

The WTO Boeing-Airbus dispute: Details of the US subsidies to Boeing challenged by the EU - Brussels, 26 September 2007

Overview of US subsidies to Boeing's Large Civil Aircraft (LCA) division

Entity	Name of Subsidy	Description of Subsidy	Total Amount (USD millions)
State of Washington and Municipalities Therein	HB 2294 Tax Incentives	State of Washington provides LCA-related: (1) business and occupation ("B&O") tax rate reductions; (2) B&O tax credits; (3) sales/use tax exemptions; (4) leasehold excise tax exemptions; and (5) property tax exemptions.	3,456.7
	Everett B&O Tax Rate Reductions	City of Everett reduces the B&O tax rate paid by Boeing on LCA manufactured in Everett.	67.5
	Project Olympus Master Site Agreement Subsidies	State of Washington and municipalities therein: (1) provide coordinators to facilitate 787 production; (2) provide job training incentives for 787 employees; (3) provide Boeing's 747 LCF with the same incentives accorded to the 787; (4) assume certain litigation costs; and (5) provide infrastructure-related subsidies to facilitate Boeing's LCA production in Everett, Washington.	395.8
State of Kansas and Municipalities Therein	Wichita IRB Tax Breaks	City of Wichita provides property and sales tax breaks to LCA component production facilities in Wichita through the issuance of industrial revenue bonds.	783.7
	KDFA Bonds	State of Kansas pays the interest on bonds that will be used to facilitate production of a portion of the 787 fuselage.	122.0
State of Illinois and Municipalities Therein	Boeing Relocation Package	Pursuant to the relocation package for Boeing: (1) State of Illinois reimburses costs related to the relocation of Boeing's headquarters; (2) State of Illinois provides Boeing's headquarters with income tax credits; and (3) City of Chicago and Cook County provide property tax abatements for Boeing's headquarters.	24.3
	Retirement of the Former Lease	City of Chicago pays to retire the lease of the former occupant of Boeing's headquarters in Chicago.	0.5
Aeronautics	NASA ACT Program	NASA funds R&D related to composites technologies that will be utilized on the 787.	417.7

Entity	Name of Subsidy	Description of Subsidy	Total Amount (USD millions)	
US Government		NASA HSR Program	NASA funds R&D related to high speed civil aircraft technology that also has applications for subsonic LCA.	1,314.4
		NASA AST Program	NASA funds R&D related to improving environmental impact, safety, and efficiency of LCA.	692.5
		NASA HPCC Program	NASA funds R&D related to computing and communications technology for the design and development of LCA.	352.8
		NASA Aviation Safety Program	NASA funds R&D related to improving the safety of LCA.	804.1
		NASA QAT Program	NASA funds R&D related to noise reduction technology for LCA.	103.7
		NASA Vehicle Systems Program	NASA funds R&D related to improving environmental impact and efficiency of LCA.	902.9
		NASA R&T Base Program	NASA funds R&D related to basic and applied advanced LCA technologies.	5,818.3
		DOD RDT&E Program	DOD funds R&D related to dual-use technologies – <i>i.e.</i> , technologies applicable to both military and commercial aircraft.	2,379.0
		DOC Advanced Technology Program	DOC funds R&D related to high risk, high pay-off, emerging and enabling technologies applicable to LCA.	4.6
		NASA/DOD Intellectual Property Right Waivers/Transfers	NASA and DOD transfer to Boeing valuable patent rights, rights to trade secrets, and exclusive rights to certain data for LCA-related and other technologies.	726.4
		NASA/DOD IR&D/B&P Program	NASA and DOD reimburse Boeing for its own independent LCA R&D that is not related to any specific contract, as well as for its bid and proposal costs.	3,108.3
		NASA/DOD Facilities, Equipment, and Employees ¹	NASA and DOD provide their facilities, equipment, and employees for LCA-related R&D.	N/A
		DOL 787 Worker Training Grants	DOL provides grants to help train 787 workers.	1.5

Entity	Name of Subsidy	Description of Subsidy	Total Amount (USD millions)
US Government(continued)	FSC/ETI	The US Government lowers taxes paid by Boeing on each LCA produced and sold for use outside the United States.	2,199.0
TOTAL			23,675.5

Details of the US subsidy programmes

1. State and Local Subsidies

- a. State of Washington: incentive package of measures benefiting the development, production and sales of US LCA. These incentives include but are not limited to tax and other advantages
- b. State of Kansas: incentives, including bond financing, tax benefits and other advantages, to the US LCA industry.
- c. State of Illinois: incentives, including tax incentives, relocation assistance and other advantages, to the US LCA industry

