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NORTH TEXAS FIRMS VIE FOR CARGO CARRIER: L-3, LOCKHEED AMONG 3 IN RUNNING FOR CONTRACT WITH AIR FORCE, ARMY

By: Richard Whittle

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Jul. 21--FARNBOROUGH AIRSHOW 2006 FARNBOROUGH, England -- A three-way fight -- one that includes two players from North Texas -- is on for a military cargo plane contract potentially worth \$6 billion.

Showing off their entries for the Joint Cargo Aircraft contract at this week's Farnborough International Airshow were L-3 Communications Integrated Systems of Greenville and aerospace giant Lockheed Martin Corp., whose aircraft division is headquartered in Fort Worth.

The third competitor includes the North American arm of Europe's biggest aerospace company, EADS, and is led by Raytheon Co. of Waltham, Mass.

The JCA program was inspired by the Army's desire to replace its aging C-23 Sherpa light cargo aircraft with a battlefield transport able to fly from short, rugged airfields with medium loads. One aim is to ease the burden on the Army's overworked transport helicopter fleet.

The Air Force agreed to join the program last year, and the services signed a memorandum of understanding last month in which they agreed to a plan to buy 75 planes for the Army and 70 for the Air Force.

The services are to evaluate the entries in coming months and possibly pick a plane later this year. But they also agreed to conduct studies of their needs that could alter the number of planes bought.

Although the Army and Air Force are to buy the plane together, industry analysts say it's a shotgun wedding that may end well short of the planned 145 airplanes.

Protecting turf

Air Force leaders want other planes far more but are wary of letting the Army poach on what they see as their turf, said Loren Thompson of the Lexington Institute, a Washington think tank partly funded by defense contractors including Lockheed.

"The Army is making noises that sound like it's going to invade the traditional mission area of the Air Force for airlift," Mr. Thompson said. "One thing the Air Force does not want to do is yield mission space to the Army."

This week at Farnborough, the year's biggest international aerospace trade fair, L-3 and its partners announced they would build some of the planes in Florida if they win. L-3 would also build internal systems for the aircraft in Waco.

L-3's entry is the C-27J, a two-engine craft built by Italy's Alenia Aeronautica and already sold to Bulgaria, Greece, Italy and Lithuania.

"We think that this primarily gets down to a competition between us and the EADS-Raytheon team," said L-3 Integrated Systems' president, Robert Drewes.

Tensions

Mr. Drewes, a former two-star Air Force general, acknowledged that "there has been tension" between the Air Force and Army over the program but also "an enormous amount of cooperation on this thing" that gives him confidence the deal will go forward.

"I know that we have other companies in the metroplex that we're familiar with -- at least one -- who sees the world in a little different way," Mr. Drewes said, referring to Lockheed, which badly wants to sell the Air Force more of its full-size C-130Js.

"The threat to this thing is, really, to my esteemed colleagues on the other side of town, who see this as encroachment in their turf," Mr. Drewes said.

Ralph Heath, president of Lockheed's Fort Worth-based aeronautics arm, is confident that the four-engine C-130J with a smaller fuselage that his company is offering for the JCA will win, in part because the Air Force and Marines already fly other versions of the plane.

After the services finish their studies, Mr. Heath said, "the C-130J is going to prove to be the right answer."

"The investment's already been made, the development's done, operational test and evaluation for the Air Force and the Marines has already been concluded," Mr. Heath said.

Raytheon offerings

The Raytheon team has entered two different planes made by CASA, the Spanish affiliate of EADS: the CN-235 and the C-295.

Jim Hvizd, vice president of the Raytheon team, said by phone from his office in El Segundo, Calif., that the planes his team is offering should win because they already are in use by 24 armed forces, including the U.S.

Coast Guard, and "we've proven we can do" the medium-lift mission.

But Mr. Hvizd added that a key issue in the program "certainly has come down to there being somewhat of an overlap between the roles of the Army and Air Force."

That's why the Air Force insisted on further studies, he said.

Gen. T. Michael "Buzz" Moseley, Air Force chief of staff, said as he toured the air show that his service is "still excited about looking at the opportunities to partner and build something."

"If we're going to be in the business like we're in in Afghanistan and in Iraq, I think still there's a useful, relevant role for something like that," Gen. Moseley said of the JCA.

But he added: "As we look at the alternatives and we look at the sizing of this airplane, if there is a notion of taking the Joint Cargo Aircraft to something bigger, with more pallets, with a heavier airplane, then a C-130J-- the standard version, not the ... stubby version -- makes all the sense in the world."

Limited use

Aviation analyst Richard Aboulafia of the Teal Group, a Washington-area consulting company, said the program's Achilles heel is that the medium-lift plane envisioned by the Army "is fantastic for Iraq and Afghanistan and exactly nowhere else."

"The Air Force has no interest in operating a plane of this class," Mr. Aboulafia said. "Unless you assume we're in Iraq and Afghanistan forever, this has no purpose in the Air force's force structure."

The Air Force only agreed to the program, Mr. Aboulafia ventured, because "it sure beats letting the Army buy 145 military air-lifters and replicate an Air Force mission.

"I suspect there's a fair amount of disingenuousness here," he said, and he offered this prediction: "What ultimately happens is, the Army retreats, says, 'Yeah, we're happy with 40 or 50,' and the Air Force goes back to C-130Js."

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