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Article Launched: 3/22/2006 01:00 AM

business

Defense contractor set to win rocket contract

General Dynamics likely to get \$1 billion deal as a subcontractor to upgrade a rocket it manufactures.

By Edmond Lococo
Bloomberg News
DenverPost.com

General Dynamics Corp., the U.S. Army's largest supplier, is likely to get at least \$1 billion in revenue from a new guided-rocket program.

The company may win the award because it agreed to act as a subcontractor for the three bidders on the Army project, General Dynamics spokesman Robert Doolittle said in an interview last week. The Falls Church, Va.-based company lost an earlier contract to develop the weapon because of cost overruns.

The Army's decision to save money by upgrading an existing rocket benefits General Dynamics, the only maker of the weapon.

Teams led by Lockheed Martin Corp., Raytheon Co. and BAE Systems Plc each propose to add a guidance system to the current weapon to create the Advanced Precision Kill Weapon System II rocket.

The contract is valued at \$2 billion, Lockheed said March 14.

"It was the inevitable conclusion of all the teams that the least costly and most effective solution was to use the existing General Dynamics product," said Brett Lambert, managing partner of the Densmore Group, a Washington-based consulting firm.

A new contract for General Dynamics also would ensure continued sales of its rockets while ceding the headache of cost overruns and delays to the company managing the program, said Dean Lockwood, an analyst at Newtown, Conn.-based defense-research group Forecast International.

"After what they went through, they're washing their hands of the guidance package and focusing on what they know and what's been successful," he said. "It's a good fallback position."

The rockets are made by the combat-systems unit, which accounted for \$5.02 billion, or 24 percent, of the company's total sales of \$21.2 billion last year.

Lambert estimated the components supplied by General Dynamics would account for more than half of the total value of the new weapon, without providing figures.

The company will provide rockets, fuses and motors to each team, Doolittle said. He declined to comment on the potential value of the components.