

When last we [looked](#) at this problem-plagued plane procurement, President Obama and his Pentagon “indicated it would welcome” a bid from a foreign manufacturer—which at the time everybody thought would be EADS. But then a wildcard was introduced into the game, as a Russian aircraft firm reportedly was gearing-up to offer a variant of the Illyushin-96 widebody jetliner, to be designated Il-98. We smirked, picturing the face of Boeing executives, who had worked so hard to turn the competition into a “low-price, technically acceptable” game in which there was almost no chance for the other side to win—and forcing Northrop Grumman to [concede](#). Given the huge gap in labor and material costs between the two entities, we opined that there was essentially no chance for Boeing to beat the Russians on price. The only way for Boeing to beat the Russians, and to secure what has been called the largest Pentagon contract ever, would be to change the game and, if that happened, there were many European nations prepared to cry “foul”.

## KC-X Aerial Tanker Update—The Russians Are Back!

Written by Administrator  
Thursday, 08 July 2010 00:00

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But almost immediately the reports were denied, and the competition settled down to Boeing versus EADS. But quite recently (July, 2010) reports [surfaced](#) that yet another bidder had entered the field—and this time it was Antonov out of the Ukraine. Employing a strategy similar to that reported for Illyushin, Antonov has executed an agreement to sell through a Southern California.-based defense contractor, [U.S. Aerospace, Inc](#)

According to the article at AirForceTimes (link above)—

Under terms of a “strategic cooperation agreement” signed July 1 in Kiev, Ukraine, “final assembly” of an U.S. Aerospace-Antonov tanker would take place on U.S. soil. Defense News obtained a copy of the agreement. The American company would oversee that stage of production.

U.S. Aerospace would coordinate the bidding process, negotiate with the Air Force, coordinate with subcontractors, ensure conformity of aircraft to requirements of RFP for KC-X Tanker Modernization Program,” according to the agreement.

Antonov would integrate components into the aircraft, work with its U.S. partner on preparing the aircraft for certification and testing, and “manufacturing and delivering to [U.S. Aerospace] specified aircraft and components,” states the pact.

What is Antonov offering the U.S. Air Force? According to that same article—

The source said U.S. Aerospace and Antonov plan to enter the four-engine AN-124-100, and a two-engine variant of that airframe known as the AN-122. In a further twist, the U.S.-Ukrainian team plans to enter “a new plane designed to meet the [KC-X] specs, dubbed the AN-112,” the source told Defense News. The AN-112 would be, if eventually entered, the only plane in the race designed specifically for the Air Force’s tanker requirements.

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Bids were due to be submitted by July 9, 2010. But at least one source has reported that the new bidder has requested a 60-day extension in order to prepare its bid. As of this date, it is not clear whether the Pentagon will agree to the extension.

[This Reuters article](#) notes that—

John Kirkland, a Los Angeles-based attorney for U.S. Aerospace, [said] the [Antonov] team would offer the Pentagon a ‘dramatically’ lower price for a far more capable plane.

Kirkland said Antonov, maker of the world's largest cargo planes, had modified an existing military cargo plane to meet U.S. specifications. Unlike the commercial derivative planes offered by rival bidders, the plane had a rear cargo door, a more stable airframe, and could land on dirt runways.

(We should note that Mr. Kirkland was also involved in the Illyushin bid as well.)

Some commenters dismissed the tardy bid as a “waste of time” (according to the Reuters article) because of various issues—among them the financial troubles of U.S. Aerospace, Inc. The company, which trades over-the-counter (as USAE), “reported a net loss of \$14 million in 2009,” according to Reuters. The article also had this to say about the U.S. face of the Antonov team—

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The company told investors in May it was in default on several notes and had an accumulated deficit of \$28 million, which raised substantial concerns about its future unless it was able to secure additional debt and equity financing.

It's an old adage that, if the RFP is the first time a bidder learns of an opportunity, it shouldn't bother bidding—because it has already lost. We wonder if the Antonov team (including Mr. Kirkland) has heard of that adage, or believes it applies to this situation. Time will tell.

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