

News & Views: Aerospace & Defense

An Informational Resource

A & D Going Global

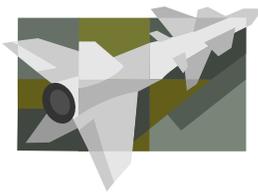
Most aerospace and defense (A&D) companies have operations and supply chains that are not as global oriented compared to other high-tech industries, according to a study by Pricewaterhouse-Coopers (PwC).

After surveying executives at 15 leading A&D companies, PwC learned that most leaders believe their

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Diversification is the Answer

Most of the big business moves in the U.S. defense industry this year have involved divestiture and diversification, aided by lots of cash in contractor bank accounts—just waiting for the right investment opportunities.



Diversifying into the private sector is a viable growth strategy for big military contractors like General Dynamics (GD) and Lockheed Martin. GD bought healthcare IT provider Vangent from Veritas Capital for \$960 million in

September, and Lockheed has established a fast-growing cyber-security business with power grid operators.

Then there's United Technologies' (UT) acquisition of Goodrich, helping to extend its dominance in the military rotorcraft and engines markets while growing its civil and commercial aerospace revenues.

Meanwhile, Boeing is focusing more on its commercial business after losing hundreds of billions of dollars in potential business defense contracts. Boeing's 787-8 Dreamliner is a case in point.

The poster child of diversification may well be Textron, which has

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Off-Shoring in China and Mexico

Celestica enhanced its global aerospace manufacturing footprint by certifying its Suzhou, China facility AS9100C, making it Celestica's fifth such aerospace Center of Excellence in the world. The others are in Toronto, Canada; Austin, Texas; Valencia, Spain; and Kulim, Malaysia.



These facilities earned this certification by adhering to strict aerospace quality and reliability standards, such as employing effective corrective actions to drive consistency for mission-critical products. This milestone underscores Celestica's commitment to an expanding market in China and to provide innovative, cost-competitive products and services to its worldwide customers.

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Honeywell Teams With G.A.L.

Honeywell has contracted with aerospace services supplier, Global Aerospace Logistics (GAL) to enhance its supply chain in the United Arab Emirates (UAE). As a result, its customers will receive spare parts and technical support much faster.

Honeywell is a leading global provider of integrated avionics, engines, systems and service solutions for aircraft manufacturers, airlines,

business and general aviation, military, space and airport operations.

GAL will help improve Honeywell's response time on orders, maintenance and repairs of aircraft and engines, logistics, training, air traffic control, consulting, aircraft spare parts and accessories, aircraft trading, airplane rentals, civil aviation information services, and on-shore & off-shore oil and gas field services.

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leveraged it to shepherd its major business units through rough patches in recent years. Textron has been a supplier of unique military equipment to all three military departments while having a major presence in commercial

markets such as automotive, recreation and business jets. It also generates 36 percent of its revenues overseas, much higher than most military contractors. With all of the uncertainties in the defense arena, Textron's multi-industry model looks like a winner.



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Ohio: We're #1 A&D State

A \$7 million Ohio grant will help develop a state-wide unmanned air vehicle industry, develop a strategy to shield Ohio defense establishments from downsizing or relocation, and establish Ohio as the premier location in the United States for aerospace and defense.

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Meanwhile, Horst Engineering's Guaymas, Sonora, Mexico manufacturing plant recently earned accreditation by the National Aerospace and Defense Contractors for its high quality and superior services. The facility recently added a Surface Treatment/Passivation process to better serve its expanding client base in Mexico.

This recognition identifies companies in the aerospace supply chain

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that deliver superior special processes. Connecticut-based Horst Engineering manufactures high-precision machined parts and assemblies for aerospace, medical and other high-tech industries.

Another indication that Mexican manufacturing is booming are the thriving firms that serve foreign-based companies.

The Offshore Group, Mexico's largest of these service providers, operates three manufacturing industrial parks where 61 multi-national companies operate plants. It helps companies, like Horst Engineering, to establish and maintain manufacturing facilities in Mexico at low cost and risk.

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companies would benefit from increasing their pace of globalization and that their two big challenges are threats to intellectual property and compliance issues. In general, respondents said that good leadership and risk management practices should address these concerns.

There will be profound change in the A&D industry for the foreseeable future, with winners and losers being defined in the coming decade by how they respond. The winners will be the ones who successfully manage the new supply chain challenges that require both speed and agility.