



Pentagon Escalates Rhetoric Against Lockheed Over F-35

By David Lerman & Brendan McGarry
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Pentagon officials are offering increasingly blunt criticism of Lockheed Martin Corp. (LMT), the world's largest defense company, in efforts to curb the escalating cost of its F-35 Joint Strike Fighter.

Air Force Lieutenant General Christopher Bogdan, the top defense official overseeing the program, used an appearance at an Australian air show to berate Lockheed and engine maker Pratt & Whitney for trying to "squeeze every nickel" out of the Pentagon and not doing more to cut costs.

"What I see Lockheed Martin and Pratt & Whitney doing today is behaving as if they are getting ready to sell me the very last F-35 and the very last engine and are trying to squeeze every nickel out of that last F-35 and that last engine," Bogdan told reporters at this week's Australian International Airshow, according to Reuters.

"I want them to do the things that will build a better relationship," Bogdan said. "I'm not getting all that love yet."

The broadside underscored the Pentagon's growing frustration with its lead contractors on the F-35, the most expensive U.S. weapons system. Cost estimates have ballooned to \$395.7 billion, a 70 percent increase since 2001. The aircraft program may face cutbacks because of sequestration, the across-the-board federal budget reductions scheduled to begin taking effect tomorrow.

Bogdan caused a similar stir in September, when, as the deputy F-35 program manager, he said his office's relationship with Lockheed was "the worst I've ever seen."

‘Business Goals’

The Pentagon’s top weapons buyer, Frank Kendall, faulted Lockheed in November for being too “focused on short-term business goals” and not “focused more on execution of program and successful delivery of the product.”

The public criticism is designed to prod Bethesda, Maryland-based Lockheed and Pratt & Whitney to change their behavior, said Raymond Jaworowski, an aerospace analyst at Forecast International of Newtown, Connecticut.

“When you hear comments like this from military program officials, it’s generally a way to put pressure on the contractors in hopes of getting increased contract performance or better prices in negotiations,” Jaworowski said in an interview. “What stands out about this is that Bogdan has been consistently critical and more than once taken occasion to make public criticism of the program. That is a bit unusual.”

Companies Respond

Lockheed said in an e-mailed statement that it's working with the Pentagon “daily to drive costs out of the program.”

It said the company is “making significant progress in enhancing affordability of the jet as evidenced by the fact that we have reduced costs by 50 percent since the procurement of the first production aircraft.”

Pratt & Whitney, a unit of Hartford, Connecticut-based United Technologies Corp. (UTX), said the company is “committed to the F-35 program's long-term success.”

“Despite numerous cuts in the F-35 acquisition plan, Pratt & Whitney has maintained a long-term view and demonstrated our commitment by investing more than \$50 million of our own funds and taking on risk ahead of contract schedule to prevent the program from experiencing delays,” the company said in an e-mailed statement.

‘Some Love’

Dan Goure, a defense analyst at the Lexington Institute, a research group based in Arlington, Virginia, criticized Bogdan for blaming the contractors.

“If the general wants some love, perhaps he and the Department of Defense should give a little back and stop behaving like a battering spouse,” Goure wrote in a blog posting. He said the Pentagon has complicated efforts to curb costs because of “decisions to restructure the program and to move production of hundreds of aircraft farther out in time.”

“Rather than accusing the companies he has to work with of gouging him, General Bogdan should be thanking them for being willing to stay in a business where the profit margins are low and the environment fraught with uncertainty,” Goure wrote.

Bogdan’s criticism “should not be aired in public,” said Richard Aboulafia, vice president of analysis at Teal Group Corp., an aerospace research firm in Fairfax, Virginia.

“It’s one thing to do it in front of Congress, but in front of a foreign customer?” Aboulafia said in an interview.

Bogdan defended his tough talk as necessary for the success of the airplane.

“Don’t expect me to be a cheerleader for the F-35 program,” he said at the air show, according to Australian Aviation Magazine. “That’s not my job. My job is to execute this program. If I start becoming an advocate or a zealot for this program, I lose my credibility.”

Helping Boeing

The public rebuke may benefit Boeing Co. (BA), which makes the Navy’s F-18, an alternative fighter that the Chicago-based company has billed as cheaper and less of a risk than the newer F-35, Aboulafia said. Australia, which plans to buy 100 F-35s, has already ordered 24 F-18s and may buy more, he said.

“The impression that the F-35 enemies in Australia are going to convey is that the program doesn’t have its act together yet,” Aboulafia said. Bogdan’s comments, he said, aren’t “doing the program any favors, but on the other hand, the contractors need to know that he’s the guy who signs the checks.”

Fixing flaws and incorporating design changes on the first 63 Joint Strike Fighter jets may cost the Pentagon as much as \$1.26 billion, Kendall said in a report to Congress last year.

The criticism of contractor performance hasn't stopped the Pentagon from pushing forward with the F-35. A contract for a fifth batch of fighters -- valued at about \$3.8 billion -- was signed in December in a move that protected those funds from the automatic cuts that had been slated to begin Jan. 2, before the deadline was extended.

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