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Statement for the Record
To the Senate Armed Services Committee
January 27, 2011

Chairman Levin, Senator McCain, and Members of the Committee, I am pleased to provide a statement to the Committee concerning the U.S. Air Forces' inadvertent release of Integrated Fleet Aerial Refueling Assessment (IFARA) data in the KC-X tanker procurement. The facts surrounding this incident, and the responsible actions taken by EADS North America, are straight forward and deserve to be clearly understood with full transparency. We are pleased to contribute in any way to that full understanding.

The constitutional role of Congress as exercised by this Committee is critical, given that it examines issues that affect the capabilities of our men and women in uniform. I appreciate the thoughtful and careful manner in which the Committee has engaged on the issue of data disclosure on the KC-X competition. It is my hope that this statement – and the information we have provided to the Committee – will add to your understanding of what transpired, as well as the care and precision with which EADS North America personnel dealt with a situation that they had no part in creating; and concurrently the professionalism of the U.S. Air Force response to make every effort to preserve the integrity of the procurement for aerial refueling tankers.

Many Members of this Committee have considerable awareness of EADS North America. However, some of you may not. I would like to take a moment to briefly tell you who we are. EADS North America is the American Division of a global, publicly-traded defense and aerospace company whose products contribute daily to the security of the United States. In addition, as a global aerospace company, EADS is the largest international customer of U.S. manufactured aerospace components, purchasing in excess of \$11 billion a year in U.S. manufactured components – many from your respective states – that are integrated into our final products and platforms for export around the globe.

We are proud to be a major prime contractor to the Department of the Army today, providing the Lakota Light Utility Helicopter which is produced in Columbus, Mississippi, and today is operational in the United States, Europe, and the Pacific. Additionally, we are the largest platform provider to the Department of Homeland Security, and we have a substantial and responsible history as a supplier to other departments and agencies of the United States federal government.

As a company, EADS understands and embraces our obligations as a responsible provider of world class aerospace products to the U.S. military, as well as other government agencies and a myriad of commercial customers. We are a global corporation dedicated to bringing the best aerospace products to customers across the globe – just like our primary competitor, the Boeing Company. For the U.S. market, that means not just selling our exceptional products here for a good value, but building

them here in the United States, and creating jobs across this country and participating constructively in the communities in which our employees live.

The provision of capability and value to our customers is our foundation. As a corporate partner to the U.S. Government, our guiding tenet is the operation of our business enterprise in a manner that upholds the highest ethical standards. Those standards include protecting the integrity of the procurement process. When mistakes are made, we exercise rigorous care to safeguard competition sensitive or proprietary information – whether that information concerns us or our competitors. In the particular matter under discussion today related to the data disclosure on the U.S. Air Force aerial refueling tanker aircraft competition, EADS North America acted correctly, quickly, and responsibly in addressing an incident that was not of our making.

Clearly, it would have been preferable that the data disclosure by the U.S. Air Force had not happened. However, after a full and thorough review of EADS North America's actions, I can tell you with high confidence that our actions following awareness of the disclosure were timely, responsible and appropriate.

The facts surrounding this issue are clear. EADS North America received two data discs with security documentation from the U.S. Air Force. After proper in-processing, a cleared employee inserted and opened the first disc, reviewed and verified the EADS North America data, and closed it. He then inserted the second disc, and opened the first file on the disc. On seeing that the contents of the first page of that file contained competitor markings he closed the disc, removed it from the computer, and immediately secured it under appropriate security procedures. The total time that the file was open was less than 15 seconds.

Once the data disclosure was discovered, our employee immediately followed established protocols to ensure that the disclosure was contained, that the media on which the data were contained was controlled, and that no communication of the content of the disclosed data occurred. All of this was done in line with all statutory and regulatory guidelines, and the highest standards of business conduct. Specifically, on the night of the disclosure incident, EADS North America secured the competitive data, under two-person control, using the Defense Department approved security facility at EADS North America. We immediately reported the disclosure to the U.S. Air Force Contracting Officer, and carefully followed the spirit and letter of subsequent government direction. This included the isolation of the data and recusal of the individual who discovered the disclosure, as well as the prompt return of the data and the processing equipment to the U.S. Air Force. The employee who opened the discs was immediately instructed that he must not disclose any information regarding the content of the file he saw on the second disc (one page), and was assigned to administrative duties separate from the KC-45 program, pending the outcome of an independent investigation, and the investigation and determination by the U.S. Air Force.

Recognizing the importance of this unfortunate customer mistake in sending competitor data, I immediately initiated an independent investigation by outside counsel to review and document the

events and actions taken by EADS North America to manage the situation. This investigation was thorough and comprehensive and its conclusions are the same as those reached by the U.S. Air Force's own assessment and the government's computer forensic analysis. We provided our complete and prompt cooperation with every aspect of the U.S. Air Force investigation, including providing the report of our internal investigation to the U.S. Air Force. The Committee has received the same report of investigation of the events relating to the November 1, 2010 incident. We have voluntarily made our findings and reports available to the Committee, as requested. We did this without making public statements that might exacerbate matters or adversely affect the course of this important procurement.

Unfortunately, it appears that some are attempting to exploit the U.S. Air Force's inadvertent error by speculating on events which are not in evidence. Most disconcerting is the false assertion that EADS North America held for a month the competitor data incorrectly sent to us. I can assure the Committee that this allegation is simply untrue and is substantively contradicted by the government's investigation and detailed forensic analysis.

EADS North America has a single goal in the KC-X competition—to ensure that the information necessary to support this competitive procurement is objectively provided to the U.S. Air Force such that a fair and timely decision can be made on this critical military system. Our actions over the more than five years of effort in this competition have fully demonstrated our commitment to that objective. There is no place in this competition for anything other than full transparency into the process leading to a fair outcome. The hearing by the Committee today can advance that objective by affirming through an examination of known facts that the unfortunate misstep of sending competitive information to both contractors was managed in good faith and full compliance by EADS North America and the U.S. Air Force. I stand by the actions taken by this company and our employees as fully compliant and responsible in accordance with the information provided as requested by the Committee.

We are prepared to answer any question this Committee may have regarding this data disclosure matter. We wish the Committee well in your important work in support of our nation's security and of our men and women in uniform.

Sean O'Keefe
Chief Executive Officer
EADS North America