

## **Boeing, Northrop Spar Over \$85 Billion Nuclear Missile Program**

*With Northrop poised to become the Defense Department's primary provider of ballistic missiles, Boeing has launched an aggressive lobbying campaign*

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There was an \$85 billion elephant in the room at this year's Air Force Association conference, an annual trade show where thousands of uniformed airmen rub shoulders with suit-clad defense contractors hawking the latest advanced weaponry.

Those entering the conference hotel in National Harbor, Md., were welcomed by an enormous blue banner splashed with the Northrop Grumman logo and the words "LEGENDARY DETERRENCE" — a not-so-subtle reference to the company's ballistic missile ambitions.

Northrop is poised to take over a massive Air Force nuclear weapons program called Ground Based Strategic Deterrent, or GBSD, which will call on a team of contractors to replace the U.S. military's aging stock of Minuteman III intercontinental ballistic missiles. But Boeing's Arlington-based defense business, which has handled the Minuteman program since 1958, has launched an aggressive lobbying campaign in defense of its interests.

Northrop "is on a path to a sole-source opportunity," Boeing GBSD Program Manager Frank McCall warned in an interview Wednesday on the floor of the trade show.

"There has never been a time in the history of the Minuteman when the Air Force wasn't supported by both companies," he said, adding that he thinks the Pentagon is taking "a winner-take-all approach" that is "unprecedented in the history of intercontinental ballistic missiles."

The ground-based missiles make up one leg of the U.S. nuclear triad, which aims to be ready to deliver warheads at a moment's notice from air, land or sea. They are meant to deter other countries from launching a nuclear strike by sending a message that any first-mover will be destroyed immediately.

The different components of the triad are extremely expensive to build and keep at the ready. For the new ground-based missiles, the Pentagon faces a difficult dilemma as it tries to get the best solution for the best price.

The Air Force had hoped to evaluate multiple competing options. But Boeing, thought to be the only viable competitor aside from Northrop, says it won't participate unless the Air Force changes its approach.

With Boeing out, the Northrop-led team appears to be the Pentagon's only option, something that could make it hard for the government to negotiate a fair price.

It is a common dilemma facing Defense Department weapons buyers, who have the impossible task of running a competitive marketplace when there are, at best, two or three potential suppliers for the most expensive weapons systems. The U.S. defense industry has consolidated to a worrying degree in the decades since the Cold War, officials and analysts say, with a handful of dominant suppliers exerting tremendous influence.

A White House report released last year found 300 cases in which important defense products are produced by just a single company, a "fragile" supplier, or a foreign supplier.

There is big money at stake for Boeing and Northrop: Defense Department estimates for the long-term cost of the program range between \$62 billion and \$100 billion. Both companies have formidable lobbying operations, spending \$7.2 million and \$8.3 million, respectively, on Washington lobbyists in 2019.

Boeing's stewardship of the Minuteman program brought it roughly 600 defense contracts totaling \$8 billion in the first 30 years of the programs, according to estimates provided by the company. Northrop has traditionally taken a secondary role handling complex systems integration.

In 2017, Northrop and Boeing were awarded contracts worth \$349.2 million and \$328.6 million, respectively, to develop their own version of a next-generation replacement for the Minuteman. In July, the Air Force asked each company to submit a proposal, hoping to compare the two missile designs and negotiate a fair price.

Boeing quickly threw a wrench into that plan, announcing July 25 that it would walk away from the competition because the Air Force's request for proposals allegedly favored Northrop.

Boeing's concerns stem from Northrop Grumman's 2017 acquisition of a company called Orbital ATK for \$7.8 billion. Orbital ATK — which operates as a Northrop Grumman business unit called Innovation Systems — is a dominant producer of rocket motors that power ballistic missiles. Aerojet Rocketdyne, the other U.S. manufacturer of rocket motors, also is working with Northrop.

Boeing has taken its case to the Pentagon, as well as to the Federal Trade Commission, but has failed to block the deal.

"We continue to stand ready to support this important program," wrote Leanne Caret, president of Boeing's Arlington-based defense business, in a July 23 letter seen by The Washington Post. "As we have discussed, we believe there are other procurement

structures that could provide this capability more rapidly at less cost, and we will look for ways to leverage the work ... to help support this critical national security mission.”

Boeing later approached Northrop about the possibility of teaming up but was rejected, a Boeing official said. So it came as little surprise Monday when Northrop released the list of companies it is teaming up with, and Boeing isn't on it.

Air Force officials stood by their approach but declined to comment on how they will proceed.

“We are very open to a variety of proposals. ... We are open to teaming relationships. We just don't want to dictate,” Will Roper, the Air Force's assistant secretary for acquisition, technology and logistics, told reporters Monday. “We think it should be decided by industry and what they think is best value.”

Soon afterward, Boeing countered that it is pursuing a multifaceted advocacy and lobbying campaign asking the government to force Northrop to collaborate.

“We believe it is a path to a better weapons system solution that will allow us to field the solution more quickly than either company could handle on its own,” said McCall, the Boeing official.

Analysts expressed concern over the current arrangement, in which Northrop will almost certainly be the only bidder. Whether Boeing's proposal will resolve the problem is less clear.

“I would much rather see a direct competition between Northrop and Boeing,” said Dan Grazier, a former Marine Corps captain working at the Project on Government Oversight, a watchdog group. “The best practice for any acquisition system would be a solid, honest, competitive prototyping, where the government can weigh competing options and get a competitive price.”

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