Case Archive

# Chapter 14: Accountability and Politics

## From the Front Lines of Government Ethics

The e-mail was a pretty tough one, even by the no-holds-barred standards of Pentagon politics. “Go Boeing!” it read. “The fools in Paris and Berlin never did their homework.”

 That cheerleading note went from Air Force Secretary James G. Roche to Raytheon executive William Swanson.[[1]](#endnote-1) Raytheon, a fellow defense contractor, was a strong supporter of Boeing’s efforts to get the Air Force to lease 100 of its 767 aircraft, which would be specially fitted for use as tankers for aerial refueling. Boeing was struggling in its competition with Airbus, a European consortium with major operations in France and Germany and Berlin. Airbus was racing to capture the dominant share of the world aircraft market, and for the first time in 2003 it actually delivered more planes than Boeing—a dramatic change from just four years earlier, when Boeing had 67 percent of the global commercial aircraft market.

 Boeing complained that it was facing unfair competition. U.S. Sen. Sam Brownback (R-KS) agreed. Pointing to what he said was help Airbus received from European governments, Brownback argued, “If this were the result of fair competition, that would be one thing, but it is not fair and the United States cannot afford to allow Airbus' illegal subsidy scheme to continue.”[[2]](#endnote-2) Brownback was eager to protect the jobs of Boeing workers in his state, and he promised congressional help to level the playing field.

 For Boeing, the Air Force deal offered a way to help prop up sagging sales of their 767 aircraft. Airbus was taking on a growing share of the market for planes that seated from 185 to 245 persons, especially with its Airbus 330 and 340 aircraft. To Boeing, converting the passenger plane to a tanker version for the military to replace their older KC-135s seemed just the answer.

 The Air Force promised to conduct an impartial competition between Boeing and Airbus, the other builder capable of producing a new long-distance tanker. But some members of Congress, like Sen. John McCain (R-AZ), became concerned that political pressure to help Boeing was leading the Air Force to a new tanker it might not need, might not perform as well as the competition, and might cost taxpayers billions of dollars more than necessary. They started an investigation, which ultimately led to the release of the e-mails and hundreds of other documents.

When Sen. McCain saw the e-mail exchange between Roche and Swanson, he was furious. “This appears to be a case of either a systemic failure in procurement oversight, willful blindness or rank corruption.” He added, “Either way, accountability among Air Force leadership is over.”[[3]](#endnote-3) To the very top of the organization, McCain charged, Air Force officials had lied to Congress. To underline his point, he put incriminating e-mails, totaling 17,000 words, into the *Congressional Record*.[[4]](#endnote-4)

 The charge of bid-rigging came on the heels of McCain’s sustained attack on the 767 tanker program. He pointed out that several review panels of top, impartial experts had concluded that there was no urgent need to replace the KC-135. Moreover, McCain found that the plan for the Air Force to lease the planes from Boeing, instead of buying them outright, would cost the government more in the long run. The lease deal, however, had the advantage of reducing the up-front cost—lease payments stretched over a long period of time, which reduced the initial impact on the budget. Purchasing new tankers would require a larger initial investment.[[5]](#endnote-5) Critics charged that Boeing cooked up the leasing option as a way to further sweeten its bottom line in the deal.

 One Air Force official, Darleen Druyun, had already been jailed in the case. Once the second-highest civilian in charge of procurement for the Air Force, and one of the Pentagon’s most powerful women, she received a nine-month prison sentence, along with seven months in-home (or halfway house) detention, a $5,000 fine, and orders to complete 150 hours of community service. Druyun admitted that, in exchange for favoring them in the 767 procurement competition, she had negotiated a new job with Boeing to begin after she left the federal government.

 In her plea agreement, Druyun confessed that she supported a higher price than the deal required as “a parting gift” to her new employer. In addition, she shared data about one of Boeing’s competitors with the company. She also favored Boeing on a $4 billion avionics contract, an earlier $100 million NATO contract in 2002, and she pushed a $412 million settlement with Boeing on a contract dispute the company had with the government in 2000. Druyun’s daughter and son-in-law also were Boeing employees either at the time of or shortly after each of those deals, a further incentive.[[6]](#endnote-6)

 With heat from Congress rising, Air Force Sectary Roche and his top acquisitions executive, Assistant Secretary Marvin Sambur, announced in November 2004 that they would resign at the end of the year. “I'm honored to have served the president, the secretary of defense and the terrific Airmen I've come to know and love in the past few years as the secretary of the Air Force,” Roche said.[[7]](#endnote-7)

 A few days later, Paul D. Wolfowitz, Deputy Secretary of Defense, announced that there would be a full competition for the Air Force contract. Leasing the tankers from Boeing, he said, would not be an option.

## Questions to Consider

1. Consider the cross-pressures from Congress in this case: members of Congress seeking to protect a major employer in this state, and members of Congress seeking to protect taxpayers. How did these cross-pressures affect the case?

2. Strategic planners were worried about the implications of having the American military be dependent on foreign manufacturers of refueling tankers. To what degree should worries about foreign dependence influence the economic analysis of which option is best?

3. Government regulations strictly regulate what government employees can do to influence contracts. They also limit the options for post-government-retirement employment. How do those principles apply to this case?

4. This chapter considers both internal and external forces for accountability. How can—and should—we best create an accountable workforce?

5. Just what does “accountability” mean in a case like this? To whom should government officials be accountable—and for what?

1. E-mail, James G. Roche to William Swanson (August 8, 2002), <I>Congressional Record</I> (November 20, 2004), at http://frwebgate1.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=22409518986+2+0+0&WAISaction=retrieve. [↑](#endnote-ref-1)
2. Quoted in “Boeing Supports End of Airbus' Subsidies,” <I>Wichita Business Journal</I> (October 6, 2004), http://www.bizjournals.com/wichita/stories/2004/10/04/daily19.html. [↑](#endnote-ref-2)
3. Amy Klamper, “Senator Reveals Air Force-Boeing E-Mail Exchanges, Demands Accountability,” <I>GovExec.com</I> (November 19, 2004), at http://www.govexec.com/dailyfed/1104/111904cdpm1.htm. [↑](#endnote-ref-3)
4. <I>Congressional Record</I> (November 20, 2004), at http://frwebgate1.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdo cID=22409518986+2+0+0&WAISaction=retrieve. [↑](#endnote-ref-4)
5. For a cost comparison, see Christopher Bolckom, <I>The Air Force KC-767 Tanker Lease Proposal: Key Issues For Congress</I> (Washington: Congressional Research Service, September 2, 2003), at www.fas.org/man/crs/RL32056.pdf. [↑](#endnote-ref-5)
6. George Cahlink, “Ex-Procurement Chief Gets Jail Time,” <I>GovExec.com</I> (October 1, 2004), at http://www.govexec.com/dailyfed/1004/100104g1.htm. The plea agreement can be found at this link. [↑](#endnote-ref-6)
7. Press release, “Roche Submits Resignation,” <I>Air Force Link</I> (November 16, 2004), at http://www.af.mil/news/story.asp?storyID=123009198. [↑](#endnote-ref-7)