

DEFENSE CONTRACTORS

US put China-made parts in F-35 fighter program

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REUTERS



Getty Images

Lockheed Martin's F-35.

The Pentagon repeatedly waived laws banning Chinese-built components on U.S. weapons in order to keep the \$392 billion **Lockheed Martin** F-35 fighter program on track in 2012 and 2013, even as U.S. officials were voicing concern about China's espionage and military buildup.

According to Pentagon documents reviewed by Reuters, chief U.S. arms buyer Frank Kendall allowed two F-35 suppliers, **Northrop Grumman** and **Honeywell International**, to use Chinese magnets for the new warplane's radar system, landing gears and other hardware. Without the waivers, both companies could have faced sanctions for violating federal law and the F-35 program could have faced further

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delays.

"It was a pretty big deal and an unusual situation because there's a prohibition on doing defense work in China, even if it's inadvertent," said Frank Kenlon, who recently retired as a senior Pentagon procurement official and now teaches at American University. "I'd never seen this happen before."

The Government Accountability Office, the investigative arm of [Congress](#), is examining three such cases involving the F-35, the U.S. military's next generation fighter, the documents show.

The GAO report, due March 1, was ordered by U.S. lawmakers, who say they are concerned that American firms are being shut out of the specialty metals market, and that a U.S. weapon system may become dependent on parts made by a potential future adversary.

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The waivers apply to inexpensive parts, including \$2 magnets, installed on 115 F-35 test, training and production aircraft, the last of which are due to be delivered in May 2014. Lawmakers noted that several U.S. companies make similar magnets.

Kendall said the waivers were needed to keep production, testing and training of the Pentagon's newest warplane on track; avert millions of dollars in retrofit costs; and prevent delays in the Marine Corps' plan to start using the jets in combat from mid-2015, according to the documents. In one case, it would cost \$10.8 million and take about

25,000 man-hours to remove the Chinese-made magnets and replace them with American ones, the documents indicate.

Lockheed is developing the F-35, the Pentagon's costliest arms program, for the United States and eight countries that helped fund its development: Britain, Canada, Australia, Italy, Norway, Turkey, Denmark and the Netherlands. Israel and Japan have also placed orders for the jet.

The program is already years behind schedule and 70 percent over initial cost estimates. At the time Kendall was granting the waivers, officials were acutely worried that further delays and cost increases would erode the foreign orders needed to drive down the future cost of each warplane.

In the documents, Kendall underscored the importance of the F-35 program to ensure continued U.S. military superiority and counter potential emerging threats from nations developing their own stealth fighter jets, including Russia and China.

He said additional delays would force the United States and its allies to keep its legacy fighters flying longer, which would result in higher maintenance costs. It would also leave them with older jets, which Kendall said "cannot match the offensive and defensive capabilities provided by F-35."

The Pentagon first disclosed problems with non-U.S. magnets in a little-noticed written statement to Congress in the spring of 2013. But the statement did not name companies involved and did not disclose that

some of the parts came from China.

Officials at Northrop, Honeywell and Lockheed declined to comment on the issue, referring queries to the Pentagon.



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Joe DellaVedova, spokesman for the F-35 Joint Program Office (JPO) at the Pentagon, said the office was committed to ensuring that federal defense acquisition laws were strictly followed.

"There was never any risk of technology transfer or other security breach associated with these manufacturing compliance issues," he said. "The JPO is working with industry to put in place long-term solutions to avoid the need for future waivers."

In his statement to Congress, Kendall said he took the matter "extremely seriously" and said Lockheed was told to take aggressive

steps to identify any further cases, and correct its compliance process.

Bill Greenwalt, a former senior defense official and now an analyst with the American Enterprise Institute think tank, said the risk to national security appeared low since the magnets in question had no programmable hardware.

However, he added: "This is an area that will need considerable due diligence in the future to ensure that components for more high-risk applications are safe from potential tampering and foreign mischief."

Specialty metals

Since 1973, U.S. laws have banned the procurement of specialty metals produced outside the United States for use on U.S. weapons. A separate 2006 law also bans the purchase of end-use items and components that include such specialty metals.

The documents reviewed by Reuters show that Northrop first discovered the use of non-compliant Japanese magnets on the Active Electronically Scanned Array (AESA) radar it builds for the F-35 in August 2012, alerting the prime contractor, Lockheed, which then told the Pentagon.

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A subsequent investigation of all parts on the F-35 turned up two more cases in which non-U.S. specialty metals were used on the F-35's radar, and on target assemblies built by Honeywell that are used for positioning doors and landing gear.

Northrop's radar was also found to contain \$2 magnets made by Chengdu Magnetic Material Science & Technology, in China's Sichuan region, according to the documents.

The magnets used on the Honeywell target assemblies were acquired through Illinois-based Dexter Magnetic Technologies.

Dexter and Chengdu Magnetic did not immediately respond to requests for comment.

Knowing and willful?

In June, the House Armed Services Committee asked the GAO to determine whether the companies involved "knowingly and willfully" supplied non-compliant magnets, and how the Pentagon investigated that question. The committee also asked GAO for recommendations on potential changes, such as fines or penalties for non-compliance to deter future problems, as well as suggestions for beefing up Pentagon supply chain management procedures.

In a document approving use of Chinese magnets on the batch of 32 F-35 fighter planes now being built, Kendall said neither Lockheed nor Northrop knowingly allowed the parts to be used.

In his waiver, Kendall wrote that Northrop's initial mistake, involving magnets built in Japan, was an "administrative oversight" and noted the firm quickly reported the matter when it was discovered in August 2012. It led to the comprehensive review that found two additional issues involving Chinese-built magnets.

It is not clear from the waiver documents whether Kendall determined that Honeywell's use of Chinese-built magnets involved a similar mistake.

—By Reuters

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