2. NASA Subsidies

NASA transfers economic resources on terms more favourable than available on the market or not at arm's length to the US LCA industry, *inter alia*, by:

- a. allowing the US LCA industry to participate in research programmes, making payments to the US LCA industry under those programmes, or enabling the US LCA industry to exploit the results thereof by means including but not limited to the foregoing or waiving of valuable patent rights, the granting of limited exclusive rights data ("LERD") or otherwise exclusive or early access to data, trade secrets and other knowledge resulting from government funded research.
- b. providing the services of NASA employees, facilities, and equipment to support the R&D programmes listed above and paying salaries, personnel costs, and other institutional support, thereby providing valuable services to the US LCA industry on terms more favourable than available on the market or not at arm's length.
- c. providing NASA Independent Research & Development, and Bid & Proposal Reimbursements.

¹ The benefits from these subsidies are included in the EC's estimates of the benefits from NASA and DOD aeronautics R&D subsidies, and are therefore not listed separately.

- d. allowing the US LCA industry to use the research, test and evaluation facilities owned by the US Government, including NASA wind tunnels, in particular the Langley Research Center.
- e. entering into procurement contracts with the US LCA industry for more than adequate remuneration.
- f. granting the US LCA industry exclusive or early access to data, trade secrets, and other knowledge resulting from government funded research.
- g. allowing the US LCA industry to exploit the results of government funded research, including, but not limited to, the foregoing or waiving of valuable patent rights or rights in data as such.

3. Department of Defense Subsidies

The Department of Defense ("DOD") transfers economic resources to the US LCA industry on terms more favourable than available on the market or not at arm's length, *inter alia*, by:

- a. allowing the US LCA industry to participate in DOD-funded research, making payments to the US LCA industry for such research, or enabling the US LCA industry to exploit the results of such research, by means including but not limited to the foregoing or waiving of valuable patent rights, and the granting of exclusive or early access to data, trade secrets and other knowledge resulting from government funded research.
- b. allowing the US LCA industry to use research, test and evaluation facilities owned by the US Government, including the Major Range Test Facility Bases.
- c. entering into procurement contracts, including those for the purchase of goods, from the US LCA industry for more than adequate remuneration, including in particular but not limited to the US Air Force contract with Boeing for the purchase of certain spare parts for its Airborne Warning and Control System (AWACS) aircraft, the National Polar-orbiting Operational Environmental Satellite System-Conical Microwave Imager Sensor, the C-22 Replacement Program (C-40), the KC-135 Programmed Depot Maintenance, the C-40 Lease and Purchase Program, the C-130 avionics modernisation upgrade program, the C-17 H22 contract (Boeing BC-17X), the US Navy contract with Boeing for the production and maintenance of 108 civil B-737 and their conversion into long-range submarine hunter Multi-Mission Aircraft, the Missile Defense Agency's Airborne Laser (ABL) Program, and the Army's Comanche Program.
- d. by allowing the US LCA industry to exploit the results of government funded research, including, but not limited to, the foregoing or waiving of valuable patent rights or rights in data as such.

4. National Institute of Standards & Technology (US Department of Commerce) Subsidies

The US Department of Commerce ("DOC") transfers economic resources to the US LCA industry on terms more favourable than available on the market or not at arm's length, through the Advanced Technology Program operated pursuant to the Omnibus Trade and Competitiveness Act of 1988, as amended, and the American Technology Preeminence Act of 1991, by allowing the US LCA industry to participate in this programme, making payments to the US LCA industry under this programme, or allowing

the US LCA industry to exploit the results of this programme, including but not limited to the foregoing or waiving of valuable patent rights, and the granting of exclusive or early access to data, trade secrets and other knowledge resulting from government funded research.

5. US Department of Labor

The US Department of Labor transfers economic resources to the US LCA industry on terms more favourable than available on the market or not at arm's length, through the Aerospace Industry Initiative, an element of the President's High Growth Training Initiative, under the authority of the Workforce Investment Act, by granting to Edmonds Community College in the State of Washington funds for the training of aerospace industry workers associated with the Boeing 787.

6. Federal tax incentives

The US Government transfers economic resources to the US LCA industry through the federal tax system, and in particular through the following tax measures:

- a. Sections 921-927 of the Internal Revenue Code (prior to repeal) and related measures establishing special tax treatment for "Foreign Sales Corporations" ("FSCs");
- b. FSC Repeal and Extraterritorial Income Exclusion Act of 2000; and
- c. American Jobs Creation Act of 2004.