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Michigan aerospace manufacturers gear up

Brown: diversification is urgently needed by cash-strapped auto suppliers

By [Pete Daly](#)

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The contracts aren't as large as in the automotive industry, but there is a better margin of profit — and the payment comes much quicker — in the aerospace industry, according to the head of the **Michigan Aerospace Manufacturers Association**.

Encouragement for diversification into aerospace is coming domestically as well as from European aerospace firms, such as Great Britain's **Rolls-Royce Group**, which are becoming interested in Michigan manufacturers' abilities and are connecting with them through organizations like MAMA.

MAMA, based in Grand Rapids but covering the entire state, was founded a couple of years ago with the help of a state grant to push for more aerospace contracts for Michigan. Almost 40 companies are signed up in the association and there may be 50 by year end, according to MAMA president Gavin Brown.

Although the aerospace industry has not been immune to the overall slowdown in the global economy over the past two years, it is still in need of more suppliers — unlike the auto industry in the United States. Aerospace needs new suppliers as it ramps up for an expected increase in demand for both civilian and military aircraft in the years ahead.

New aircraft development takes much longer than new product development in the auto industry, so aerospace manufacturers are used to planning and working several years in the future — and the years ahead show great potential, according to Brown.

Brown said there are three divisions in aerospace: military, commercial and general aviation.

The military sector is now very much into unmanned aerial vehicles, called UAVs, which are being used for both intelligence and offensive/defensive operations in Iraq and Afghanistan. UAVs are remotely piloted or auto-piloted aircraft that can carry cameras, sensors,

communications equipment or ordinance. They have been used in a reconnaissance and intelligence-gathering role since the 1950s, and more challenging roles in combat are now being expanded.

Brown said he is working to put together a coalition of high-tech experts from Michigan universities to support an in-state effort "to go after a new propulsion system for the next generation of UAVs," as well as component parts for them.

Brown sees the commercial aerospace sector "continuing to go strong," although there have been setbacks. The aerospace industry has been energized for several years by new projects underway at **Boeing** in the United States and **Airbus** in Europe. Airbus is a European consortium that builds several models of commercial airliners widely used around the world. In 2005, it launched the A380, the largest commercial aircraft ever flown, with seats for 550 passengers and engines made by a division of the Rolls-Royce Group.

In the U.S. it's the new Boeing 787 Dreamliner that is promising to keep many aerospace suppliers busy in the years ahead. It was supposed to have made its maiden flight in 2007 but suffered several delays; in late August Boeing stock surged when the company announced the first Dreamliner would fly by the end of the year. The plane is built for fuel efficiency with lightweight carbon composite parts.

"The 787 is going to be the most lucrative plane program in the history of U.S. aviation, once it's off and running," said Brown. He is convinced that once Boeing has the 787 in mass production, it will be an aircraft the world will benefit from for decades.

The third sector, general aviation, includes light aircraft and business jets.

"I do not see that coming back strong for at least two to three years," said Brown.

Representatives of Rolls-Royce, which makes propulsion systems for use in air, land and marine vehicles, will be meeting with members of MAMA in southeast Michigan this fall, according to Brown.

"They're looking to place business in the U.S. because of the currency exchange rate," said Brown, "and they're looking for our group to be a major player in their diversification into parts procurement in the United States."

Also later this year, Brown will be going to Italy with MAMA members to meet with more than 200 European aerospace manufacturers. He said the U.S. Chamber of Commerce organized that trip to promote awareness of MAMA members overseas.

Although Brown said he feels a sense of urgency to get Michigan manufacturers diversified into aerospace, he cautions that new relationships in the aerospace industry take time. "Sometimes it takes up to two or three years for the relationship to actually foster business," he said.

The urgency Brown talks about is due to the crash of the U.S. auto industry.

Some small companies that manufacture parts or provide services to the automotive industry are close to or already experiencing "drying up of

cash flow," said Brown.

Ironically, however, it takes cash to invest in diversification into new markets such as aerospace.

Brown said he has heard that payments to lower-level auto suppliers from higher up in the automotive manufacturing pyramid "are getting pushed out 180 days."

Aerospace suppliers, on the other hand, are traditionally paid from 30 to 60 days after delivery of the order, at the most, he said. "So a lot of them like the payment terms of aerospace."

"The cash flow issues that face the manufacturers in Michigan are going to be critical for the next 90 days," Brown said in late August. He said that lack of cash flow might impede the ability of some of them to go into aerospace — even if they could land a contract — because they will not be able to buy materials.

Brown said a concerted effort is needed to help support those companies during the cash-flow crisis, to enable them to diversify.

"We have to work with a sense of urgency to engage our manufacturing base" in aerospace, said Brown.

The companies going into aerospace also must understand the dynamics of that industry — "and I think we're the best conduit for any of those manufacturers in the state of Michigan," added Brown.

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