

WASHINGTON (Reuters) - The U.S. armed services are maneuvering to defend big-ticket weapon programs as the nation's economic woes mount and the government spends billions of dollars shoring up the financial system.

Experts say the services have a good chance of succeeding - to the benefit of contractors such as Lockheed Martin Corp.

To the extent there is budget pressure on the biggest programs, they are likely to be stretched out or scaled back slightly rather than scrapped, several experts said.

"It's very rare for programs to be actually canceled," said Steven Kosiak, vice president for budget studies at the Center for Strategic and Budgetary Assessments.

Even such controversial efforts as missile defense, which has been receiving about \$10 billion annually in recent years, was pruned less than three percent this year by lawmakers - a measure of bipartisan support.

The Air Force is seeking the abrupt retirement of 314 F-15 and F-16 fighter aircraft and nine A-10 close air support planes to save \$3.4 billion in fiscal 2010, which begins next October 1.

Its goal: to use the money to keep on track Lockheed's next-generation F-35 Joint Strike Fighter, modernize bombers and buy unmanned surveillance planes.

In addition, Air Force officials have made clear they hope to extend production of Lockheed's radar-evading F-22 air superiority fighter - a decision for a new president who will take office in January after the November 4 election.

And less than 24 hours after canceling a projected \$6.2 billion deal with Textron Inc's Bell Helicopter unit due to cost overruns and delays, the Army said it would stage a new competition as soon as possible.

The Army said a new fleet of 512 reconnaissance and attack helicopters remained a "critical requirement".

## POLITICAL SUPPORT

"Big weapons programs generate so many jobs that they spawn potent political constituencies," said Loren Thompson, a defense industry consultant. "Weapons programs will be fiercely defended."

The Army is also seeking to protect its \$160 billion Future Combat Systems program, the centerpiece of its modernization efforts. The program is co-managed by Boeing and SAIC.

"We're 100 percent behind it, and we'll make it a priority in all of our budgeting going forward," Army Secretary Pete Geren told reporters earlier this month, days after a \$700 billion financial rescue package was signed into law.

Not all defense-industry watchers believe military spending can be largely immune to the sputtering economy.

James McAleese, a McLean, Virginia, government contracts lawyer, said the Army helicopter cancellation signals the start of leaner times for the defense industry. "This vote of no-confidence is an obvious wake-up call for the rest of the defense community for at least the next four years," he said.

The Bush administration has projected that defense spending, adjusted for inflation, will flatten and gradually decline starting in 2010, after peaking in fiscal 2009 that began October 1.

Defense spending has risen four or five percentage points above the inflation rate over the past eight years.

Congress authorized \$612.5 billion for national security in fiscal 2009, including \$542.5 billion for the basic defense budget and a \$70 billion allowance for the wars in Iraq and Afghanistan.

Thompson said demand for fighter aircraft, ships, tanks and other multibillion-dollar weapons systems is driven mainly by overseas threats and domestic politics, not economic forces.

Congress, for example, often has defeated Pentagon efforts to kill programs. This year lawmakers kept alive the Navy's next-generation destroyer program and a second engine for the F-35 fighter.

David Berteau, a defense industry analyst at the Center for Strategic and International Studies and a former Pentagon acquisition official, said the big programs were based on "fundamentally sound requirements."

If they were not funded, the military would have to spend large sums to upgrade aging systems or abandon missions - "and we're not going to do that," he said.

Jacques Gansler, the chief weapons buyer from 1997 to 2001 who still advises the Pentagon on many issues, predicted the sums being spent on national security would not have a "precipitous decline."

(Reporting by Jim Wolf; Editing by Tim Dobbyn)(c) Reuters