



Office of the Secretary

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

May 1, 2007

Lawrence Williams  
Vice President for International and Government Affairs  
Space Exploration Technologies Corp.  
1212 New York Ave., NW  
Washington, DC 20005

Re: Lockheed Martin Corporation, The Boeing Company and United Launch Alliance,  
L.L.C. , File No. 051-0165

Dear Mr. Williams:

Thank you for your comments regarding the proposed consent order accepted by the Federal Trade Commission for public comment in the above-captioned matter. Your letter indicates that you believe that the Commission erred in allowing the ULA transaction to proceed. Further, you propose two “structural” remedies that you believe would mitigate any loss of competition. The Commission has reviewed your comments in connection with its decision whether to accord final approval to the proposed consent order, and has also placed your comments on the public record.

Balancing the loss of direct competition between Boeing and Lockheed with the potential national security advances resulting from ULA was the principal issue that emerged before the Commission in this matter. Commission staff consulted closely with the Department of Defense to understand the national security implications of ULA. Ultimately, DOD advised the Commission of its position that the national security advantages of ULA outweighed any potential for anticompetitive harm, and the Commission accepted a consent agreement addressing ancillary competitive harms that DOD identified as not inextricably linked to the national security benefits associated with the creation of ULA.

It is unlikely that either of the remedies that you propose would mitigate the loss of competition between Boeing and Lockheed. The first remedy you propose seeks to have ULA forgo its subsidies, or at minimum a portion of those subsidies, to redress the harm you believe occurs in the commercial launch vehicle market as result of the subsidization of ULA by the United States. The purpose of the Consent Order is to protect consumers from competitive harm that is not necessary to achieve the national security benefits of ULA. The market you are concerned with, the commercial launch service market, is unlikely to be affected by the ULA transaction. The commercial launch services market is competitive, with three well-established participants, while Boeing and Lockheed are only nominal participants. In fact, Boeing and

Lockheed are not cost-competitive with the market leaders. It therefore appears that there is no potential for consumer harm in the commercial launch services market.

Your second proposed remedy suggests that the loss of competition in the government launch services market can be mitigated by requiring the Air Force to eliminate its launch allocations. Even if your proposal were likely to foster competition, the Commission lacks the expertise and legal authority to direct the manner in which the Air Force procures launch services.

For these reasons, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials also are available from the Commission's website at <http://www.ftc.gov>.

It helps the Commission's analysis to hear from a variety of sources in its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.

Donald S. Clark  
Secretary