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George Tibbits, Associated Press

SEATTLE (AP) — The U.S. states of Washington and Kansas are celebrating a decision to award Boeing Co., a \$35 billion contract to build nearly 200 airborne refueling tankers, one of the biggest defense contracts ever that will add tens of thousands of jobs to the struggling economy and bolster regional air industries for a generation.

But the announcement Thursday that the U.S. Air Force was choosing Chicago-based Boeing over a bid by European Aeronautic Defence and Space Co. drew deep disappointment from Germany and the European manufacturer, which promised to discuss the decision further with the U.S. military.

It also came as a severe setback to the Gulf Coast and to Alabama, where EADS had planned to assemble its aircraft at a former military base in Mobile.

The contract to replace the half-century-old KC-135 tanker fleet is a major boost for the Puget Sound region and Wichita, Kansas, where the planes will be built and modified.

The announcement came as a surprise to many defense analysts, politicians and factory workers. Even company executives had expected EADS to win the decade-long battle with Boeing, which had been marked by delays, missteps and bitter accusations.

So expecting the worst, no big rallies were planned in Washington state and union halls were quiet on a day when snow buried much of the state.

Boeing machinist Jason Redrup was riding with friends in his car when he heard U.S. Rep. Norm Dicks say Boeing had won.

"Frankly, I didn't believe it when he said it," Redrup said, adding that a companion told him, "Well, we better wait until we hear from the Air Force."

At Boeing's huge Everett factory where the planes are built, workers who had gathered around TVs and computer screens shook hands and high-fived at the news, said worker Steve Morrison.

"You could hear little blocks of cheers throughout the factory," he said. Outside, car horns blared during a shift change.

"I'm going to celebrate with my wife tonight," said Rashaud Emperado, a 767 inspector, adding: "I will be celebrating this weekend. This is not just one day."

U.S. Air Force Secretary Michael Donley said the contract "represents a long

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overdue start to a much-needed program."

"What we can tell you was that Boeing was a clear winner," U.S. Deputy Defense Secretary William Lynn said.

Lawmakers from Alabama were bitter and suggested politics played a role.

"I'm disappointed but not surprised," U.S. Sen. Richard Shelby said. "Only Chicago politics could tip the scales in favor of Boeing's inferior plane. EADS clearly offers the more capable aircraft."

U.S. Rep. Jo Bonner vowed to get a full accounting of why the EADS bid was rejected.

"This competition has been challenged before and it's not unlikely it will be challenged again," Bonner said.

Lynn said the losing bidder can appeal, but he believes the process was fair and there will be no grounds for a protest.

EADS said in a statement Friday that it would go over the issue with the U.S. Air Force, but said nothing about a formal appeal.

"This is certainly a disappointing turn of events, and we look forward to discussing with the Air Force how it arrived at this conclusion," EADS North America Chairman Ralph D. Crosby, Jr. said.

The company said it was sending a letter to its employees explaining that the decision does not mean the end of EADS' efforts to expand in the United States.

German Foreign Minister Raeder Bruederle said he felt that "EADS submitted a very good offer."

"We assume that the decision will now be analyzed closely by EADS North America and its American partners and that possible further steps and consequences will be considered in that," he said. Neither Bruederle or the Economy Ministry would elaborate on his comments.

German Chancellor Angela Merkel's spokesman, Steffen Seibert, said, "We have to take note with regret of this decision."

"From our German point of view, an opportunity also was missed here to deepen further the trans-Atlantic partnership."

Still, Seibert says that Merkel sees "no need to act" herself at the moment.

The tankers, basically flying gas stations, are crucial for the military, allowing jet fighters, supply planes and other aircraft to cover long distances. The last Boeing-built KC-135 was delivered in 1965, and the U.S. Air Force is struggling to keep

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them in flying shape.

Boeing has built 767-based tankers for Italy and Japan, but many components will be different in the U.S. version. As a result, production and the plane's first flight are not expected until 2015, said Jean Chamberlin, vice president and general manager of the tanker program.

Pentagon leaders said Boeing and EADS met all the mandatory requirements for the contract. Because the difference in price between the two bids was greater than 1 percent of the total, cost essentially was the deciding factor.

Dennis Muilenburg, president and CEO of Boeing's defense business, declined to say how much Boeing cut its anticipated profits with its final offer.

"Clearly we've been focused on affordability," he said, adding that Boeing will be able to make the plane more cheaply because it will use the same production line as its civilian version.

The award gives Boeing the initial \$3.5 billion for engineering, manufacturing and development of the first four aircraft, with 18 planes to be delivered to the Air Force by 2017. The \$35 billion contract for 179 planes could be a first installment on a \$100 billion deal if the Air Force decides to buy more.

Boeing will have to move fast to get the plane ready, at a time when its commercial aircraft division is still trying to deliver the new 787 and a new version of the 747. The company is completing a new 767 assembly line in Everett to provide more room to make the long-delayed 787, but also in hopes of a contract win.

Boeing has 49 unfilled orders for 767s, the initial versions of which first flew in the early 1980s, and plans to be making two planes a month later this year.

The contract will support about 50,000 total U.S. jobs with Boeing and some 800 suppliers in more than 40 states, the company says. For Washington state alone, Boeing has said it would mean 11,000 jobs and \$693 million in annual economic benefits.

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