



## Canada, Australia to Join Next Phase of Lockheed F-35 (Update2)

By Edmond Lococo

Dec. 11 (Bloomberg) -- Canada and Australia will join the next development phase for Lockheed Martin Corp.'s F-35 fighter jet, the largest U.S. weapons program ever, bringing to three the number of confirmed international participants.

Canada signed a memorandum of understanding in a ceremony at the Defense Department today, Kathy Crawford, the Pentagon's spokeswoman for the F-35 program, said in an interview today. Australia will sign the agreement tomorrow, she said. Terms weren't disclosed.

Lockheed won the \$19 billion contract to develop the F-35 in October 2001. Eight U.S. allies had pledged more than \$4.5 billion to help develop the jet, in return for the right to buy the aircraft. As the F-35, known as the Lightning II, prepares for its first test flight this week, only the Netherlands had signed on for the next stage of development prior to today.

"U.S. allies are investing money and formulating their defense plans around this aircraft," said Raymond Jaworowski, an analyst at Newtown, Connecticut-based aerospace consulting firm Forecast International Inc. "The international participation on the F-35 is insurance against termination of the program by the Pentagon. We are in a budgetary environment where everything is on the table and there are a lot of competing priorities."

The remaining partners, the U.K., Italy, Turkey, Denmark and Norway, are expected to sign by the end of the year, Crawford said. The memorandum provides a 40-year business framework which is expected to result in the sale of about 745 aircraft.

### Lightning II

The Pentagon estimates the total cost to develop and produce the aircraft at \$276 billion, its largest weapons purchase. The jet was known as the Joint Strike Fighter until July when it was officially re-named Lightning II, recalling a Second World War- era fighter also made by Lockheed.

Today's agreement was signed by U.S. Deputy Secretary of Defense Gordon England and the Canadian Deputy Minister of National Defense Ward Elcock, the Pentagon said in a statement. Canada has already contributed \$150 million to the first development phase of the program.

Shares of Bethesda, Maryland-based Lockheed, the world's biggest defense contractor, fell 49 cents to \$91.33 at 4:01 p.m. in New York Stock Exchange composite trading. They have climbed 44 percent this year.

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