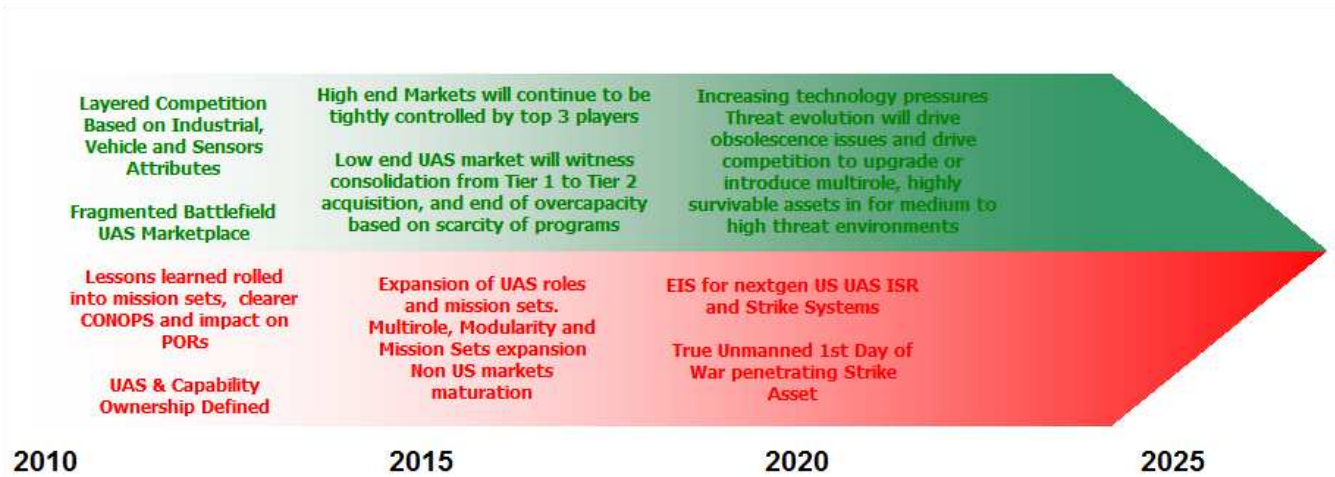


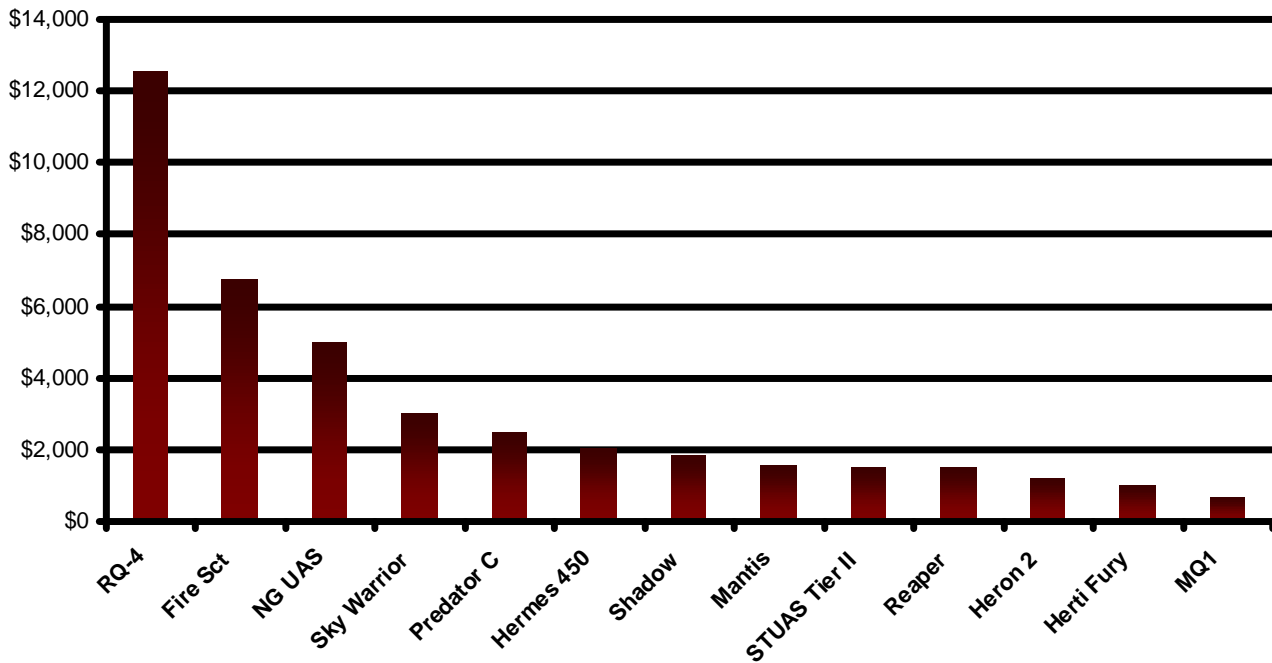




UAV Markets: The Decade Ahead (continued)



DoD is attempting to incorporate lessons learned at an alarming rate, and this has resulted in a number of continually shifting needs. It is within this situation that nontraditional UAV manufacturers (e.g. L-3, Honeywell) are focusing on UAS through acquisitions, bids and wins on DoD programs of record. Increased UAS capabilities and threats from dismounts to peer adversaries will result in a more capable, well-defined UAS inventory in the 2020-2025 timeframe.



