of conversations outside the taping, allowing

me to repeat some core themes. She seems thoughtful and open-minded, with no axe to grind. Incidentally, I told her the lease was the exact opposite of a Boeing "bailout"—it's a government attempt to get good terms from the company by taking advantage of a downturn in demand for commercial transports.

2004 Defense Planning Guidance directs a review of tanker replacement options, indicating the issue is now on the OSD's screen.

From: Marvin Sambur SAF/AQ
 To: Jim Albaugh
 Date: June 17, 2003
 Subj: FW: USAF Green Aircraft Pricing

JIM: I have been working with Bob to answer a question from McCain concerning his claim that Continental received a better deal than the USAF. I asked Bob for a simple statement that, accounting for inflation and airworthiness directives, we received a better deal than anyone else. Given the assault that McCain is mounting on this deal (see attached) and our claims that we received the best deal, we need such a statement. Thanks!

Marv.

From: Bob Gower
 To: Marvin Sambur SAF/AQ
 Date: June 16, 2003
 Subj: RE: USAF Green Aircraft Pricing

We have the McCain request. I am traveling to DC in the morning for Hill visits the next few days. I will take your response up the chain.

From: Marvin Sambur SAF/AQ
 To: Bob Gower
 CC: Arlene Marvin
 Date: June 16, 2003
 Subj: Re: USAF Green Aircraft Pricing

BOB: This is unacceptable. McCain will eat us for lunch. See attached.

From: Bob Gower
 To: Sambur SAF/AQ
 Date: 6/16/2003
 Subj: USAF Green Aircraft Pricing

MARV: We looked at providing some type of certification for the "green" aircraft pricing and would prefer not to do this for two primary reasons.

First, we have hurt our commercial airline market enough through the concessions, profit cap, and most favored customer clause. To provide an additional measure of certainty would set a new standard for the Boeing company that we prefer not to set. All elements of this deal are very visible and this would not be good for our other markets. Our best customers have understood the Most Favored Customer clause because some of them have seen these in the past but these have been forward looking with no commitment to historical pricing.

Second, we believe Boeing providing additional commitments has little or no additional political benefit. I believe that if the USAF attempted to stand behind a Boeing statement that our enemies would unjustly attack Boeing's credibility.

Therefore, my proposed solution is for the USAF to stand behind the facts which I see as:

The USAF is confident we have received a most competitive price on the basic 767 aircraft. The USAF has ensured this through multiple means:

(1) We obtained confidential information directly from a major airline that validates we obtained a very competitive price from a historical position.

(2) We obtained a Most Favored Customer clause that protects the USAF on a going forward basis since it requires Boeing to refund the USAF should they ever sell a 767 for less than what the USAF paid, and

(3) The USAF has capped Boeing's earnings to ensure the maximum profits they could

make are in line with DoD profit guidelines, insuring the USAF would benefit in the future should cost come in lower than predicted. Should cost be higher, Boeing bares the risk.

With this firm, fixed price contract and Boeing responsible for all development costs, we believe this agreement is unprecedented in its protection for the taxpayer, and insure not only have we received the best pricing possible, but we will continue to obtain the best pricing from Boeing in the future.

Regards,

Bob.

From: Marvin Sambur SAF/AQ
To: Darleen Druyun SAF/AQ; James Roche SAF/OS

Date: October 10, 2002

Subj: RE: Tanker Leasing

Jamie Durnan stopped me this morning to tell me that OMB "will fight us to the death on the lease." I asked why and he told me that they do not believe our numbers and their analysis shows that it is better to purchase. (At the leasing meeting the OMB number was about \$50M favorable to purchase out of about \$18B fly away cost.) I told him that we admit that the deal is probably a push but if we buy according to the same funding stream as leasing, we only get 6 tankers by 2009 versus 67 by leasing. The quicker delivery acts as an insurance policy against the unknown effects of aging and accelerating usage. He thought that was a compelling argument.

Marv.

From: Bill Essex SAF/AQQ
To: Marvin Sambur SAF/AQ
Date: August 03, 2002

Subj: FW: Potential OMB Problems with 767 Lease

SIR: Our take on the OMB letter to Sen. McCain is below. Mr. Daniels went out of his way to slam 767 lease even though he does not really know much about it yet. Looks like an interesting fight shaping up.

VR,

Bill.

From: Marvin Sambur
To: James Roche
Date: October 21, 2002
Subj: 767 meeting with OMB

Boss: We spent three hours with Robin this AM going over the issues they highlighted for discussion and additional data. These topics were: Requirements justification, price of the green a/c, why our proposal meets the requirements of an operating lease and a better understanding of the legal ramifications of a Special Purpose Entity that would hold title to the tanker a/c. She was quite upset when she learned from the introductions that Boeing was present to answer any questions. When we saw her "angst" we told her they would leave or we could have an executive session with government only participants. She told us the damage was done and did not take up the options we outlined to her. We invited Boeing in to respond to questions she and her staff had and frankly they were very helpful in filling in some details and adding credibility. This was not a negotiation meeting and Boeing was only to provide answers on the pricing. I expect she will express to you her anger over Boeings presence.

Robin and her staff asked for additional data which we are preparing to send over in the following read: What would the AF budg-

et look like per FY to purchase the same number of aircraft being built and delivered under the lease? (The insurance argument of getting the lease tankers 5 years earlier with about the same net present value resonated with her. In addition, the point that Boeing will stop producing the 767 and if we delay, the price will rise considerable was also a strong argument to her.) However, they believe our price for the green a/c is too high and have asked for other large airline purchases, config and what the discount was from the list price. Apparently her staff made a bunch of phone calls and claim their number is lower than ours but she is the first to admit that she does not know the real validity behind them. We need to give them the maintenance costs of the 135s vs. The proposed 767 tankers. She will want a separate session on tanker termination liability issues. I believe we probably talked passed each other on this and I have directed my staff to prepare very clear charts on this to set the record straight. He also wants a copy of the draft contract T's and C's. In addition, she directed we rerun the numbers using a 6 years OMB discount rate in addition to the 15 year period. We have this and will give to them to OMB.

I expect she will call you. We firmly believe the contractors attendance at the meeting was very helpful but she will probably blast us for it. We will keep you posted on our progress.

From: Marvin Sambur
To: James Roche
Date: September 11, 2002
Subj: 767 Tanker justification

Boss: I kicked off the effort to establish a "need" justification for the tankers. Hope to have a conceptual framework ready by the end of the week.

