

L-3 subsidiary lands \$250M drone contract

BY JEFF BOUNDS /STAFF WRITER

L-3 Communications Geneva Aerospace, a local maker of unmanned aircraft, has won a contract that could be worth as much as \$250 million during the next five years to supply drones to the U.S. Special Operations Command.



\$250M

L-3 Communications Geneva Aerospace will be adding engineers to help it fulfill the military contract to make the drone shown above.

The deal is worth a guaranteed \$5 million in the first year of the contract, and has four one-year options after that, according to Maj. Wes Ticer, a spokesman for the Special Operations Command, which, among other things, is responsible for acquiring technology and other gear used by U.S. Special Forces.

Ticer declined to say how many of the unmanned aircraft — called the Viking 400 — the Command will be buying from L-3 Communications Geneva Aerospace, and added that “it’s hard to say” what factors might go into the agency’s decision to exercise the annual extensions on the contract.

L-3 Communications Geneva Aerospace is the Carrollton-based unit of L-3 Communications Holdings Inc. (NYSE: LLL), the New York company whose product lines include satellite and aviation systems that are sold primarily to the U.S. government.

L-3 Communications Holdings had about \$14.9 billion in revenue last year, but does not break out sales specifically for its Geneva Aerospace unit, which has a total of 110 employees. The Geneva Aerospace unit falls into L-3’s “specialized products” segment, which brought in about \$5.3 billion in revenue in 2008.

L-3’s local unit will be hiring an unspecified number of engineers in conjunction with the contract win, said Todd Gautier, the vice president of business development at L-3’s sensors and simulations group. The Carrollton location, which currently employs 64, will need talent to handle design, program

management and logistical support, among other things, Gautier said. Manufacturing of the Viking 400 will be done at an L-3 location in Maryland.

Gautier said the L-3 views the Special Operations Command contract as “the first of many opportunities to follow.”

“There has been interest across the U.S., as well as internationally,” he said.

Mission: surveillance

In the world of unmanned planes used for military purposes, the Viking 400 is a mid-size aircraft. It has a wing span of 20 feet and is 14.7 feet long, with a 75-plus-pound payload capacity. It can stay in the air from eight hours to 12 hours, depending on how much payload it is carrying, according to Geneva Aerospace. It also has high-bandwidth technology for sending and receiving data.

The Viking 400 will be used around the world for unmanned flights done for intelligence and surveillance purposes, according to Ticer of the Special Operations Command.

The Special Operations Command isn’t the only military agency embracing unmanned aircraft. Use of unmanned aircraft has exploded since 9/11, with the U.S. government leading the way because of the wars in Iraq and Afghanistan, analysts say.

During the next 10 years, the market for unmanned aircraft will be upward of \$37 billion, according to Larry Dickerson, senior analyst at Forecast International, a Newtown, Conn.-based market research firm specializing in aerospace and defense. That breaks down to about \$17 billion spent on research and development, with another \$20 billion on putting the craft into production, he said. Northrop Grumman (NYSE: NOC) and General Atomics are leaders of what is a highly fragmented market.

Despite the growth in the market for unmanned aircraft, the sector faces a dichotomy that will be challenging for government contractors, Dickerson said. The government has acquired so many of the craft in the past

eight years that the sheer number it needs short term will begin to slow, even though the average selling price of each drone will go up as more bells and whistles are added. To put that in perspective, there were fewer than 200 unmanned aircraft in use before the second gulf war, Dickerson said. Now there are closer to 6,000.

L-3 “is trying to participate in this market,” Dickerson said. “They don’t want to be locked out ... They’re not what I’d call one of the premiere players right now. They don’t have long-term production contracts” that Northrop Grumman or General Atomics do.

Dave Felio, president of L-3 Communications Geneva Aerospace, disputes the idea that the proliferation of unmanned aircraft will mean a coming slowdown in the number of units that military and government customers acquire.

“We’re poised to solve a number of emerging challenges that require fast reaction and implementation,” he said. “We think we will be able to capture a lot of market (share) with that capability.”

SPECIFICATIONS FOR THE VIKING 400

- **75-plus pound** payload capacity.
- Nearly **7,000 cubic inches** of payload volume.
- High bandwidth, digital data link.
- Empty weight: **320 pounds**.
- Wing span: **20 feet**.
- Length: **14.7 feet**.
- Endurance: **8-12 hours**.



COURTESY PHOTO

Source: L-3 Communications Geneva Aerospace

BIG WIN

NAME: L-3 Geneva Aerospace
BUSINESS: Defense contractor
HEADQUARTERS: 4240 International Parkway, Suite 100, Carrollton 75007
OWNERSHIP: Unit of New York-based L-3 Communications Holdings Inc. (NYSE: LLL)
TOP EXECUTIVE: Dave Felio, president
EMPLOYEES: 110, including 64 in Carrollton
ANNUAL REVENUE: Not disclosed
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