

Sikorsky Backers Push for Sole Contract for Helicopters 2016-03-14 15:41:22.500 GMT

By Roxana Tiron

(Bloomberg) -- Congressional supporters of Sikorsky helicopters are pressing the defense committees to sanction the Pentagon awarding about half of a new \$2.5 billion Air Force helicopter program to the Lockheed Martin Corp. unit without competitive bidding.

The Air Force is about to make a decision on the program to replace the Vietnam-era UH-1N Huey helicopters, which it flies both to guard nuclear missile fields and ferry VIPs to security in a crisis. The service is weighing whether to use an obscure Depression-era law that would permit it to buy the portion of the Sikorsky UH-60M Black Hawk helicopters that guard missile sites through an already existing U.S. Army contract.

The Air Force is looking to buy about 70 new helicopters to replace the Hueys, though the service is still reviewing final numbers. Of those about half would go to Sikorsky if the Air Force splits the nuclear mission from the VIP transports.

A sole-source contract could mean as much as \$1 billion for Sikorsky, according to a congressional aide familiar with the program. While the Air Force's need for the helicopter doesn't meet the normal standards for a sole-source contract, the Air Force secretary has the authority to do it, the aide said.

Among the advocates for the non-competitive contract are lawmakers from Montana, North Dakota and Wyoming, who are eager to see the new helicopters guard the 450 Minuteman missiles in their states. They are requesting that the fiscal 2017 defense policy and spending bills include authority for the Air Force to piggyback on the Army's Black Hawk contract.

"The failure to modernize these helicopters has created glaring gaps in the security of our nation's nuclear weapons," the lawmakers wrote to the committee's leaders. "By adding Black Hawks to the Army's current block buy contract and directing the Air Force to purchase them, we can address the problem immediately rather than more delayed action."

The letter was signed by 14 lawmakers and released March 9 by Ryan Zinke, a Montana Republican and member of the House Armed Services Committee. Zinke was joined by Republicans Cynthia Lummis of Wyoming and Kevin Cramer of North Dakota, who also have parochial interest in the helicopter purchase. Air Force security teams located at Malmstrom Air Force Base in Montana, Minot Air Force Base in North Dakota and F.E. Warren in Wyoming use the UH-1N Hueys, made by Textron Inc.'s Bell Helicopter, to guard convoys shuttling nuclear warheads among different silos and the bases for maintenance work.

Also signing the letter were House Democrats Rosa DeLauro and Elizabeth Esty of Connecticut where Sikorsky, which was acquired last year by Lockheed Martin, builds its

helicopters. House Armed Services Strategic Forces Subcommittee chairman Mike Rogers of Alabama has also thrown his support behind the sole-source contract.

The Air Force is studying whether the helicopter program can meet the criteria to use an existing contract under the Economy Act of 1932, according to Lieutenant General Arnold Bunch, the Air Force's top uniformed acquisition official. Secretary of the Air Force Deborah Lee James wants service officials to "get to a conclusion" within a month on how to proceed, Bunch said at a Credit Suisse and McAleese and Associates 2017 defense programs conference in Washington on March 10. "If we do it, it'll be because of a sense of urgency to meet the requirements," Bunch said at the conference.

Sikorsky said it would be able to fulfill the Air Force's requirements once they are determined. "Sikorsky is ready to support aircraft deliveries to the Air Force off a hot production line and fully meet the Air Force requirements for its missile site and utility support missions," Sikorsky spokeswoman Caroline Dennis said in an e-mailed statement. The Air Force's contract approach on the helicopters was criticized as anti-competitive by Citizens Against Government Waste, a watchdog organization.

"The 45 year-old Hueys are the oldest helicopters in the Air Force. The service first identified the need to replace them in 2004, but now appears to be ready to waive procurement laws requiring competition by claiming there is an urgent national security need to purchase new helicopters," Tom Schatz, the organization's president, wrote in a previously undisclosed March 7 letter to Senate Armed Services Chairman John McCain of Arizona and Jack Reed, the panel's ranking Democrat from Rhode Island. McCain has been a vocal supporter of competition and transparency in defense contracts.

"The argument for urgency is undermined by the Air Force's inability to act over the past 12 years," Schatz wrote. "In fact, there are numerous potential replacements for the Huey both in the short term and long term that are already in production; lengthy periods of design and development will not be necessary."

Several companies other than Sikorsky have expressed interest in competing to replace the aging Hueys. Among them are Bell Helicopter, Airbus Helicopters Inc., and AgustaWestland North America, a unit of Italy's Finmeccanica.

"There are viable alternatives to whatever it is they are considering in terms of a sole source procurement," Robert LaBelle, chief executive officer of AgustaWestland North America, said in an interview. LaBelle added that he has concerns about the Air Force's considering awarding the nuclear portion of the helicopter contract without competitive bidding. AgustaWestland would offer its AW139 helicopter which is already commercially available.

LaBelle said the helicopter contract was important one in the defense industry: "In terms of new procurement there is nothing on the horizon other than this one." A Bell Helicopter official said the company is "very aware of Global Strike Command's effort to replace their aging UH-1N aircraft."

"We understand the Air Force acquisition strategy is in development and will be announced later this spring. We look forward to learning how the Air Force will proceed," said Keith Flail, Bell Helicopter vice president of global military business development in an e-mailed statement.

The Airbus Lakota helicopter "has a baseline acquisition cost of \$5.4 million, roughly one-fourth the likely acquisition cost of the type and size of aircraft the Air Force seems to require for the nuclear support mission," said James Darcy, director of corporate communications of Airbus Group, Inc. As a result of those cheaper costs, Airbus is looking at competing for the other half of the Huey replacement program meant for ferrying VIPs and training, Darcy said. "The considerable cost savings could help offset the costs of purchasing a larger platform for the nuclear security mission," such as Black Hawks or similarly sized helicopters, he said.