

## Impact of Terminating C-130J Production Line

**Purpose:** Identify the issues and impacts of the OSD Program Budget Decision (PBD) 753 to terminate the C-130J multiyear contract and the production line at the LM Aero Plant in Marietta, Georgia

### Discussion: OSD PBD 753

- PBD 753 Terminates the multiyear and procurement of C-130J aircraft for the AF and procures all 12 remaining USMC KC-130J aircraft in FY06 with no aircraft to follow

MYP FY	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>
USAF	0	4	11	10	9	8
USMC	4	0	4	4	4	4

#### PBD753

USAF				0	0	0
USMC				12	0	0

- Terminates the FY03-08 USAF / USMC Joint Service Multiyear in FY06
- Stops the planned USAF 42 a/c multiyear buy at 15 a/c– cancels buy of remaining 27 a/c
  - Truncates USAF C-130 Modernization Roadmap:
    - Stops Roadmap at 36 a/c, approx 114 a/c short of 150 a/c requirement
    - Rhode Island, Quonset Point ANG and Pennsylvania, Harrisburg ANG short by 2 a/c each; California, Channel Island ANG unit short by 3 – 4 a/c
    - Mississippi AFREC unit short by 1 a/c
  - Stops altogether the modernization of aging C-130E active duty squadrons @ Little Rock AFB, Arkansas and Pope AFB, North Carolina, Ramstein, Germany and Yokota, Japan.
  - Truncates USMC KC-130 modernization Roadmap:
    - Stops modernization at 33 a/c, 18 short of USMC requirement of 51 a/c
    - Stops modernization of third aging KC-130F tanker squadron
      - USMC must continue to operate the costly to maintain and less capable squadron of 42 year old KC-Fs
      - USMC cost estimates, above operations cost, to retain the KC-F squadron @ \$2.5B over the FYDP to cover service life extension and avionics modernization

**PBD Not Supported by Analysis:** PBD actions precede on going DoD initiated Mobility Capabilities Study (MCS) and the Quadrennial Defense Review (QDR), both scheduled for completion in 2005 – Why the rush to? Both the USAF and USMC have validated C-130J modernization requirements

### Bad Business Decision:

- Terminating the C-130J multiyear is a bad business decision and bad government.
- PBD 753 reduces the # of aircraft procured in FY06 by 2 a/c, but saves only \$26M???
- Overall the PBD spends 2/3rd of the remaining multiyear program dollars (Program dollars remaining approx \$3.2B) to terminate the program and to buy less than 1/3 of the remaining multiyear aircraft.
- In other words, the Department is going to buy 12 more C-130Js for \$2.2B, instead of 39 more aircraft for \$3.4B. Is that good business?

**Political Impact:** Administration is going to receive a tremendous amount of political heat from Red and Blue state constituents for such a small return...approximately \$1.2B savings from FY06-08.

**Recommendation:** Contact the White House with request that the FY06 President's Budget support completion of the C-130J multiyear.

### **Impacts to Production Line:**

- The Marietta production facility could begin job layoffs in 2006
- Supplier terminations should begin 2006
- The production line could close early 2008
- Production line restart cost estimates by the USAF are \$600M
- Impacts to jobs across the board – approximately 25,000 US wide
- Because the F/A-22 and C-130J are both built at Lockheed Martin's Marietta, Ga., plant, an early end to both programs could mark the beginning of the end of the Marietta aircraft plant
- Closing Marietta C-130J production line would close the only large military aircraft production plant on the east coast and the only tactical airlift production line in the US
- Closing Marietta could open the door for future EADS A400 tactical airlifter sales to the US

### **General discussion: C-130 is a national asset**

- The multi-functional aircraft can perform tactical and strategic airlift, airdrops, Search and Rescue, gunship, weather recon, special operations, and tanker missions
- C-130s are and have been the backbone of DoD airlift operations worldwide
  - Capable of operations in all quadrants of threats and missions
  - Gulf War, Bosnia, Afghanistan, Iraqi, humanitarian and disaster relief
    - First aircraft to deliver relief to Tsunami victims
- Why? Unique capabilities of large payload, range, and a rugged airframe capable of landing on nearly anywhere there is 3000' to land on
- C-130J has greatly enhanced performance, payload and maintenance benefits over older models
- New C-130Js cost 1/3 the price of other military airlifters
- Air Force and Marine Corps have aging fleets of 40+ year old aircraft
- C-130Js are less costly to operate and maintain

### **Sales – 180 International and USG aircraft on-order, with 118 delivered**

- International – 63 aircraft sold to date United Kingdom, Australia, Italy and Denmark
- USG – 117 aircraft sold to date to USAF, USMC, USCG through FY08 including the multiyear contract for 62 aircraft (MY1 FY03–FY08)
  - Prior to PBD 753 - Multiyear 1 savings to DoD equaled \$513M or 10.9%
  - Prior to PBD 753 - Both the USAF / USMC planed a second multiyear buy (MY2) starting in FY08 to complete their Roadmaps

### **Commercial Development Program Saves USG Dollars - Program Embraced and Fully Implemented Congressional and DOD Acquisition Reform - First Major Weapon System To Be Procured on a Commercial Item Basis**

- Contractor Bore Complete Development Cost and Risk
  - Significant USG Savings - No Up-Front US Government Development Funding
    - Commercial Development Led to Large Number of Early Export Aircraft Orders
    - Export Orders Increased Production and Benefited USG w/Lower Prices

### **USAF / USMC “Js to the Fight” (J2TF)**

- First two USAF deployed in December; USMC first KC-Js deploy in February
- UK, Australia, Italy sent Js early on to the fight in Afghanistan and Iraq
- C-130s airlifter of choice for combat sustainment and “flying convoy” missions in Iraq
- **J2TF Combat Report** - The Guard and Reserve crews flying the J in combat report they continue to be impressed with the performance of the aircraft and that they have successfully completed all missions in Operation Enduring Freedom, Operation Iraqi Freedom, and the to the Horn of Africa. Due to the increased performance of the aircraft, the missions are completed faster and at safer altitudes. In some cases the J model is capable of completing a mission in one crew duty day that would require two days in the older models of the C-130. The aircraft's larger

cargo compartment and increased engine performance allows twice as much cargo weight to be carried on each mission. This translates into fewer aircraft being exposed to potential threats from insurgents, greater terrain clearance over the mountains of Afghanistan and lower operating costs for the Air Force. The accuracy of the navigation systems and integration of the Heads up Displays (HUD) exponentially increases situational awareness and the overall safety of the aircraft.

"We currently fly along side our comrades from Australia and the United Kingdom and regularly exchange experiences that will serve to improve future operations of this extremely capable aircraft. "