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## Alenia-L-3 Team Takes C-27J Reins

By TOM KINGTON And GOPAL RATNAM

ROME and WASHINGTON--L-3 Communications and Alenia Aeronautica signed a trans-Atlantic joint venture agreement Feb. 15 to pursue what could be a \$9 billion global business for turbo-prop medium cargo planes.

The first order of business for the new joint venture — dubbed Global Military Aircraft Systems (GMAS) — will be to pitch the C-27J Spartan for the U.S. Army's Future Cargo Aircraft program. GMAS will be jointly managed by L-3 Integrated Systems and Alenia North America.

The deal severs an arrangement between Alenia and Lockheed Martin for marketing the C-27J in the United States.

Beyond the U.S. Army competition, L-3 and Alenia are eyeing a global market. The Army is expected to request bids in the next two months.

"There is demand for an aircraft like the C-27J, which is wide-bodied, has a lot of legs on it and has a lot of loitering capability," said Frank Lanza, chief executive of New York-based L-3 Communications. "We see a market overseas that is multimission, cargo-plus-sensor platform, and we certainly see applications for from 100 to 300 airplanes in the next five to seven years," worth about \$9 billion.

Lanza said the U.S. demand alone could be 140 planes if the Air Force also chooses the C-27J for its intra-theater lift requirements.

The plane is likely to compete with EADS' C-295 for the U.S. Army's business.

Joining hands with L-3 suits Rome-based Alenia, which is looking at the New York company as a partner for other airborne surveillance programs.

"While Lockheed Martin [led] the program in the U.S. during the pure marketing stage, GMAS will now be responsible as we move to the offer stage" to the U.S. Army, Giuseppe Giordo, president and chief executive of Alenia North America, a subsidiary of Alenia Aeronautica and a unit of the Finmeccanica group, said. "GMAS will handle sales in the U.S., but Alenia will continue to be responsible for sales outside America for the time being."

### Lockheed's Role

An earlier joint venture between Alenia and Lockheed Martin was formed in the late 1990s to market the aircraft, which has been ordered by Italy and Greece.

In 2003, Lockheed Martin sought to give Alenia a larger role, including more marketing and construction responsibility for the aircraft. Under that deal, Lockheed Martin ceded to Alenia the marketing responsibility for the C-27J for most sales, excluding those in the United States, to Taiwan and to two other undisclosed countries, as well as sales covered by the U.S. Foreign Military Sales program.

Peter Simmons, a Lockheed spokesman, said the company continued to have responsibility for marketing the plane in a few countries, but would not name them.

A source close to the deal said responsibility for those areas outside the United States "was still under discussion."

In the Feb. 15 statement announcing the joint venture, L-3 and Alenia said Lockheed Martin remained "firmly engaged as the major systems supplier of the aircraft's propulsion and avionics systems."

Simmons confirmed Lockheed's role in the plane.

A second source close to the deal said Lockheed Martin did not wish to set up a C-27J final assembly

line and delivery center in the United States in the event of a sale to the U.S. Army, because of the low number of anticipated orders.

At first, the L-3-Alenia joint venture would import "green planes," or unfinished aircraft, and "we would do the missionizing," or fitting them with sensors and electronic equipment in the United States, Lanza said.

If there is a "big requirement, they [Alenia] will open an assembly area and we'll assemble here," he said.

L-3 would be more flexible about production, said the second source, leading to a relationship similar to what Italian industry had with Chrysler Tech for the production of the C-27A Spartan in the United States. The C-27A was a conversion of Alenia's G222.

The C-27J is an updated conversion, still based on the G222, but duplicating the cockpit, avionics and propulsion of the C-130J Hercules heavy-lifter.

The second source said that with less industrial involvement on the C-27J in the United States, Lockheed Martin had given its consent for Alenia to find another U.S. partner.

As such, Lockheed likely will not seek to repeat with the C-27J the recent successes it has had as prime contractor representing foreign firms in the United States, including with Alenia stablemate AgustaWestland on the US101. That helicopter was recently selected for a new fleet of U.S. presidential helicopters.

Industrial sources in Italy said Lockheed was not prepared to aggressively market the C-27J since it could interfere with the promotion of its own C-130J, despite the difference in the sizes of the two aircraft. The the C130J is heavier and bigger but shares avionics and components with the C-27J.

#### A Promising Relationship

A further factor in the handover to L-3, apart from Lockheed Martin's declining interest in the C-27J, is that Alenia is eyeing a wider defense systems alliance with L-3, outside the United States and beyond the C-27J.

Speaking to reporters in Rome on Feb. 11, Finmeccanica Director General Giorgio Zappa said his company could consider a wide range of ventures with L-3, although he ruled out a merger or acquisition.

L-3 would be a useful partner as Alenia looks to other market products, including airborne surveillance platforms, said an industrial source in Rome.

Alenia is now promoting products such as the ATR turbo-prop maritime patrol and anti-submarine warfare (ASW) aircraft, which it co-produces with EADS. The ATR ASW aircraft has already been selected by Turkey. Turkey separately selected on-board electronics from Paris-based Thales.

ATR maritime patrol aircraft already sold to the Italian Coast Guard use sensors provided by Finmeccanica unit Galileo Avionica.

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