

US to reopen Boeing-Airbus bidding war over refuellers

August 11 2021, by Mathieu Rabechault



Boeing secured a \$35-billion deal in 2011 to develop and supply 179 KC-46 refuellers to the US Air Force by 2029.

The US Air Force is set to reopen a bidding war between Boeing and arch-rival Airbus over the replacement of its ageing fleet of refuelling aircraft essential to Washington's ability to project power beyond its borders.

In a tortuous and scandal-riven procurement process, during which two contracts were scrapped, Boeing finally snagged a \$35-billion (30-billion-euro) deal in 2011 to develop and supply 179 KC-46 refuellers by 2029.

Even though the project was plagued by cost overruns and delays, Boeing looked set to walk away with the next phase of the project to replace the Air Force's fleet—without which a large proportion of its capacity would be grounded.

But the Pentagon changed its plans.

The US Air Force in mid-June put out a so-called sources sought notice for the supply of between 140 and 160 aircraft at the rate of 12 to 15 a year from 2029 to replace the rest of the fleet until a new model of tanker is developed.

It set up yet another competition between Airbus, with its A330 MRTT that it sells to around 10 countries, and Boeing with its KC-46 Pegasus, derived from the B767 and exported to Japan and Israel.

"Even if we have some scars from previous campaigns, we will obviously see this with a lot of interest and try to come up with a competitive offer," Airbus CEO Guillaume Faury told AFP.



Airbus and Boeing are arch-rivals in a multi-billion dollar industry.

Initially awarded to Boeing in 2003, the mega-contract was cancelled after revelations of spying and conflict of interests on the part of a former Pentagon official who left to join Boeing.

The bidding war was relaunched in 2007, won the following year by Europe's EADS (European Aeronautic Defence and Space)—since renamed Airbus—which was at the time allied with Northrop Grumman of the United States.

But that contract was also annulled because of "significant errors" in the evaluation of the bid as determined by the US General Accounting Office.

Reopened in 2009, the tender was finally won two years later by Boeing, which had no choice but to lower prices.

Since then, the KC-46 programme has been beset by problems, which had already cost the Seattle giant more than \$5 billion.

The first aircraft was delivered to the US Air Force in 2019 two years late.



View of the Airbus A330 MRTT multirole tanker aircraft at the International Paris Air Show.

'Boeing still has a chance'

The 46 planes currently flying are hobbled by a defective fuel delivery system and other glitches, and will not be fully operational until 2023.

In the throes of the Covid-19 pandemic, Airbus delivered only 19 A330s last year, compared with 53 in 2019.

"This looks like a USAF attempt to put competitive pressure on Boeing, and also to deflect criticism of the KC-46 acquisition," said Richard Aboulafia, an aeronautics expert with the Teal Group.

"In other words, Boeing still has a chance here. All they need to do is get their programme back on track, and submit a competitive bid," he said.

"However, with billions in losses and similar execution problems on other programmes, Boeing may continue to struggle with the KC-46. Thus, Airbus may have a chance, particularly if it teams with Lockheed Martin," Aboulafia said.

Airbus and Lockheed have collaborated on refuellers since late 2018.

If Airbus wins the bidding contest, "the programme will be greatly Americanised," Faury said, as US law requires the procurement of goods produced in the US.

But even with a production unit in Mobile, Alabama, which Airbus was planning to use a decade ago, "it would be really good news for production levels and the whole supply chain" made up of several European suppliers if the European aeronautics giant comes out on top, he said.

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