

U.S. delays \$35 billion Air Force tanker contest

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WASHINGTON: The U.S. defense secretary Robert Gates on Wednesday delayed a \$35 billion contest for aerial refueling tankers until the next presidential administration, a decision that ultimately may give losing bidder Boeing time to revise its proposal.

The competitors - Boeing and Northrop Grumman - were notified earlier in the day, the department said in a statement. The request for bids was withdrawn because there was not enough time left by the end of President George W. Bush's final term in January.

"Over the past seven years the process has become enormously complex and emotional - in no small part because of mistakes and missteps along the way by the Department of Defense," Gates said in the statement. "In the time remaining to us, we can no longer complete a competition that would be viewed as fair and objective in this highly charged environment."

Boeing successfully protested the Air Force's Feb. 29 decision to award the contract to Northrop and its partner European Aeronautic, Defence & Space Company.

Since a draft of new bidding rules was released in August, Boeing has argued that it needs more time to develop a bid based on a larger aircraft than it first submitted.

Randy Belote, a Northrop spokesman, was not immediately available for comment. A Boeing spokesman, Dan Beck, declined to comment immediately.

The Pentagon has said replacing its aging tankers, built by Boeing exclusively for more than 50 years, is a priority. A previous effort to replace the tankers that refuel fighter jets and other military aircraft failed in 2004 amid ethical violations that sent a Boeing executive and an Air Force official to jail. The current tanker contest opened in January 2007.

Gates, in his statement, said the delay would create a "cooling off" period and reduced the chance of handing the next administration a decision that is contested further.

The Government Accountability Office on June 19 upheld a protest by Boeing, saying that the Air Force made "significant errors" in awarding the contract to Northrop, whose team includes EADS, the parent of Boeing's bigger commercial-plane rival, Airbus of Toulouse, France.

The Pentagon had planned to issue the final request for proposals for the competition by mid-August, with the aim of awarding a contract around the end of December.

But Boeing threatened Aug. 21 to pull out, saying that the 767-200 plane that it offered more than a year ago was now too small to "fit the bill" in clarified Air Force guidelines.

The Northrop-EADS entry, based on the Airbus A330 commercial jetliner, can carry 250,000 pounds of fuel, more than Boeing's 205,000.

In the last round of the competition, Boeing and Los Angeles-based Northrop Grumman got about "seven to eight months" to submit bids after the Pentagon announced a draft proposal, Boeing's Beck said in an earlier interview.

The Pentagon's decision was first reported by The Wall Street Journal.