Spoke to Robin after the meeting to tell her that the economic justification is not a slam dunk for either position (purchase or lease.) It is more a push and a slight change in the interest rates can flip the analysis. At the end of the day, we have to prove that there is a TRUE need and that there are other advantages to leasing (earlier delivery, affordability, etc) that make it a good business deal. It is going to be a tough sell given the other factors such as liability and indemnification.

Marv.

From: Marvin Sambur
To: James Roche; Scott Custer
CC: Peter Teets; John Jumper; Robert Foglesong; Joseph Wehrle, William Bodie; John Corley; Janet Therlanos; Debra Henderson; Warren Henderson; Judy Fedder; David Rue; Robert Pavelko; Bob Edmonds; Skip Daly; Christopher Bowman; Gregory Christ; John Handy; Paul Essex; William Hodges; Michael Zettler; Michael Montelongo; Stephen Lorenz; Duncan McNabb; Gary Heckman; Kevin Chilton; Raymond Johns; Ronald Rand

Date: July 25, 2003

Subj: Re: SASC Tanker Lease Hearing

But remember, they can not play the game without the football and where the football goes determines the end result!

Marv.

From: James Roche
To: Marvin Sambur
CC: Peter Teets; John Jumper; Robert Foglesong; Joseph Wehrle, William Bodie; John Corley; Janet Therlanos;

Debra Henderson; Warren Henderson; Judy Fedder; David Rue; Robert Pavelko; Bob Edmonds; Skip Daly; Christopher Bowman; Gregory Christ; John Handy; Paul Essex; William Hodges; Michael Zettler; Michael Montelongo; Stephen Lorenz; Duncan McNabb; Gary Heckman; Kevin Chilton; Raymond Johns; Ronald Rand

Date: July 25, 2003

Subj: RE: SASC Tanker Lease Hearing

Yes, but for whom? I always wondered what it would feel like to be the football! Jim.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Marvin Sambur

To: James Roche

CC: Peter Teets; John Jumper; Robert Foglesong; Joseph Wehrle, William Bodie; John Corley; Janet Therlanos; Debra Henderson; Warren Henderson; Judy Fedder; David Rue; Robert Pavelko; Bob Edmonds; Skip Daly; Christopher Bowman; Gregory Christ; John Handy; Paul Essex; William Hodges; Michael Zettler; Michael Montelongo; Stephen Lorenz; Duncan McNabb; Gary Heckman; Kevin Chilton; Raymond Johns; Ronald Rand

Date: July 25, 2003

Subj: RE: SASC Tanker Lease Hearing

And they are playing the Jets. This is a good omen.

From: James Roche

To: Scott Custer

CC: Peter Teets; John Jumper; Robert Foglesong; Joseph Wehrle, William Bodie; John Corley; Janet Therlanos; Debra Henderson; Warren Henderson; Judy Fedder; David Rue; Robert Pavelko; Bob Edmonds; Skip Daly; Christopher Bowman; Gregory Christ; John Handy; Paul Essex; William Hodges; Michael Zettler; Michael Montelongo; Stephen Lorenz; Duncan McNabb; Gary Heckman; Kevin Chilton; Raymond Johns; Ronald Rand

Date: July 25, 2003

Subj: Re: SASC Tanker Leasing Hearing

Goodie! The same day as the opening day of Redskins football! JGR.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Scott Custer

To: James Roche

CC: Peter Teets; John Jumper; Robert Foglesong; Joseph Wehrle, William Bodie; John Corley; Janet Therlanos; Debra Henderson; Warren Henderson; Judy Fedder; David Rue; Robert Pavelko; Bob Edmonds; Skip Daly; Christopher Bowman; Gregory Christ; John Handy; Paul Essex; William Hodges; Michael Zettler; Michael Montelongo; Stephen Lorenz; Duncan McNabb; Gary Heckman; Kevin Chilton; Raymond Johns; Ronald Rand

Date: July 25, 2003

Subj: SASC Tanker Lease Hearing

Sir, looks like 4 Sep for the SASC tanker hearing . . . with you as the AF witness.

V/R Scott.

From: Robert Pavelko

Date: July 24, 2003

Subj: SASC Tanker Lease Hearing

Just received a telephone call from Mr. Tom McKenzie, SASC [202-224-9347]. He wanted to give us a heads up the SASC will be calling a hearing on the AF Tanker Lease.

Projected date is 4 September in the morning. Witness invites: SECAF, Director of OMB, and Sec Wynne. His POC is Bill Greenwalt. 202-224-6778.

V/R,

Robert J. Pavelko.

From: Marvin Sambur
To: James Roche
Date: November 19, 2003
Subj: FW: Tankers
FYI.

From: Scott Custer
To: Marvin Sambur
Date: November 19, 2003
Subj: Tankers

SIR: Mr. Wynne is quoted as saying we would pay up front not purchase on delivery, that it will probably be 2 contracts, and that the price would likely need to be renegotiated . . . not helpful. I don't know how this got so messed up but I think we still need to proceed with the deal we want . . . and take it to the SASC for their views. And, we must do it quickly as the pending omnibus may be the only vehicle left to get any language changes we'll need to make it work.

V/R,

Scott.

From: Dov Zakheim
To: Marvin Sambur
Date: November 25, 2002
Subj: RE: KC-767 Lease Delay.

I have a simple question? Where is the USAF money to fund this lease?

From: Marvin Sambur
To: Pete Aldridge; Dov Zakheim
Date: November 22, 2003
Subj: KC-767 Lease Delay

PETE AND DOV: I understand the suggestion we delay the KC-767 lease two years has come up again at high levels within OSD (though this time without necessarily paying to re-engine KC-135Es) in order to do a format AoA. As a follow-up to my recent e-mail on this subject:

A formal AoA will cost money, delay the program two years, and still come up with the same answer we have today. There are only a few aircraft that can serve as tankers, they are already in production, and so analyzing their respective capabilities and costs won't take long—in fact, it's already been done and the results passed to OSD. What's left to study?

For the last 45 days, OSD has had enough data to support a decision analysis—all they really need is the A-11/A-94 model we provided to determine that the deal is a good one.

A complete contract is not required for OSD to analyze the lease; contracts are written to match the programs approved and justified through analysis; our A-11/A-94 model is the primary analytical tool upon which we are building our contract; if OSD analyzes the model (which we believe they have not done), they will be analyzing the proposed program.

