

## Whither the Aerospace & Defense Industry?

Written by Administrator  
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Aviation Week & Space Technology reports in its August 3, 2009 edition that the Aerospace & Defense Industry may be headed for a downturn. Joseph Anselmo discusses points made at a recent AW&ST Executive Summit that may portend trouble for the notoriously cyclical industry.

-- Assuming another DOD budget increase in 2010, that would mark 13 straight years of budget increases. What are the odds that we could see another DOD budget increase in 2011, which would make it 14 consecutive years of increases? Not good, according to Mr. Anselmo. The last time the US increased its Defense budget 14 consecutive years, Martin Van Buren had just seceded Andrew Jackson as President, Samuel Morse patented the telegraph, and Abraham Lincoln was an Illinois state legislator. The year was 1837.

-- The "once insurmountable lead" of the United States in the Aerospace & Defense industry "is being eroded by a flawed military acquisition process" and other factors. Mr. Anselmo opined that "an industry built on vision and guts has become middle-aged and rudderless, lulled into complacency by its current financial success and too risk-averse and bureaucratic to attract the young talent needed for tomorrow's innovations."

-- The dedicated approach of China (in particular) to developing a local civil aircraft industry "threatens to make the 2010s the last decade of U.S. and European pre-eminence in the sector."

-- Booz & Co. is forecasting "a flattening of the Pentagon's budget and a phaseout of supplemental war budgets" that "will result in a 25-20% decline in U.S. military spending by 2013." Moreover, higher spending on personnel costs and the costs of ongoing operations "will force a 40% cut to investment funding--weapons and aircraft--by 2013."

So the forecast is not rosy for the aerospace and defense industry. Look for increased pressure to cut costs and to trim overhead.