

# Air Force To Reopen \$35b Boeing-Northrop Battle

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WASHINGTON (AP) -- The Air Force is poised to reopen the competition between rivals Boeing Co. and Northrop Grumman Corp. for a troubled \$35 billion tanker contract.

The Pentagon has tried and failed twice to award a contract to replace its Eisenhower-era fleet of tankers that refuel military planes in flight. The last attempt in early 2008 was overturned on appeal and led Pentagon leaders to temporarily revoke the Air Force's authority to award a contract. The 2004 award to Boeing was undone by an ethics scandal that resulted in prison terms for a former company executive and a former high-ranking Air Force official.

"After eight years, we can finally get on with this program," Rep. John Murtha, D-Pa., said Thursday.

Murtha chairs the House Appropriations subcommittee on defense. He was one of several lawmakers briefed by Air Force Secretary Michael Donley and other Pentagon officials on the latest request for bids -- due out Friday -- on the tanker competition.

The Pentagon's briefing materials said the Air Force is seeking to reduce the number of requirements to replace its aging tankers to 373 from 800, in a bid to make the process more transparent.

"This time we will be crystal clear about what we want and what the bidders need to do to win," according to the briefing.

The department also changed course on two other issues. The winner will be based on "best value" and not price, and the deal will be a fixed-price contract. The switch from a cost-plus pact means the contractor will be paid a negotiated amount regardless of extra expenses.

"At this point, neither (company) knows enough about the selection process to figure who is better off with the new terms," said Loren Thompson, a defense consultant for the Lexington Institute.

Richard Aboulafia, aerospace analyst for the Teal Group, said despite a strong start, the Air Force's efforts won't be enough to shield the contract from political bickering on Capitol Hill.

"It's tough to be optimistic of avoiding yet another political firestorm, but this is the best chance they've got to start with," said Aboulafia.

Rep. Norm Dicks, D-Wash., a Boeing supporter, said the service's plan appeared to

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be "a much fairer approach."

Washington, Kansas, and other states stand to gain jobs if Boeing lands the award, while Alabama is anticipated to get a new plant in Mobile should Northrop win.

Los Angeles-based Northrop and partner Airbus parent European Aeronautic Defense and Space Co. N.V., won the deal to replace 179 aging planes in February 2008. Boeing later successfully protested the award after congressional investigators found the Air Force failed to evaluate both proposals on the same merits.

Representatives from Northrop and Chicago-based Boeing declined to comment until the companies receive a draft of the request for bids.

EADS North America Chairman and CEO Ralph Crosby said the company is looking forward to working with Northrop in evaluating the tanker request.

The Pentagon still anticipates awarding a single contract next summer, according to lawmakers. Some, including Murtha, had pushed for awards for both companies, but Pentagon leaders say that would be far more costly to taxpayers.

One area of concern to Dicks and Sen. Patty Murray, D-Wash., was the exclusion of language in the contract that would require the Air Force to consider the World Trade Organization's interim ruling earlier this month that European loans for Airbus were illegal subsidies. A separate ruling on a European Union counter-complaint against the U.S. is expected in about six months.

Northrop supporter, Alabama Republican Sen. Richard Shelby welcomed the service's decision to exclude the WTO's results from the competition. Sen. Jeff Sessions, also an Alabama Republican, said it was too early to tell whether the draft request includes more objective criteria.

The tanker deal -- one of the largest in Pentagon history -- is the first of three contracts worth up to \$100 billion to replace nearly 600 aircraft over the next 30 years.

Defense Secretary Robert Gates last week restored the Air Force's authority to select a new winner after stripping the service's ability to award a deal in the wake of the congressional investigators' report. Gates' office will continue to oversee the competition.

The Air Force says replacing the tanker remains its top acquisition priority.

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