If restarted negotiations in 2005 resulted in a real price increase of just 5%, we will have to drop one aircraft per year to live within our budget. This will add further cost and stretch-out the KC-135 recapitalization effort two more years in addition to the two-year late start.

A 5% price increase due to loss of negotiation leverage will add more than \$700M to the cost of the first 100 KC-767s.

Bottom line: the penalty for delaying the lease we've negotiated today could be substantial even without the added burden of paying for maintaining KC-135Es. Please keep in mind that the low-cost deal we have today is the result of negotiating with a manufacturer suffering the impacts of an industry-wide downturn. That downturn is not

expected to continue for another two years. As the facts show, our negotiating team got a better deal on these 767s than a major airline did with theirs with a 20-yr exclusive contract—we likely won't do as well when the industry recovers. How, then, would we explain this two-year delay to Congress?

Marv.

From: Michael Wynne
To: Marvin Sambur
Date: July 08, 2003
Subj: RE: Footnote

MARV: At long last, this is the best that I could get—relegating the non-available comparison to a footnote. I have been to the speakers office, and they don't care how it reads, just get it over to congress and let them get it done.

At this point, it is up to Jim to sign or not.
Best,

Mike.

From: Marvin Sambur
To: James Roche; Michael Wynne
Date: July 08, 2003
Subj: Re: Footnote

The primary reason for the lease is because it affords us the ability to recapitalize faster. By putting in the footnote, we allow our enemies to stall with the excuse that the AF should go to Congress and ask for a MYP. The OSD position is that the financials are a wash, so way cloud the issue and cause problems. Submit without the footnote and we will prevail. Submit with the footnote and we have a battle on the wrong issue that will cause big time delays.

Marv.

From: Mary Walker
To: James Roche
Date: August 21, 2003
Subj: Re: Revised OMB Circular A-11

BOSS: I had the same question. It would be nice to say we comply either way. Will see. Moreover in my opinion, now in preparation, I could speak to this. You may be asked.

Mary.

From: James Roche
TO: Daniel Ramos
CC: Marvin Sambur, William Hodges, Ty Hughes, Mary Walker, Janet Therianos, John Jumper
Date: Aug 21, 2003
Subj: Re: Revised OMB Circular A-11

Dan, thanks much. Good work. How does our lease fare under the new circular? If it fails, then OMB may be in for an attack from Sen McCain. What dumb time to change the rules!!!

JGR.

DR. JAMES G. ROCHE,
Secretary of the Air Force.

From: Daniel Ramos
To: James Roche
CC: Marvin Sambur, William Hodges, Ty Hughes, Mary Walker, Janet Therianos
Date: Aug 21, 2003
Subj: Revised OMB Circular A-11

SIR: Earlier this week Ms. Walker provided you with a copy of a revised version of OMB Circular A-11 issued on July 25, 2003. Among other things, the revised A-11 adds new guidelines for distinguishing between operating leases, capital lease the KC-767s requires that it be an operating lease based on the definition provided by OMB "at the time of the lease." The statute does not state whether "at the time of the lease" means when the lease is signed or when it was first submitted to OMB for review, so it is possible that the revised A-11 could apply to the KC-767 transaction. We immediately engaged with OMB on this issue, and as of this afternoon OMB has verbally agreed to the following: OMB will issue a clarifying letter stating that the revised A-11 applies only to

transactions approved by OMB after July 25, 2003. At our request, OMB will then issue a letter addressed to you stating that OMB approved the Air Force KC-767 transaction prior to July 25, 2003, and therefore the revised A-11 does not apply. OMB plans to issue the clarification early next week and the letter to the Air Force by the end of next week. If there is any change to this plan, we will let you know.

From: Marvin Sambur
To: James Roche
Date: November 21, 2003
Subj: FW:767 Update

FYI.

From: Ty Hughes
TO: Marvin Sambur
CC: Scott Custer, Mary Walker, Daniel Ramos, Ted Bowlds
Date: Nov 21, 2003
Subj: 767 Update

DR. SAMBUR: OMB General Counsel called DoD GC this afternoon and asked for a legislative proposal to address the obligation of funds for the tanker. OMB also asked what the Air Force can with respect to obligation of funds if there is no new legislation.

DoD has prepared language that would allow obligation of funds upon delivery of the aircraft. The draft language would solve the problem. It should go over this evening. OMB is considering offering the language for inclusion in the Omnibus Appropriations Act.

Without legislation, the DoD fiscal lawyer is still of the view that the Air Force must obligate all of the funds for purchase when the aircraft are ordered. We have scheduled meeting for 0900 on Monday with the DoD lawyers to discuss this.

Ty Hughes.

From: Mary Walker
To: James Roche
CC: John Jumper, Peter Teets, William Bodie, Janet Therianos
Date: Nov. 26, 2002
Subj: More Updates from GC

Boss: Welcome back! (With the thought you are reading this after Thanksgiving . . .) Since I won't be here when you get in on Monday the 2nd (I'll be on my way to give a speech at the USAF JAG conference . . .), I wanted you to have my long list of accumulated updates so you can be current with the issues we are working that are of known or suspected importance to you. Don Fox will be covering for me until I get back on Dec. 6th. This will fill you in.

767 Tanker Lease (legal issues):

While most of the lease terms have been agreed upon, a number of terms have been elevated to SAF. The most important ones include the following:

(1) A very significant issue just surfaced and may require us to obtain additional legislation. Boeing representatives told us the investors need assurance that the Air Force will not terminate the lease agreement while the aircraft are under the 3-year construction. We are concerned about the fiscal consequences of such an assurance since 40+ aircraft may be in various stages of construction at any one time. We are analyzing this issue under the limited statutory guidance for this program and past precedent, which is also limited because leasing of major systems has been so rare. FI we are unable to resolve this issue with the staff in DoD GC, we may need to seek another provision in law to provide adequate authority to meet our needs.

(2) Boeing wants a clause advising the government of the tax treatment it wants reflected in the transaction. We have told them that the tax treatment is a matter between Boeing and the IRS, not the Air Force.

Boeing is considering whether to seek a Revenue Ruling or informal advice from the IRS. If they decide to go that route, we may want to ask the IRS to expedite consideration of their request.

(3) The bond rating agency wants the government to agree not to initiate a bankruptcy petition against the lessor until one year and a day after the final lease payment. While we understand this is a standard provision in commercial aircraft lease, DOJ, not the Air Force, decides when to file documents (such as bankruptcy petitions). We will ask Boeing to discuss this matter with the bond rating agency to see if they can make an exception for a government lessee or lease tailor the clause in a way that would not bind DOJ. If not, we will work the issue with Justice.

