



Project On Government Oversight
Exposing Corruption, Exploring Solutions

February 24, 2005

Honorable Donald H. Rumsfeld
Secretary of Defense
1000 Defense, The Pentagon
Washington D.C. 20301-1000

Dear Secretary Rumsfeld

We were very pleased when your office decided to cut the government's losses by terminating the C-130J program to save \$5 billion for the taxpayers. Now we are concerned to hear you say that "as additional information has come forward" you are reconsidering your decision.

For some time now, we have been closely monitoring the development and purchase of the C-130J cargo aircraft. Our research and discussions with experts have led us to the same conclusion that was expressed in a July 2004 audit by the Department of Defense Inspector General: The Air Force's "commercial" acquisition strategy to develop and purchase the C-130J aircraft was a disaster for the taxpayers and the men and women who must fly and maintain these aircraft.

We hope you will stick with your decision to end the overpriced, unneeded and problem-plagued C-130J program, and that you will carefully examine information that comes to you from those who are not acting in the best interests of the Air Force or the taxpayers.

One such claim circulating Congress and the media is that it would cost the government \$1 billion to terminate the Air Force's contract with the C-130J's manufacturer, Lockheed Martin. Even if the contract is terminated at the government's convenience, we believe those numbers are inflated. The contract clearly sets a "cancellation ceiling amount" of \$439.7 million if it were terminated before November 2005, and \$383.3 million if it were cancelled before November 2006.

We believe the C-130J could be cancelled for cause. In that case, the government pays no cancellation fee. According to the Inspector General's 2004 report, "not one C-130J delivered aircraft was fully compliant with the contract specification." Nor has it yet been declared operationally suitable or effective by the Pentagon's Director of Operational Test and

Evaluation. The Inspector General said the transport aircraft has been unable to perform such basic and critical missions that include night vision goggle operations, combat search and rescue, visual formation, global air traffic management, and air dropping paratroopers and containers. In addition, the hurricane hunter versions of the C-130J have experienced radar problems and the aircraft's six-blade propellers have become dangerously pitted in bad weather.

Moreover, the Government Accountability Office has established that the Air Force never even requested the C-130J, and a recent Rand study said development of the aircraft was "contractor-initiated." A 1998 GAO study concluded that the C-130J buys were driven by Congress and not military need. In fact, the new C-130Js forced the Air Force to retire some of its older C-130 models with substantial service life remaining, the GAO said.

Indeed, on February 9, DoD's acting acquisition chief Michael Wynne told an investment conference in New York City that changing transportation requirements and capabilities prompted the department's decision to terminate the C-130J program. According to an article in *InsideDefense*, Wynne commented on several forthcoming studies that will address airlift options: "Emerging results for some on these studies indicate the Defense Department may not need to rely as heavily on cargo aircraft like the C-130J to haul military equipment around the world. New options for quickly getting weapons, supplies and vehicles to the fight including high-speed ships and increased reliance on prepositioned stocks, Wynne said this week."

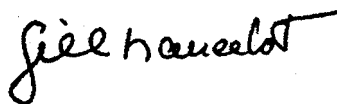
Furthermore, one of the justifications for declaring the C-130J a "commercial item" in the first place was based on Lockheed Martin selling the aircraft on the commercial market. In 1998, Lockheed Martin obtained a formal FAA commercial certification. However, it has not sold one aircraft commercially and, in fact, has since allowed the FAA commercial certification to expire. Lockheed has continued to benefit from selling this product as a commercial item, but government auditors have no capacity to review cost and pricing data in order to ensure that the American taxpayers are not getting ripped off.

Once again, we commend you for having the wisdom and courage to terminate yet another wasteful weapons system. We hope that you'll stand by your decision despite the heavy pressure you'll be getting in upcoming weeks from special interest groups that serve masters other than the taxpayers and our nation's men and women of the military.

Sincerely,



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