

BUSINESS

LAUGHING ALL THE WAY TO THE DATA BANK

UK aerospace, defence and electronics group Meggitt comes to Farnborough having just signed an alliance that it believes can have a substantial impact on its data acquisition and monitoring activities.

Last month it signed an agreement with Canada's AeroMechanical Services that will give fixed- and rotary-wing operators real-time access to flight and engine information.

The deal will see the joint marketing of Bourne-mouth-based Meggitt's condition monitoring systems with Calgary-based AMS's onboard Automated Flight Information Reporting System (AFIRS) and ground-based processing and delivery system, UpTime.

AFIRS takes information such as an aircraft's time and position, together with a snapshot of engine performance data such as torque,



Terry Twigger: "A lot of people don't realise how big we are."

temperature and fuel flow, bundles it into a file and sends it via Iridium communications satellite to UpTime. There, it is reformatted to a customer's specification and forwarded to

Alan Dron finds out how a new alliance will transform Meggitt's activities

the customer or a third-party contractor within seconds.

Meggitt's chief executive, Terry Twigger, says the alliance with AMS has given his company the capability to instantly download the information gathered by its condition monitoring equipment. This is a "valuable underpinning" of its existing activities.

Indeed, he sees condition monitoring providing an increasingly important avenue for the Group: "Anybody who's got a piece of equipment wants to know what's happening with it. Is it working properly, does it need maintaining now or in a month's time? We see this as a general trend and we've got some products very well

positioned to exploit that."

Additionally, he believes AFIRS technology can slot in with products from other Meggitt Group companies, such as Dunlop Aerospace Braking Systems, to give customers instant data on undercarriage components.

Brakes have recently come to the fore within the group, with the first flight last month of EADS' Barracuda unmanned aerial vehicle (UAV) carrying Dunlop's Ebrake. Meggitt says this was a world first – the first electric brake and antiskid system of its kind to have flown successfully.

The result of almost a decade of investment in advanced electric braking technology and its associ-



Last month's initial flight of EADS' Barracuda UAV carried aloft the Ebrake, which Meggitt claims as a world first.

ated control systems, Ebrake – on show at Meggitt's stand (Hall 3, C8) – is claimed to offer reduced weight and increased reliability over traditional hydraulic systems.

Interest

Dunlop says several airframe constructors have already shown strong interest in Ebrake, which can also be retrofitted to existing aircraft.

Twigger has seen the integration of the group's diverse product portfolio have a beneficial effect on its bottom line, with its sales rising a healthy 29% in 2005 to £616 million (\$1.1 billion): "We're increasingly focused on getting Meggitt to work together as a much more focused group of companies."

One of his aims at Farnborough will be to present Meggitt as a much more cohesive organisation, one that is easier for customers to deal with. "We're a reasonably sized company now and a lot of people don't realise how big we are and the capabilities we can bring."

Meggitt has regularly added to its portfolio of subsidiaries in recent years and remains "most definitely acquisitive", says Twigger. "We're a very ambitious company. The potential is there to continue to grow. Every three to four years we do a significant acquisition – assuming we can find one – but in between we're doing 'bolt-ons'. These days, those could be worth £50 million-£70 million, quite sizeable in their own right."

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BUSINESS FOCUS



The plane now standing at Platform 1 is the 737 for Seattle, writes *Alan Peaford* as new aerostructures firm spirits away a big slice of market



Top: Spirit Aerospace's Wichita factory. **Above:** Letting the train take the plane... A normal sight for the US city's inhabitants.

TAKE THE WICHITA LINE, MAN...

A 737 passing overhead is not an unusual sight – but one that passes just 4m above your head across a railway bridge is something that takes your breath away. For residents in downtown Wichita, Kansas this is virtually a daily occurrence.

Completed 737 fuselage sections are taken by rail from the former Boeing factory just outside the town for an 1,800 mile (3,300km) journey to Seattle. But the journey that this signifies is far greater than the distance of that railway track.

The airframes are from a new name in the aerospace industry, a business making its debut at Farnborough, but one that is already among the largest Tier 1 suppliers in the industry, with ambitious plans to get bigger.

The company is Spirit Aerosystems, formally Boeing's Commercial manufacturing units in Wichita and in the Oklahoma towns of McAlester and Tulsa.

The facilities were bought by Canadian investment firm Onex for \$1.2 billion just two years ago. The company has spent the intervening time going through a metamorphosis from a cost centre to a very focused profit centre.

"Of course that's not an easy transition to make," says Spirit's president Jeff Turner. "But we had to come

through a period of uncertainty when we were competing internally for Boeing work and listening to persistent rumours of sale."

Onex shed 2,000 jobs from the business but Turner says the biggest difference was complete refocusing on customer needs.

"That's a difficult concept to grab in a big business when cause and effect is so far apart. Our team is now so much closer to the realities – the business is much more real.

"The change in culture is important. Boeing had always demanded excellence and we have built from that. We know that job security and continuity is about running a competitive and productive business."

The Onex deal has allowed significant further investments into the Spirit business. The largest of

these allowed Spirit to enter the European market in a big way. Back in April, the company bought the former BAE Systems aerostructures business for £80 million (\$142 million), in a move that gives Spirit involvement in Airbus programmes.

Key

Turner says the key to success in the aerostructures market is to broaden the business base and so drive down costs as a means both of retaining work and winning new contracts.

Spirit has set itself the goal of becoming a global player in the market, but has had limited success with Airbus. Industry sources say responses to requests for information late last year suggested the company's prices were too high. But the BAE acquisi-

tion has delivered entry to the Airbus purchasing and now Spirit is delivering.