(4) Boeing also wants indemnification under Public Law 85-804 for "unusually hazardous risks." You approved such indemnification in the case of the 737 lease. However, Boeing's request is now broader and the company seeks indemnification for the lender and officers of the various entities involved. The Air Force has not provided such broad indemnification in the past. We are currently reviewing whether we have the legal authority to do this and then there is the policy issue of whether this is something we want to consider. We also are working on the definition of unusually hazardous risk in this case.

From: Michael Wynne
To: James Roche
Date: June 24, 2003
Subj: Meeting

JIM: Thanks for hosting on Tankers—favor just right, but I may need to borrow that reverse flak jacket yet.

Best,

Mike.

From: Michael Wynne
To: James Roche
Date: July 17, 2003
Subj: Good Luck

JIM: I wanted to say again congrats to get to the next phase fight on Tankers, likely less than the fight so far. Good Luck as well on the nom and confirm process. I'll be somewhere behind you. President willing.

Best,

Mike.

From: Michael Wynne
TO: Nancy Spruill, Ronald Segal, William Porter
CC: Richard Wiersema; Raymond Jones; Robert Nemetz
Date: November 01, 2003
Subj: RE: Two Issues—Tankers and Ship Funding

I think I responded but if not—I thought we could support two R&D ships if in different yards, and so stretch R&D a little. Incremental for production would be a stretch. Tankers—aaaaarrrrgggghh!!! enough said.

Best,

Mike.

From: Nancy Spruill
To: Michael Wynne; Ronald Segal; William Porter
CC: Richard Wiersema; Raymond Jones; Robert Nemetz
Date: November 1, 2003
Subj: RE: Two Issues—Tankers and Ship Funding

MIKE: This evening Deputy Secretary Wolfowitz, Dr. Segal, Marv Sambur, Dave Patterson, Dan Stanley and I met with Joel Kaplan and others from OMB/WH/VP's office.

The issue was a legislative strategy for the way ahead on the tanker lease, in light of the proposed Warner amendment/press articles/interactions with Congress/etc.

There was a lot of support to go with the amendment but AF argued that there were

other players—HASC and appropriators—so we should let the process work its way out. Dr. Wolfowitz raised the issue of a compromise and asked for an additional 28 hours to get a Department position to Joel Kaplan. Dave Patterson will have the lead and Ron Segal and I will work w/him.

They are aware of your recommendation about where to get offsets, if we went with 20/80.

From: James Roche
To: Paul Weaver
Sent: May 21, 2002
Subject: (No subject)

Thanks, Paul. You are correct re KC-767's. Let's wait until we have a deal. We just completed negotiations on the four 737's for Congressional travel. Re F-22's, the ANG is welcome to make the following points:

(1) The F-22 is needed, and will be a formidable weapon system.

(2) It will be important for the ANG to be part of this program.

(3) If the program is cut, the chance to put F-22's in the Guard effectively will evaporate.

Be well.

Jim.

From: Paul Weaver
To: James Roche
Sent: May 21, 2002
Subject: (No subject)

MR. SECRETARY: I just returned on Monday from the Adjutants General's conference in Boise. Great turnout and great support for our Air Force. Gen Kane and Killey briefed them on their meeting with you and all voiced overwhelming approval to help out in AF modernization where ever they can. Led by the TAG from Arizona, who's Phoenix unit flies the oldest KC-135E's, want to start working the Hill for support for the KC-767. They do not want Sen. McCain to hurt the proposal. They want to get out the straight facts on the old E's. I advised them to hold off until a deal is finally cut between the AF and Boeing. I want to make sure that that is still your position. They will all respect your wishes and will move out when you give the signal to do so.

They also want to do whatever it takes to keep the F-22's in production and have the ANG as part of it.

Danny did a great job and I'm sure he will do well in the future as the Director.

God Bless,

Paul.

From: Burkhardt & Associates
To: James Roche
Sent: May 3, 2002
Subject: WSJ

Not very helpful article this morning. Here's the short outside the beltway reaction. (If you want the long version, give me a call)—

(1) Why the secrecy of your Wall street advisors? I think you got lousy legal advice on that memo. (If the article is accurate and you're using Wall Street advisors). You're the client. I can't envision a circumstance under which whoever is structuring this deal for you wants the fact that their doing so is kept quiet. It's red meat to Congress to tell them they can't know something.

(2) Claiming confidentiality is like claiming executive privilege. Even if it's correct in a narrow technical sense (and I'm not at all convinced it is) it only hurts you—larger public case. You can't defeat the claims that you're not disclosing something (by implication—something bad) (esp from someone as visible as McCain) without real information. I'd distribute a one page memo saying the per plane cost of the lease will not be greater than x and have x be less than the last lease Boeing did for some commercial entity—or

that x is y dollars less than the cost of a new tanker.

From: James Roche
To: Dr. Marvin Sambur
Sent: May 14, 2002
Subject: RE: Call from Boeing

I love Ya, Big Guy. Give it to the Blue Eyed Arabs of the North (the expression we used for Boeing).

Jim.

From: Dr. Marvin Sambur
To: James Roche
Sent: April 9, 2002
Subject: RE: Call from Boeing

Boss: Gerry Daniels called to discuss the tankers. He started the conversation by reminding me that McCain was a minority view and if the AF brought the deal forward it would easily pass. I stated that the AF would not bring this forward unless it was a good deal. Apparently, he never took this message seriously as he was surprised at this response. I explained our business model and indicated that if Boeing could not fit into this model we would shake hands and disengage. I arranged to have him and his team share our model. I ended the conversation by telling him that the AF's reputation was at stake and we are committed to getting a good deal or else there would be no deal. Boeing must take some risks given the future value of this initial contract. We are pointed towards an end of May conclusion as to whether to disengage.

Marv.

From: William Bodie
To: James Roche
Sent: April 25, 2002
Subject: RE: US News

Don't worry, I was never "good" enough to be an altar boy. I liked girls too much.

From: James Roche
To: William Brodie
Sent: April 25, 2002
Subject: RE: US News

God love you, my Son. Oops. I sound like one of those dangerous clerics!!

Jim.

From: William Brodie
To: James Roche
Sent: April 25, 2002
Subject: RE: US News

Yes, Camelot is always a 'brief, shining moment.' Iorizzo is no King Arthur, or even a Lancelot. If we can get through this goddam fight about tankers, we'll have another Camelot in the AF.

