Aftermath of the Storm

President Bush’s efforts to rebuild New Orleans after Hurricane Katrina may have an adverse effect on defense contractors. Bush has ruled out any new taxes to fund his ambitious blueprint for reconstructing the Gulf Coast, which some fiscal watchdogs believe could top $200 billion. That means adding to the already worrisome federal budget deficit or taking from other discretionary spending—such as the defense budget. Pentagon planners are currently grappling with a potential shortfall of $50 billion through 2010. “We are growing more concerned . . . that the impact of such a huge [rebuilding] plan could dampen Defense Dept. spending growth over the next several years,” writes Credit Suisse First Boston analyst Robert Spingarn.

Less Draconian Cuts Forecast

Meanwhile, another pair of stock analysts say concerns about possible cuts to the F/A-22 and Joint Strike Fighter (JSF) jets in the Pentagon’s Quadrennial Defense Review (QDR) may be overblown. S.G. Cowen & Co.’s Cai von Rumohr and Jay Khetani say cancellation of the pricey F/A-22 is unlikely because the aircraft already is in initial production. They also think the QDR will reaffirm the need for U.S. air superiority to counter China’s growing military capabilities. And, while budget pressures could force the U.S. to scale back its plan to buy 2,500 JSFs, the two analysts say the program is unlikely to be terminated, given the number of international partners and the “export potential” that would be ceded to Europe’s Typhoon and Rafael fighters. Lockheed Martin is the prime contractor on both the F/A-22 and the JSF, while Boeing has a major presence in the F/A-22 program.

Strike-Related Silver Lining?

The machinist strike that has shut down Boeing’s commercial aircraft production lines is providing a much-needed breather to some aerospace suppliers. Banc of America Securities analyst Robert Stallard says demand from Boeing and aftermarket customers was so robust that Precision Castparts Corp., a leading metals supplier, was struggling to obtain the material needed to fill orders. The strike “has allowed some relief,” he writes. While some Boeing suppliers have resorted to layoffs, Stallard sees little long-term damage unless the walkout, which began Sept. 2, lasts more than 90 days.

China in the Driver’s Seat

China is clearly a big driver in the future aircraft market, with suppliers offering only slightly different perspectives on how big it really is. In Rolls-Royce’s estimation, there is a market for 2,300 new aircraft in the next two decades, 52% of them widebodies. That’s almost twice the global average, the engine maker noted at the Aviation Expo in China. “This increased demand for new aircraft fleets will drive an engine market worth $34 billion by value in China alone, which is almost 10% of the global market.” says Steve Miller, Rolls-Royce’s vice president for customer business in China. Moreover, starting in 2008, the Asia-Pacific region is slated to top Europe in terms of passenger air traffic, and it is on track to surpass the U.S. in 2022.

Falcons Over China?

Dassault Aviation says it is negotiating its first business jet sale in China, for which it is currently certifying its entire Falcon line. The company considers China to be a strong potential market, although one that will “only develop over time.” Separately, the company’s third and last Falcon 7X flight-test aircraft took to the air as the ultra-long-range bizjet remained on target for late-2006 certification. The unit, equipped with a production standard cabin interior, will be used for noise testing.

Growth of Neuron

Europe’s Neuron unmanned combat aerial vehicle program could receive a seventh partner. Dassault Aviation Chairman/CEO Charles Edelstenne says Belgium is due to sign on by year’s end, in time for industrial involvement in the Dassault-led endeavor. Sweden is also expected to be on board by December, joining France, Italy, Spain, Switzerland and Greece in the undertaking, which has posted the goal of having a demonstrator flying by 2010.

Ins and Outs

Airbus says Alitalia is embracing the Airbus Future Air Navigation System-B (FANS-B) and will put it on 23 A321s. FANS-B, which is now being used by Aerospatiale and Finnair, is intended to improve communications between the aircraft and ATC. On the non-electronics side, the airframer submitted an application to the European Aviation Safety Agency for an A380 escape slide with an extendible length, which would be necessary to bridge the potentially large variation in the sill height of Door I (uppermost entrance/exit of the aircraft) from the ground in the event of a crash. The extension is geared to be deployed only if the extra distance is needed for passengers to safely reach the ground. Pitch sensors in the door determine whether the extension should be activated.

Crash Course

The National Institute for Aviation Research (NIAR) has completed a $3-million upgrade to its crash dynamics laboratory and now has the ability to operate the facility for up to 18 hr. a day. A major part of the upgrade was installation of an MTS accelerometer sled that is capable of replicating any type of crash pulse at speeds up to 50 mph. with an 1,500-kg. (3,307-lb.) payload. According to NIAR, the sled can be adjusted for impact peak profiles up to 65g. The lab’s research, testing and certification work centers on aircraft, air bags, child safety seats and other non-aviation components under simulated crash conditions. NIAR has added three full-time technicians and a manager to cover the extended hours.