BAE's aerostructures unit generated sales of £207 million in 2005, and earnings of £7.4 million from its operations in Prestwick, Scotland and Sarnesbury, England. More than 80% of the unit's revenue comes from A320 family, A330 and A340 work. The rest is from work on the Boeing 767 and 777 and Raytheon's Hawker 800XP business jet.

The Spirit deal is the latest in a shake-out of the aerostructures industry that has seen primes such as Boeing and BAE sell fabrication units to focus on final assembly and system integration. The UK's GKN bought Boeing's St Louis, Missouri fabrication plant in 2000.

The Spirit acquisition is

operational, fully tested nose undercarriage unit. This follows completion of its fourth, 6.7m contoured one-piece barrel (COPB) composite test section, and delivery of the first full-length test section (COPB-5) last month.

Complete with co-cured stringers, the frames will be riveted in place before the composite floor beams are loaded in the shape of a large one-piece, pre-assembled grid. The first production Section 41 is due to be delivered to Everett via freighter in the second quarter of 2007.

With more than 40 years' experience in the aerostructures business, it is no surprise that Turner is optimistic that this new opportunity to market itself to a global audience will be beneficial for Spirit.

"No work is ever given – it is earned," he says.

Already Spirit has reorganised its structure to meet the changing demands of the marketplace. As well as the fuselage structures and the aerostructures businesses, Spirit is marketing propulsion structures and systems, spares and MRO and is even offering its decades of experience in tooling to other manufacturers.

The web-based spares business was launched last year just one week after the company was awarded repair station certification by the US Federal Aviation Administration. It has also obtained parts manufacturer approval from the regulator.



"The key to success in the aerostructures market is to broaden the business base and so drive down costs as a means both of retaining work and winning new contracts"

Spirit Aerosystems' Jeff Turner

BUSINESS

'Cautiously optimistic' could sum up the mood of Dr John Ferrie, president of Smiths Aerospace, as the equipment and systems company prepares for this year's Farnborough show. He speaks to *Alan Dron*.

OPPORTUNITIES IN A CHANGING MARKET

Despite the industry travails rippling outwards from Airbus's problems, rocketing oil prices and the increasing squeeze on western defence budgets, Smiths Aerospace is at Farnborough in generally good spirits, says Dr John Ferrie.

On the military side of the market, Smiths is a member of the team being assembled by BAE Systems to tackle advanced technology for unmanned aerial vehicles (UAVs) for the UK Ministry of Defence, a field of business of growing significance.

"In the European [military] context there's no new fixed-wing aircraft programme at the moment and UAVs are becoming more and more the technology of the future as far as various military platforms are concerned, so UAVs are hugely important. The requirement for integrated systems is something that plays to the position we've been taking."

Smiths can provide kit for a number of areas, including mission systems, electrical power generation and stores manage-

ment, says Ferrie. Given the likelihood of future UAVs incorporating in-flight refuelling, he believes his company's in-flight refuelling capability is significant.

Earlier this year, Smiths also joined up with Thales UK and Selex Sensors and Airborne Systems to form Total Support Services, with the aim of offering military support contracting and through-life support for avionics and electrical systems.

"We can see a change taking place in the market for through-life support whereas in the past you would sell equipment and then provide a more or less on-demand support service," he says.

"The requirement these days is to sell a through-life support package at the time you sell the equipment. That's certainly causing us to develop the customer services side of our businesses to respond to that."

However, Ferrie is slightly cautious on the prospect of moving into the infrastructure management sector: "It's not

impossible, but it's challenging to provide that service beyond your own equipment. Our equipment is obviously technologically complex and to do that job properly you have to have access to all the technological data."

So, what does he regard as being the biggest current opportunities for Smiths?

"In the civil arena, whatever drops out of the A350 class of aircraft is clearly going to be a much bigger opportunity than when it was just a derivative of a current model. That will open up opportunities akin to what we saw on the Boeing 787.

"We're looking forward to perhaps an announcement on the Airbus A350/370 and what they and Boeing will be saying on a replacement for the narrowbody.

"On the military front, while there are opportunities, they are not quite of the same nature. There aren't brand-new platforms as such but obviously the USAF tanker will be a huge opportunity and that will play out over the next 12-18 months."

Much attention has been focused recently on the problems besetting Airbus and delays to the A380, but Ferrie is generally relaxed on the subject: "I tend to be philosophical on things like the A380; we try to do very difficult things in this industry and the A380 is just another example.



"On the defence side, obviously the strength of the economy plays into defence budgets and we know they continue to be under a lot of strain. The challenge there is to work with the available programmes and maximise the business we enjoy."

At the last Farnborough show, Ferrie said Smiths would continue to pursue strategic acquisitions. The landscape has changed somewhat: "We constantly scan for opportunities but at the moment the price and availability of aerospace assets doesn't make acquisition terribly attractive. At the moment there's not a huge raft of companies out there that are available and even if they were, we're very well-placed now with our breadth of capability

- we can do more or less what we need to do organically.

"That's not to say that if the right opportunity presented itself we wouldn't take a long, hard look at it."

"That's where looking at low-cost economies such as Eastern Europe, India and China comes into it, but in our engine component business, we're the low-cost source for the engine manufacturers and we have our own plants in Poland and China that are themselves low-cost sources.

"We're particularly developing our low-cost facility in China to move more of what we do in high-cost domestic facilities there - either structure or mechanical systems."

"The requirement is to sell a through-life support package...that's certainly causing us to develop the customer services side of our businesses."

Dr John Ferrie



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