From: James Roche
To: William Brodie
Sent: April 25, 2002
Subject: RE: US News

I hope I didn't spoil the opera for you. I think Wally is still talking. We left. It was very much of a Westinghouse affair.

Jim.

From: William Brodie
To: James Roche
Sent: April 25, 2002
Subject: RE: US News

Okay, I've gone to battle stations. Leroy knows and will call friendly staffers like Cortese to give them a heads up, and perhaps to do something. I saw Rudy DeLeon at the Kennedy Ctr and politely asked the Great White Arab Tribe of the North to unleash their falcons on out behalf for once. And, I talked to Loren, who is standing by to comment to this reporter about the national security imperatives of tanker modernization. Vago is also standing by. I will get with Sambur first thing to rehearse talking

points. Will get with you before we talk to the reporter.

Say hi to Wally.

From: James Roche
To: William Brodie
Sent: April 25, 2002
Subject: RE: US News

The call was from a very senior guy at the rag. I've talked to Marv and told him to hook me in sometime between 10:00 and 10:30 tomorrow. Thanks much.

Jim.

From: William Brodie
To: James Roche
Sent: April 25, 2002
Subject: RE: US News

I think your original guidance was right. Secaf takes first Q on when did we know, and you both take the second. We can do by phone tomorrow. We shouldn't get too excited, there is no expose. Just certain scare mongers.

From: James Roche
To: William Bodie
Sent: December 13, 2001
Subject Fw: 767 lease

Damn it! JGR.

From: Marvin Sambur
To: James Roche
Sent: December 13, 2001
Subject Fw: 767 lease

Yesterday, I was asked to prepare an enhanced point paper on the 767 lease for the Vice. The number that was given to me from AQ on this enhanced paper were different from those developed for the point paper prepared for you. I questioned these numbers and received fuzzy answers in return. I decided to do the calculation myself using an excel spreadsheet. I found to my dismay that the numbers were correct according to the OMB definitions but very misleading in a true financial sense. The deal was not good from a true financial basis and I briefed the Vice at 7:30PM of the misleading nature of the numbers and advised my people that we needed to get a better deal from Boeing to make this financially attractive.

Nelson Gibbs reached the same conclusions.

I need to make sure that in the future our financial calculations are both accurate and business based. I am sorry for not catching this sooner!

Marv.

From: James Roche
To: William Bodie
Sent: December 13, 2001
Subject: RE: Several items

Bill, thanks much. I like the ROE charts a lot. Well done. I want to brief the one with XI, and I've sent John a msg asking whether or not we should refer specifically to the C2ISR Center being double-hatted. Re 767, I am hearing of some weakness in our numbers, damn it. I'll forward Marv's msg to you. We may want to have Rand be "more circumspect" in a reply. Re Chip, he is wonderful, but would have the same problem with the PA&E spores that Barry has.

Jim.

From: William Bodie
To: James Roche
Sent: December 13, 2001
Subject: RE: Several items

Boss: Hope the trip is going well, and we'll save some eggnog for you. Bill Davidson's gang is faxing you a couple of charts and "ROE" on headquarters reorg that we are set to announce along with the Army next week. Reason for the fax is to get your input prior to briefing Hill folks in time to make the announcement. The charts are fine for the Hill and they satisfy all Title 10 concerns. I

worry that folks internally will get the impression that we're tinkering at the edges, not transforming. One battle at a time, I guess.

Oh, I'm polishing up a draft article for your signature on "AF transformation" that is set to appear in the next issue of Joint Force Quarterly (I got them to commit to putting the P22 on the cover). Will send you electrons and also have hard copy for you when you return.

Rand working on a response for Novak on 767—we still might want to think about a 5 minute conversation between you and Novak on it.

Had dinner with Chip last night. He wanted me to pass on his best to you, and is proud you're doing Bob Anthony's event. He seems to have made peace with the idea of doing strategic planning, NCTA, etc., ceding marketing to Carpenter. I would put in him charge of the DC Office if I were Sugar, or at least a major supporting role in govt. relations. Maybe he should fo PA&E!

Bill.

From: James Roche
To: William Bodie
Sent: March 30, 2002
Subject: RE: Tanker story

Fine story. EADS is quoted. And Loren's comment basically is fine.

Jim.

From: William Bodie
To: James Roche
Sent: March 30, 2002
Subject: RE: Tanker story

Vernon Loeb's piece is in the back of the sports section in today's WP. The "statement" he refers to is the RTQ which the LL guys made available to staffers on request. Not a bad story, no errors, but not as good as Vago's. Loren apologizes for saying you told him that all KC135s need to be replaced on a 1 for 1 basis. He didn't think it would be in the piece.

From: Custer Scott MajGen
To: James Roche
Sent: March 30, 2002
CC: Jumper John Gen AF/CC; Moseley Michael Gen AF/CV
Subject: NDAA

Sir, it looks like the Auth bill will go to the floor today. As suspected, the bill language may not be what the lawyers and acquisition folks think we need to sign the lease. However, the early conference report language looked to me like it contains all we need to proceed. We are just going to have to wait until later today to see how this turns out. My gut feel is that each document was written for precise reasons (to pacify certain factions) and that ultimately we will be able to execute the lease/buy as we want it done. It also looks like we are only going to be able to retire 12 vs 44 135E's in FY\$. . . even after all of our attempts to engage the Hill on this I'm not surprised as this is really a BRAC optics issue. As we get more visibility into the NDAA, we will provide you with a summary of other major issues affecting the AF.

From: John Jumper
To: James Roche
Sent: April 9, 2002
Subject: RE: Tanker Article

Agree, I don't think there was malice, but the wording of his statement could be used as evidence against our efforts. As you said this morning, we just have to articulate the problem we are trying to fix.

John.

From: James Roche
To: John Jumper
Sent: April 9, 2002
Subject: RE: Tanker Article

John, even Dick would want us to begin to retire 43 plus year tankers which will be about 47 to 50 years by the time we actually replace them. At least, I think he would!

Jim.

From: John Jumper
To: James Roche
Sent: April 9, 2002
Subject: RE: Tanker Article

Boss: you'll see this morning's EB has a statement from Dick Myers that says the tanker fleet we have can fully meet requirements now and out into the future, suggesting we don't have the problem with tankers we claim to have. We are bound to be asked this and I have our people working on a response.

John.

