

ANALYSIS: Almost clear for takeoff

Contract for Pratt-powered fuel tanker plane nears final steps

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After more than seven years of rancorous debate and false starts, the path to building a new Air Force refueling tanker may have been cleared this week, according to an aerospace analyst and members of the state's congressional delegation.

Developments have unfolded rapidly this week, starting with Northrop Grumman's formal withdrawal Monday from the tanker competition. Northrop, which was partnered with the military arm of Europe's Airbus Industrie, not only said it is dropping its bid, but added that it won't protest the awarding of the \$35 billion deal to Boeing, its only competitor.

European officials subsequently expressed chagrin over the reason Northrop gave for throwing in the towel: that the Air Force had made the specifications for the tanker so restrictive as to favor Boeing's smaller plane. Boeing's Pratt & Whitney-powered entry is based on its 767 passenger plane, while Northrop's entry is based on a General Electric-powered derivative of Airbus's larger A330 aircraft.

Despite European officials' appeals to the U.S. to shun "protectionism" in deciding the contract's outcome, even Airbus officials said they are done with the tanker program. Company officials declared Tuesday that they don't contemplate either seeking to make a new bid on their own or partnering with another U.S. company, such as Lockheed Martin.

Speculation about an alliance between Lockheed and Airbus' military arm, European Aeronautic Defense and Space Co., or EADS, has been rife lately in the aerospace industry, according to Ray Jaworowski, senior aerospace analyst with Newtown-based Forecast International, who said that most observers figured that any new bid would probably still be "centered on the A330."

But a statement Tuesday by EADS' chief executive, Louis Gallois "appeared to rule out any further pursuit of the tanker contract, saying, 'I don't see any opportunity to come back alone or with others,'" Jaworowski said.

"It does look like Northrop Grumman is out of the tanker contest for real," he added.

"Certainly, it is still hoping that the Air Force will yet make some changes to its source selection criteria, but it now seems unlikely that the service will make sufficient adjustments for Northrop Grumman to re-enter the picture," Jaworowski said.

"Perhaps the most significant thing about the Northrop announcement is that the company does not intend to protest the selection process," he said, leaving Boeing as the sole-source bidder.

Boon to state's base

That eventuality, however, could hold some negative political implications, according to Jaworowski.

“Should the tanker contest boil down to a sole-source to Boeing, the mood among many in Congress will not be favorable,” he said.

But Lockheed, like Northrop, “doesn’t have any aircraft platform on which to base a tanker of the required size and capability,” Jaworowski said. Lockheed does build KC-130 tankers for the Marines, but that aircraft is too small for U.S. Air Force purposes, he said.

Northrop appeared to have won the tanker contract in 2008. But that deal was put on hold late in the election year, in part to await a new administration, but also after Boeing successfully protested the contract award to its competitor — claiming that the original bidding approval process had been skewed in Northrop’s favor.

U.S. Rep. Joseph D. Courtney, D-2nd District, said Wednesday that if the recent developments hold — and there is no unforeseen snag down the road — the Boeing-Pratt contract will at long last give the state an economic leg up.

“It’s another huge, positive step for Connecticut,” Courtney said. “It will have a positive effect on our industrial base for decades to come.”

U.S. Rep. John B. Larson, D-1st District, also said that the long-awaited resolution of the tanker issue will bolster highly paid, high-skill jobs not only in Connecticut but across the U.S. And after years of delay in replacing 50-year-old tankers, Larson said he is hopeful the new planes can be built as soon as possible.

“It’s now more important than ever for Congress and the Pentagon to ensure that no additional delays arise,” Larson said in a statement.

The road to the building of a new tanker plane, which refuels military aircraft in flight, has been pockmarked with scandal.

In 2003 a bid by Boeing to sell a tanker to the Air Force appeared to be successful, until the decision was nixed after a former Air Force official was jailed for having influenced the contract process.

Darleen Druyun, a former Air Force acquisitions official, served a nine-month federal prison term in 2005 after admitting she gave Boeing preferential treatment on the tanker deal just before retiring and accepting a job with Boeing.

Members of the Senate Armed Services Committee — Sen. John McCain, R-Ariz., in particular — have been critical of the entire tanker bidding process since.

But McCain on Tuesday appeared resigned to the awarding of the tanker deal to Boeing, according to a report from Reuters News Service. McCain told reporters that the Air Force’s handling of the competition appeared to be “legitimate,” according to the report, and acknowledged that it would be difficult for lawmakers to block the deal, despite the lack of a competitive bidder.

“I don’t see how we can, unless we find some flaw in it,” McCain told Reuters. “And we haven’t found any flaws so far.”

One congressional source, speaking on background, agreed that at the moment, “there does not seem to be any additional issues that will occur in Congress impeding the tanker process.”

State officials crow

The Pentagon, meanwhile, has indicated that it may speed up awarding the tanker contract to Boeing, now that Northrop has withdrawn, with a target of awarding the final contract in September.

U.S. Defense Secretary Robert Gates told the Associated Press on Thursday that he regretted Northrop-EADS' withdrawal, and warned Boeing that it will not be allowed to bloat its bid. But Gates also said that the lack of a competing bid should not delay the program further.

The benefits of the Boeing-Pratt tanker deal for Connecticut would extend well beyond Pratt & Whitney. The contract also would affect thousands of other jobs in the state, including those at Pratt corporate sibling, Hamilton Sundstrand, in Windsor Locks. Hamilton — like Pratt a subsidiary of Hartford-based United Technologies Corp. — makes controls for the Pratt engines as well as other equipment on the Boeing tanker, designated the KC-767.

Boeing officials have said that the economic activity generated in Connecticut alone by the contract will exceed \$185 million per year over the life of the tanker program.

In a statement Thursday, Gov. M. Jodi Rell said that Northrop Grumman's withdrawal from the tanker competition "is great news, not only for Boeing but for UTC and the more than 250 Connecticut companies that Boeing relies on for its services and products."

Rell also urged the Defense Department to move forward with the contract process.

Europe pouts

The one remaining potential stumbling block is opposition from Europe now that the Northrop-EADS team is out of contention.

In a statement Tuesday, European Commissioner Karel De Gucht said that it is "highly regrettable that a major potential supplier would feel unable to bid for a contract of this type." De Gucht also said "open procurement markets guarantee better competition and better value for money for the taxpayer."

The European Commission "would be extremely concerned if it were to emerge that the terms of tender were such as to inhibit open competition for the contract," he said.

Britain's Daily Telegraph reported Thursday that France's Europe Minister, Pierre Lellouche, called the demise of the Northrop-EADS tanker bid "a serious affair" that will have consequences when it comes to Europe's participation in military alliances with the U.S.

"You cannot expect Europeans to contribute to global defense if you deny their industries the right to work on both sides of the Atlantic," Lellouche said, adding that French President Nicolas Sarkozy would take action "at the appropriate time," according to the report.

Sarkozy plans to discuss the tanker contract when he meets with President Barack Obama in Washington at the end of this month.