

KC-46 Program Back on Track After Some Missteps

Written by Nick Sanders
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The story of the KC-46 “Pegasus” aerial refueller program is one of the more interesting ones we’ve followed on this site. Our first article on the program was published in November, 2009, well before any winner in the competition had been announced. But the story goes back to 2003.

More recently, we have focused on the charges recording by Boeing against program profits, and what that means for competition in the defense industry. Because if the Pentagon is going to continue to let contractors “invest” to win competitions then only the biggest of the players—the ones with the most cash—will be the winners.

As of October, 2018, The Boeing Company had “invested” somewhere between \$2.6 and \$3.1 *Billion*

(depending on which report you read) into a Firm-Price-Incentive-Fee that was originally budgeted at \$4.8 Billion. Remember, before recording a charge, Boeing had to use up all the fee that was associated with of its share ratio. Boeing had to blow through its share of the incentive fee and then record another series of charges on top of that amount, charges associated with program delays and cost overruns.

And it’s not only Boeing, of course. Some of its subcontractors have experienced financial challenges associated with their part of the program. For example, Cobham recorded a charge of £150 million in February, 2017—followed by another charge of £40 million in July, 2018. At that time, reports [stated](#) that “Boeing has said it is going to seek damages for delays in the programme but has yet to specify how much it will be seeking; Cobham intends to contest those claims.” Recently, it was [reported](#) that—

UK engineering firm Cobham has accepted a £160m (\$206m) additional charge from Boeing to settle a dispute over delays in the KC-46 tanker aircraft aerial refuelling programme. The £160m sum consists of one £86m payment relating to the settlement of the dispute, and a further payment of £74m to complete Cobham’s Wing Aerial Refuelling podded system programme for the KC-46 as well as to cover rescheduling and costs of further possible delays.

Apparently, relations between the prime and its subcontractor had soured to the point where “Boeing withheld payments for the KC-46 aerial refuelling system to Cobham until the dispute over delays was settled.”

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But while the lawyers were calculating settlement amounts, the program seemed to be righting itself. Although the first delivery had been expected in 2017, it finally happened in January, 2019. As was reported (same article as above): "the USAF accepted delivery of six ... tanker aircraft despite finding a number of technical deficiencies. In response, Boeing agreed to fix the deficiencies at its expense."

By January, 2019, the program was back on track (albeit two years behind the original schedule) but almost immediately the wheels came off once again. In late February, the USAF customer "[suspended](#)" further deliveries because of "concerns about tools and other foreign object debris left in the aircraft — a potential safety hazard." USAF's Assistant Secretary for Acquisition, Technology and Logistics (Dr. William Roper) told reporters that "It boils down to process, culture and leadership in making systems. A trip to Boeing is almost certainly going to be necessary for me to approve DD250s again."

The suspension lasted about 10 days. On March 11, 2019, USAF began to accept deliveries once again. As [this article](#) reported—

To tackle the issue, a Corrective Action Plan (CAP) was issued for the delivery process. 'As directed by the CAP, subsequent deliveries will occur as Boeing successfully completes each aircraft's inspections and actions,' said Rose Riley, Air Mobility Command Public Affairs spokesperson.

Now that the deliveries resumed, the USAF is set to keep an extra eye on the coming planes. 'We're going to be measuring as we go, and we expect to see many months of pristine airplanes,' said Dr. Will Roper, assistant secretary of the Air Force for acquisition, technology and logistics during a hearing, as quoted by [military.com](#). 'They should be clean on delivery. If we don't see progress, we'll have to raise the stakes.'

To summarize, the KC-46a "Pegasus" program is years behind schedule, immensely overrun, and is still grappling with technical issues. So basically, just like almost every other major weapon system development program ever.

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But on the bright side, deliveries have resumed, and signed DD250s mean cash for Boeing and its subcontractors.