From: James Roche
To: Robin Cleveland
Sent: April 28, 2003
Subject: RE:

Ok, I'll speak with Paul on Wednesday (I'm off to speak yet again with my Little Darlings at the Academy). Let's see if we can put together a Gov't Team for Best and Final. Re IDA, I'd never go to them for investment banking advice! And Larry has been altogether too detached. When all is said and done, it's still a negotiation between the Monopsonist (the USG) and the Monopoly (add the French, and it's the Dupoly).

Jim.

From: William Bodie
To: James Roche
Sent: January 2, 2002
Subject: RE: Dear Bob

Boss: here's a cut at a letter to Novak (remember, this is not for him to publish, but hopefully to shut him up). Still waiting for Rand to give details on name of Novak's person who called PA and when.

Bill.

From: Pete Aldridge
To: James Roche
Sent: May 16, 2003
Subject: RE: Boeing

I agree.

From: James Roche
To: Pete Aldridge
Sent: May 16, 2003
Subject: RE: Boeing

Thanks, Pete. I cannot bring myself to speak to That Person, so I'll only forward a copy of whatever Boeing sends us on Monday.

It's time DoD made a decision as to what is right for our Combat Air Forces.

Jim.

From: Pete Aldridge
To: James Roche
CC: Dr. Marvin Sambur
Sent: May 16, 2003
Subject: RE: Boeing

Great. According to Paul's schedule he will not be back until Tuesday. I will set it up for then.

From: James Roche
To: Pete Aldridge
Sent: May 16, 2003
Subject: RE: Boeing

Pete/Marv. Boeing will provide us a 15% max profit certification with audit on the green plane. Phil is fighting off attempts by his commercial guys to add economic clauses (with our help). We should have something on Monday morning. Pete, do you want to make the appointment with DepSecDef? We now have a fixed price deal with taxpayer

protection against overruns or windfall profits from the plane and/or the mods. Enough already.

Jim.

From: James Roche
To: Marvin Sambur
Sent: May 13, 2001
Subject: RE: 767 lease

Oh shit! PLS fix ASAP. How did Darleen miss this?

Jim.

From: Marvin Sambur
To: James Roche
Sent: May 13, 2003
Subject: RE: 767 lease

Yesterday, I was asked to prepare an enhanced point paper on the 767 lease for the Vice. The number that were given to me from AQ on this enhanced paper were different from those developed for the point paper prepared for you. I questioned these numbers and received fuzzy answers in return. I decided to do the calculation myself using an excel spreadsheet. I found to my dismay that the numbers were correct according to the OMB definitions but very misleading in a true financial sense. The deal was not good from a true financial basis and I briefed the Vice at 7:30PM of the misleading nature of the numbers and advised my people that we needed to get a better deal from Boeing to make this financially attractive.

Nelson Gibbs reached the same conclusions.

I need to make sure that in the future our financial calculations are both accurate and business based. I am sorry for not catching this sooner!

Marv.

From: Druyun, Darleen., SAF/AQ
Sent: Wednesday, October 09, 2002 8:17 AM
To: Roche, James, Dr., SAF/OS; Jumper, John, Gen, AF/CC; Sambur, Marvin, Dr., SAF/AQ; Foglesong, Robert, Gen, AF/CV; Wehrle, Joseph H. Jr., Lt Gen, AF/CVA; Plummer, Stephen B., LtGen, SAF/AQ; Gibbs, Nelson, Mr, SAF/IE
Subject: OSD BRIEF TO LEASING WORK GROUP

We were asked if we thought the Congress would give us; language on the termination liability coverage. We told them we did not know and would have wait for the FY 03 appropriations to be passed by the Congress. Privately I would tell you that the language we asked for is supposed to be in the bill per several telecons from the hill. This is still fairly "close hold". Once they digest this material they will reconvene a follow on meeting. Meanwhile we will continue to work this subject with OSD and try to win them over, including OMB. Col DeWillis from SAF/AQQ has an excellent working relationship with the OMB and continues to work closely with them. Will keep you posted.

To: Wynne, Michael, Mr, OSD-ATL
Cc: Sambur Marvin Dr SAF/AQ
Sent: Tuesday, Jul 08, 2003
Subject: Re: FW: Footnote

Mike I don't like it. Why? Because we don't agree with the calculation! As important, it fails to give an alternative, lease supportive case where the NPV is positive! If the addition to the footnote added: "... Similarly, if blah blah, then the NPV would favor a lease by \$\$\$." As this stands, it is embarrassing to you, me, and the SecDef. Sen McCain and others who oppose the lease will leap to this number! Why is this so hard for you to see, Mike? Further, the footnote misses Pete Aldridge's point that this is a hypothetical since the Air Force doesn't have the BA to enter into such a multiyear contact, even if the Congress bent its rules to do so without limited production!

Marv, what do you think? Pls get together with Mike to come up with a more palatable and balanced version of the footnote. Jim.

DR. JAMES R. ROCHE,
Secretary of The Air Force.

From: Wynne, Michael, Mr, OSD-ATL
To: Roche, James Dr SAF/OS
Sent: Tue Jul 08 17:04:31 2003
Subject: FW: Footnote

JIM, I've gotten the 1.9B relegated to a footnote and I've made an agreement with OMB so that we can proceed. You can sign it in the morning if you agree if not I'm not sure what to do. Meeting with DSD went fine. Most are hoping that you refuse to sign. I told them not so fast.

Best Mike.

From: Spruill, Nancy, Dr, OSD-ATL
Sent: Tuesday, July 08, 2003 4:19 PM
Cc: Spruill, Nancy, Dr, OSD-ATL
Subject: Footnote

MIKE. This is what I have copied for your convenience.

Thanks.

Nancy.

The footnote is to the sentence that says:

Applying the A-94 test, it was determined that the net present value of the multiyear lease option and a traditional purchase option results in a NPV favoring a purchase of \$150 million, as shown in Table 1(1).

FOOTNOTE: [1] In evaluating the net present value of the lease and purchase options as required by OMB Circular A-94, the Air Force relied on the availability of multiyear lease authority granted by Congress in 2002 Defense Appropriations Act. Had the Congress chosen instead to provide multiyear procurement authority the NPV could favor purchase by up to \$1.9 billion. While this information affords a measure of clarity in an equitable comparison of terms and NPV, it is provided with the understanding that multiyear procurement authority was not available and therefore not a viable option for the Administration's analytical consideration.

