

## April 9, 2009 - GE Chief Proposes Splitting Contract

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Northrop, Boeing could benefit

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The head of industrial powerhouse General Electric Co. is supporting a move to split the U.S. Air Force tanker contract between Boeing Co. and Northrop Grumman Corp.

Jeff Immelt, GE's chairman and chief executive, said a compromise proposed by U.S. Rep. John Murtha, D-Pa., may be the best way to get the troubled program back on track. The contest is being watched closely in Alabama because Northrop would assemble the planes in

Murtha is pushing to buy planes from both manufacturers as a way to break a political stalemate between the two rival teams and hasten the replacement of the Air Force's aging fleet of KC-135 Stratotankers.

"I think Murtha has created a path to break the deadlock on the tanker program," Immelt told The Enquirer newspaper in Cincinnati in an interview published Wednesday.

GE has a direct interest in the program. The company's Cincinnati-based aviation unit manufactures the jet engine selected by Northrop to power its KC-45 tanker, a plane that would be assembled in Mobile. Boeing chose a Pratt & Whitney engine for its KC-767 tanker, but counts GE as a partner on a range of other commercial aircraft.

Immelt said the Air Force could benefit from Murtha's proposed "competitive dual award," which would give a small initial order to both teams and then force them to compete for follow-on orders. The Air Force ultimately wants to replace more than 500 of its KC-135s, which average nearly 50 years in service and are becoming increasingly costly to fly and maintain.

The dual buy "assures an enduring competition between tanker suppliers for 10 to 15 years," Immelt said. "Whenever you create a fierce competition with these acquisition programs, the benefits are enormous, as we have seen this across numerous defense programs in our history."

Immelt is one of the first corporate leaders to publicly endorse the split buy. The measure has a high-profile opponent in Defense Secretary Robert Gates, who said he prefers a winner-take-all competition for the proposed \$40 billion tanker contract.

Gates said buying two planes would add huge expenses because the Air Force would have to establish two separate supply chains as well as train pilots and maintenance crews for each aircraft.

"I still believe it is not the best deal for the taxpayer to go with the split buy," Gates said this week.

But Immelt, a member of President Barack Obama's Economic Recovery Advisory Board, said the dual buy could provide the country a much-needed economic jolt.

Boeing is proposing to assemble its tankers in Everett, Wash., and modify them for the military in Wichita, Kan., securing thousands of jobs in both states.

Northrop is proposing to assemble its planes in a \$600 million, 1,500-worker aircraft factory at Mobile's Brookley Field Industrial Complex. Airbus, a partner on the Northrop bid, would add production of commercial A330 freighters at the facility, spreading the economic benefit along the Gulf Coast.

The split buy "creates an attractive distribution of U.S. defense jobs," Immelt said. "It allows the program to proceed in a timely manner instead of years of more delay."