This chart forecasts revenues for awarded programs of record as well as internally-produced UAS intended to compete domestically as well as internationally over time. The U.S. Army's decision to forgo the Class IV UAS will have a negative impact on the Northrop Grumman MQ-8B Fire Scout, but many in industry feel that this cancellation will be but a reallocation of these VTOL ISR funds over time, although mission sets and production runs will shift with requirements.





## Combat Aircraft Market Update: Our interview with IAG

- Both the Dassault Rafale and Boeing F-18E are meeting the technical requirements of the Brazilian Air Force. Gripen is a distant third.
- F-X2 has always been a political decision... The FAB believes that Gripen NG can bring significant value to the Brazilian industry, what Rafale brings in addition to significant technology transfers is operational independence
- The overall issue with the Dassault Rafale has primarily been its high price tag, and this is at the core of the negotiations and issues
- There is a political element to the sale of the UAE 2000-9s, this is going to be a delicate transaction
- Selling Rafales to Libya is a complicated proposition, there are some questions as to the rationale of providing such advanced platforms to this country. This might have a destabilizing effect in Northern Africa.
- The Switzerland fighter deal will take sometime, Opposition will remain from various Swiss political factions
- India's goal is to probably align itself with the US, F-18 has got to be considered the leading contender

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### From the G2 Solutions News Review 2009: the year of "almost".



All signs point to a real but painfully slow recovery over the next five years. 2009 marked significant progress with several key programs, but collectively they can only be best described as "almost there".

The Boeing 787 is almost there. At least signs are pointing in the right direction. Flight testing is now underway and if all goes well in 2010, this revolutionary aircraft will enter service with Japanese carrier ANA in the last quarter. Boeing made the right decisions in 2009, and technical issues appear under control. The 6-month delay probably gave the program a much-needed pause to address problems that might have had a more significant impact during flight testing.

We are also nearing a decision with regard to the next generation narrowbody aircraft at Boeing and Airbus. Boeing is facing significant decisions in the next two to five years: should the company protect its 777 in light of Airbus A350 development, or does it need to counter emerging narrowbody competitors before those capture significant 737 market shares? 2010 should answer these questions. As we said almost two years ago, the next decade could prove more successful for Airbus despite the 787 revolution.

Boeing's management is making sound business decisions to ensure that the organization remains competitive in an increasingly fragmented and global marketplace. There is probably no turning back to the old ways of manufacturing and assembling aircraft, and unions seem to have failed to understand these new market realities. The 787 production and assembly model will not go away, and while aircraft OEMs will be re-evaluating their selection and relations with suppliers, we expect more future work to migrate to Tier One companies..

2010 should also bring with it the end of the KC-X saga. Although this might be a rather presumptuous assumption for this particular program. We do not see how the Air Force could again endure further delays with the KC-135 replacement. Northrop Grumman's intent to remain in this competition isn't clear at this point, we certainly hope they decide to stay on to compete but the reservations expressed by NOC management are certainly valid for the most part from a program risk and cost standpoint. KC-30 is a strong product demonstrating significant value for the customer and significant maturity and benefits for the US industrial base. If Boeing chooses again to propose the KC-767, it will have a product that can also fully satisfy stated Air Force needs.

The year of almost does not belong exclusively to KC-X. U.S. Defense Secretary Robert Gates' April 6, 2009 press conference brought with it a broad range of cancellation and restructuring. Missile Defense, DDG 1000, Future Combat Systems, the Presidential Helicopter Replacement (V-71), Airborne Laser, USAF CSAR-X helicopter program, the USAF Transformational Satellite Program (TSAT), and others fell into the "Almost" category in the space of a single press conference.

In spite of great momentum behind Intelligence, Surveillance and Reconnaissance (ISR) programs, two DoD UAV initiatives slid into the almost category in 2009, although 2010 should see RFPs and perhaps awards in the Air Force's MQ-X program and the Navy/USMC STUAS Tier II competition. Absent more "surprises" such as the "unveiling" of the Lockheed Martin RQ-170, these two acknowledged programs should constitute the new-dollar-value bulk of DoD UAS proposals through 2013. As events in theater continue to run circles around DoD acquisition cycles, look for more creative ways for UAV manufacturers to get their UAS on DoD budget and in theater.