From: Sambur Marvin Dr SAF/AQ
Sent: Tuesday, July 08, 2003 9:58 PM
To: Roche James Dr SAF/AQ
Subject: Fw: Tanker Leasing Report to the Congress

Boss. Just received this from Nancy. It is worth a shot speaking to Robin or are you like me in that you would rather take poison.

Marv.

From: Spruill, Nancy, Dr, OSD-ATL
To: Hodges William Maj Gen (S) SAF/AQQ
Cc: Spruill, Nancy, Dr, OSD-ATL; Schroeder, Wayne, OUSDC
Sent: Tue Jul 08 21:49:50 2003
Subject: Tanker Leasing Report to the Congress

Marv/ Wayne H.

I believe Dr. Roche is not happy with the compromise. So I believe it is now between Dr. Roche and Ms. Cleveland. As far as I know, we're in limbo. I'm sure something will change tomorrow. But I'm optimistic.

Thanks.

Nancy.

From: Hodges William Maj Gen (S) SAF/AQ
Sent: Tuesday, July 08, 2003 4:51 PM
To: Sambur Marvin Dr SAF/AQ
Cc: Spruill, Nancy, Dr , OSD-ATL; Buhrkuhl, Robert, Dr, OSD-ATL; Schroder, Wayne, OUSDC; Schoonover, Joanne, Col, OSD-ATL; Jones, Raymond, LTC, OSD-ATL; Nemetz, Robert, Mr, OSD-ATL; Custer Scott MajGen SAF/LL; Christ Gregory M Lt. Col SAF/LLW; Bunce Pete Col SAF/FML; Ryan Jim Lt. Col SAF/FML; Barefield James Lt. Col SAF/AQ; Beierle Mark T Lt. Col SAF/AQ; Corley John Lt. Gen SAF/AQ; Gray Stephen Col SAF/AQ; John Lt Col SAF/AQ Fisher (Email); Murphy Mark Lt. Col SAF/AQ; Canavan Michael F Maj AFPEO/AT; Ted Bowlds (Email); Allen Cheryl Lt. Col SAF/AQQM; Cloud Patricia Lt. Col SAF/AQ; Haenisch Allan Civ SAF/AQQM; Leister William Maj SAF/AQQM; Lively Nancy LtCol. SAF/AQQ; Rivard James T Col SAF/AQQM; Stipe Paul Col SAF/AQQ

Subject: FW: Waiver of Termination Liability

DR. SAMBUR: As you will see below, OMB will support the language OSD proposed if we support adding the OMB text as a footnote. I clipped it from previous emails so you can see it all together here. Mr. Wynne approved. Request your approval. (We're ready to go final and send the package to SAF/LL for Dr. Roche's signature.)

From: Spurill, Nancy, Dr , OSD-ATL
Sent: Tuesday, July 08, 2003 4:05 PM
To: Hodges William Maj Gen (S) SAF/AQQ; Sambur Marvin DR SAF/AQ

Cc: Leister William Maj SAF/AQQM; Buhrkuhl, Robert, Dr, OSD-ATL; Schroeder, Wayne, , OUSDC; Schoonover, Joanne, Col, OSD-ATL; Spurill, Nancy, Dr, OSD-ATL; Jones, Raymond LTC, OSD-ATL; Nemetz, Robert, Mr, OSD-ATL
Subject: FW: Waiver of Termination Liability

Marv Wayne
Over to you.
I'm sure Mr. Wynne is willing to talk w/ you.

I hope you come onboard.
If you do, I need a clean copy of the report, OMB has asked for one—for their internal use only.

Thanks.

Nancy.

From: Wynne, Michael, Mr, OSD-ATL
Sent: Tuesday, July 08, 2003 3:55 PM
To: Spruill, Nancy, Dr, OSD-ATL
Subject: Re: Waiver of Termination Liability

From: Robin-Cleveland
Sent: Tuesday, July 08, 2003 3:33 PM
To: Michael, Wynne
Subject: Re: Waiver of Termination Liability

Yes make it a footnote and we got a deal.

From: Sambur Marvin Dr SAF/AQ
Sent: Tuesday, August 26, 2003 7:59 AM
To: Szemborski, Stanley R., VADM, OSD-PA&E

Cc: Krieg, Ken, CIV, OSD-PA&E; Zakheim, Dov Hon, OSD-COMPT; Roche James Dr SAF/OS; Wynne Michael, Mr, OSD-ATL, McNabb Duncan Lt. Gen AF/XP
Subject: \$2B Issue with PA&E

STAN: At my staff meeting this morning, my folks again (see email below) reported that PA&E was pushing our folks for sources for the \$2B upfront payment for the lease. As I mentioned at our previous meeting on this subject, the AF was told by Mr. Aldridge that this payment would come from DOD "reserves" and Aldridge still reiterates that position. In an event it is too early to start the process. In addition, Mr Zakhem stated at the earlier meeting that he has no "reserves" but will seek sources for the \$2B from ALL the Services. We can call another

meeting (with Aldridge) to addresses the issue if that is not your understanding
Marv.

From: Stipe Paul Col SAF/AQ
Sent: Monday, August 11, 2003 3:54 PM
To: Sambur Marvin Dr SAF/AQ
Cc: Corley John Lt. Gen SAF/AQ; Gray Stephen Col SAF/AQ; Barfield James Lt. Col SAF/AQ; Fisher John Lt. Col SAF/AQ; Rivard James T Col SAF/AQQM; Hodges William Maj Gen SAF/AQQ; Marzo David Maj SAF/FMCE; Louden Philip LtCol with PA&E
Subject: Head's Up on Tanker 42B Issue with PA&E

SIR: Just to keep you in the loop, PA&E is still trying strong-arm tactics with our programmers concerning the \$2B funding excursion mentioned in the 767 Congressional Report as an out year option for shaping the budget bow-wave. As you may recall Mr. Wynne told us that the AF should consider this new money. That aside, it is premature (in FY03) to be working a program budgetary change on a program that has not yet been approved. Further, decisions on FY08 actions can be addressed in 2006. Finally, as an operating lease, we would need some indication from Congress that they intend for us to buy these aircraft for a buy-down scenario to become a reality. The report did not commit us to the path, but rather, committed the Department of Defense to exploring options like these in the future if it becomes necessary. The \$2B excursion was one such option. We expect AF/XP to bring this issue to your attention. We have already been working with their actions to provide background, and to indicate that this appears to be an initiative from PA&E, not from OSD as a whole, or from AT&L.

V/R,
PAUL M. STIPE, COL, USAF,
Deputy Director, Global Reach Programs.

