

# Japan warns it may drop Pratt-powered fighter

**But threat seen as negotiating tactic to fend off price increases**

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Japan's Defense Ministry warned this week that it may consider canceling a huge contract to buy nearly \$5 billion worth of Pratt & Whitney-powered fighter jets unless both the price and delivery schedule remain stable.

The deal is worth more than \$1 billion to East Hartford-based Pratt, which is the exclusive engine maker for the fighter, known as the F-35 Lightning II, or Joint Strike Fighter.

Japan announced in December that it had chosen the Lockheed Martin F-35 as its next-generation fighter aircraft and ultimately would buy 42 of the planes. But the overall F-35 program has encountered repeated delays and cost increases in recent months, which led to Japan's reticence.

Raymond Jaworowski, senior aerospace analyst for Forecast International in Newtown, said Thursday that despite the potential for cancellation, Japan's pronouncement might be mostly an effort to maintain the contract price.

"Japan's threat to cancel its F-35 plans has to be taken seriously, but should be seen mostly as a negotiating tactic," Jaworowski said.

"The deal has not yet been finalized, and the Japanese are likely serving notice that Lockheed Martin should do whatever it can to keep the price of the aircraft down and maintain the delivery schedule," he added.

Jaworowski also said that the U.S. military's recent decision to slow its F-35 procurement rate to reduce the Pentagon budget "has led to widespread concerns over the impact of this move on aircraft unit price and delivery schedules."

Pratt spokeswoman Stephanie Duvall, meanwhile, said her company is doing its part to control costs and to keep the F-35 on schedule.

“Pratt & Whitney remains focused on executing the current production contract, delivering engines to our customers, and powering a successful flight-test program,” Duvall said. “We are driving cost out of the engine program and meeting our affordability targets.”

In December’s contract announcement, Japan’s Defense Ministry said it selected the plane over two competitors — the Boeing F-18 and the Eurofighter Typhoon, the latter made by a partnership of European aerospace companies.

The initial Japanese contract is for four F-35s, worth \$706.9 million to Lockheed. That should bring Pratt more than \$170 million, based on the industry standard that the cost of engines makes up about 25 percent of a plane’s total price tag.

If Japan goes ahead with its plan to buy 42 F-35s, the value to Pratt would balloon to more than \$1 billion.

In a news conference announcing the initial contract, Japan Defense Minister Yasuo Ichikawa said the decision was “an extremely important one for our national security, and we wanted to acquire fighters with solid capability.”

Ichikawa’s comments came amid concerns about regional stability following the death of North Korean leader Kim Jong Il. North Korea is known to be pursuing nuclear weapons, and neighbors like Japan worry about the potential fallout from political maneuvering there.

Lockheed Martin Chairman and CEO Robert Stevens has said that global participation in the program is a “centerpiece” of the F-35’s development and is “essential for its success and affordability through economies of scale.”

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