From: Aldridge, Pete, Hon, OSD-ATL
Sent: Monday, November, 04, 2002 1:22 PM
To: Wynne, Michael, Mr. OSD-ATL; Lamartin, Glenn, Dr, OSD-ATL; Diane, Ms, OSD-ATL
Subject: Tankers and B-52's

Steve Cambone tells me that PA&E is coming out against the tanker lease. Their problem seems to be the infrastructure costs modifying and maintenance facilities to bed-down the 767, vice 135s. I do not recall that the KC-10s caused that much problem.

Also, I need a short paper on the B-52 re-engining study done by the DSB. Apparently, they are coming out in favor of doing this primarily because of the positive impact on the tanker fleet. I understand that the study is in a draft form now.

From: Aldridge, Pete, Hon, OSD-ATL
Sent: Tuesday, November 12, 2002 5:11 PM
To: Cambone, Stephen, CIV, OSD-PA&E; Szemborski, Stanley R., RADM, OSD-PA&E
Cc: Spurill, Nancy, Dr, OSD-ATL; Lamartin, Glenn, Dr, OSD-ATL
Subject: KC-135 Recap Issue Paper

Steve/Stan; I just reviewed the KC-135 Recap paper. It is a very good and convincing. Based on the analysis I would support Option 3—Convert the E's to R's, and defer new tanker procurement (or lease).

In a related issue, the DSB just completed a study on the re-engineering the B-52. Unlike past studies, which showed that this was not cost-effective, this new study took into account the impact on tankers. The result is a much more favorable analysis supporting such a plan. This would further increase tanker availability for other uses. I am to receive a paper and briefing and may have a more definite position soon.

From: Spurill, Nancy, Dr, OSD-ATL
Sent: Tuesday, November 12, 2002 9:22 PM
To: Aldridge, Pete, Hon, OSD-ATL; Link, Jon, Col, OSD-ATL; Wilson, Charles, CAPT, OSD-ATL; Lamartin, Glenn, Dr, OSD-ATL; Buhrrkuhl, Robert, Dr, OSD-ATL; Aucoin, Cassandra, Ms, OSD-ATL
Subject: RE: Tanker Leasing

SIR: Re: tanker leasing, in addition to PA&E, CAIG, OMB, and Comptroller are trying to decide whether to support leasing or not but have not gotten all the information they need yet from AF. AF is suppose to give it to the leasing review panel working group this week.

Once we get the information from AF it will take several more weeks—the CAIG is the long pole in the tent.

If we go with the reengining of KC-135Es/ converting them to Rs, as you suggest, the purchase vs. lease issue could be addressed much more deliberately in POM 05.

You can give us further guidance when we see you at 0800 Wednesday am.

V/R,

Nancy.

From: Glenn Lamartin OSD-ATL
To: Pete Aldridge OSD-ATL
CC: Nancy Spruill; Diane Wright; Jon Link; Charles Wilson
Date: November 12, 2002
Subj: B-52 Re-engining

We are preparing the paper you requested and the short briefing that will make the case. We just got a copy of the DSB task force's executive summary and will work with them to make sure that we get the details right.

Glenn.

From: Pete Aldridge
To: Michael Wynne, Glenn Lamartin, Diane Wright
Date: November 04, 2002
Subj: Tankers and B-52s

Steve Cambone tells me that PA&E is coming out against the tanker lease. Their problem seems to be the infrastructure cost of modifying hangers and maintenance facilities to bed-down the 767, vice 135s. I do not recall that the KC-10s caused that much problem.

Also, I need a short paper on the B-52 re-engining study done by the DSB. Apparently they are coming out in favor of doing this primarily because of the positive impact on the tanker fleet. I understand that the study is in a draft form now.

DRU SJODIN NATIONAL SEX OFFENDER PUBLIC DATABASE ACT OF 2004

Mr. HATCH. Mr. President, I rise today to commend my colleagues on passage of S. 2154, Dru's Law. After last year's abduction of Dru Sjodin in North Dakota, Senator DORGAN introduced this bill to address a problem with our sex offender registry. The problem is simple, yet great: There is no public national sex offender registry. Each State maintains its own registry of sex offenders, but there is no national database for the public to search.

I was pleased to support this legislation when it was referred to the Judiciary Committee and was happy to work with Senator DORGAN to improve the language of the final bill. Dru's law directs the Attorney General to make available to the public, via the Internet, a national registry of sex offend-

ers. It also requires each State to provide timely notice to the State's attorney general of the impending release of a high-risk sex offender; and upon such notification, the State's attorney general is required to consider whether to institute a civil commitment proceeding. States must intensively monitor for at least 1 year any high-risk sex offender who has not been civilly committed and has been unconditionally released from incarceration.

I want to thank my colleague Senator DORGAN for his dedication to this legislation.

SENATE FAILS NATIVE AMERICAN ENTREPRENEURS

Mr. JOHNSON. Mr. President, I am pleased that Congress will soon complete its work on the remaining fiscal year 2005 Appropriations measures. While this bill is not perfect, it represents an important and sincere effort to work in a bipartisan effort to fund the nations goals and priorities.

I am, nonetheless, sincerely disappointed that extensive authorization language regarding the Small Business Administration was inappropriately inserted into this important bill. The inclusion of this language is a deliberate and deceptive effort to circumvent the legislative process. It prevents honest and important debate about important issues that face this Nation, and ultimately it characterizes an enormous failure on behalf of the bill's authors.

A quality SBA reauthorization bill could stand on its merits. The bill's authors would come to the floor and deliberate these matters openly. We would have an honest discussion about how to best serve the entrepreneurial interests of our country. We would pursue a full and complete review of these matters by all Members, and we would seek to enhance and improve the bill in every way we could.

Unfortunately, this bill is terribly lacking. So the sponsors have chosen to hide it in this Omnibus Appropriations bill and walk away from their responsibility to the entrepreneurs of America.

This is a shameful perversion of the legislative process. However, these matters will become law, not because Congress has debated and passed this bill on behalf of the American people, but because it was attached to a bill funding nearly every spending program that exists in the country.

The plight of the first-Americans and reservation communities is among the most glaring and disappointing omissions to this SBA reauthorization legislation. These communities remain among the most disadvantaged and disenfranchised in the nation. They face significant barriers to investment capital, technical assistance, and related entrepreneurial opportunities.

The concerns of Native Americans are not addressed in this legislation. Their opportunities will not be enhanced in this legislation. There will