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Mon, 2016-06-27 09:30

Farnborough 2016 attendees can expect fewer big airliner order announcements, but a higher profile from suppliers and governments.

Over the past few years, international air show news has been dominated by OEMs announcing record-breaking orders for commercial airliners.

But industry observers expect to see less airliner order action at this year's Farnborough Airshow and more of a supply-chain bazaar. This will include more buy-in from state and federal governments worldwide. Delegations from US states, in particular, have increased their presence at major air shows in recent years.

"You are seeing a much stronger presence of federal, state, provincial and local governments" as well as a strong collaboration between industry, academia and aerospace associations that attend these air shows, Kevin Michaels, president of AeroDynamic Advisory, an Ann Arbor, Michigan-based consultancy said. "The number of aerospace investments has increased dramatically in the last decade."

Others agree. "I have seen a marked increase in the presence of state and regional delegations, both in terms of the number of such delegations and their size," Ray Jaworowski, senior aerospace analyst, Forecast International, said.

Much of the groundwork for bringing work to these regions occurred at airshows. Delegations from US southeastern states have been networking at air shows for years and their efforts are bearing fruit.

Alabama, for example, has drummed up local aerospace business for military and civil aviation, most notably with the new Airbus A320 manufacturing facility in Mobile that is now delivering US-assembled narrowbodies to US airlines. Similarly, South Carolina has a Boeing 787 manufacturing center in North Charleston and Florida has numerous aerospace businesses located throughout the state.

"Our strategy at these air shows is to build relationships with every level of the aerospace industry, from OEMs, MROs and other companies that play into the supply chain," Robert Smith, assistant director of business development for the Alabama Department of Commerce said. "We don't go into these shows expecting immediate benefits."

Alabama Governor Robert J. Bentley will lead the State delegation at Farnborough 2016.

Airbus' announced plan in 2012 to build a single-aisle final assembly line in Mobile was, in part, the result of networking at air shows between the state and the OEM, Smith said. That announcement was a seminal moment for Alabama, which wanted to balance its military and space work with commercial business. In late April 2016, the Mobile facility delivered its first Airbus A321 to JetBlue Airways.

Ironically, the relationship grew in part from discussions years ago between Alabama and Airbus parent EADS, which was competing for the new Air Force tanker contract with an A330 variant. EADS was awarded the contract, but it was overturned, controversially, after competitor Boeing protested.

What the Airbus A320 facility is doing for Alabama is akin to what Boeing's 787 manufacturing facility has done for South Carolina. Numerous aviation companies have come to Alabama since the A320 facility was built, Smith said.

Boeing effect

Boeing has been a catalyst in the Charleston aerospace cluster, which includes 17,114 employees at 466 firms, according to the University of South Carolina.

The "Boeing effect" helped make the Charleston region one of the top 20 locations in the US for advanced industry employment growth, according to a Brookings report.

"The aerospace industry knows the Charleston region is home to Boeing South Carolina, but suppliers may not be full aware of all the competitive advantages we offer." Becky Ford, director of global business development for the Charleston Regional Development Alliance said. "That's why we're actively marketing Charleston's assets at global events like Farnborough."

Boeing acknowledged the importance of these economic development delegations in a statement to *ATW*: "There is fierce global competition for aerospace investment, so it's no surprise to see participation by government officials at shows like this. Aerospace brings tremendous value to any region that can attract it—from jobs to technology and R&D activity—as well as expansive supply chains that fuel additional job creation."

Florida has been a pioneer of the send-a-delegation-to-air-shows-to-bring-business-here concept. Its exhibit in the US Pavilion typically is among the larger ones.

"Air shows provide an unsurpassed opportunity to attract investors to our state," Manny Mencia, SVP international trade and development for Enterprise Florida, said. The venue has been an "enormous source for developing leads and following up on existing projects."

Enterprise Florida expects to make a "significant announcement" at Farnborough. Florida Governor Rick Scott will likely lead a large delegation to Farnborough.

White House support

The spark that ignited greater participation of state governments at air shows can be partially attributed to the Obama Administration. In February 2010, President Barack Obama announced the National Export Initiative, a grant program to encourage businesses to come to the US. The program provided \$30 million in initial federal funding with matching amounts to come from each State, then \$16 million per year for subsequent years.

Increased participation by governments can also be related to various national or regional initiatives, such as the Trans Pacific Partnership, which brought a strong presence from US and various Asian governments to the Singapore Airshow in February. Industry observers say that market forces will always trump politically based initiatives at airshows. And Asia remains a hot market for aerospace.

Tom Kallman, president and CEO of Kallman Worldwide, which specializes in business show management for the aerospace and defense sectors, works at 11 major and regional airshows worldwide.

Kallman has noticed other changes at airshows. Exhibitors are much more frugal these days, for one.

"In the past, there was a lot of money to throw around," Kallman said. "Those days are long gone. Companies are not dropping the money unless there is a return on investment."

The insistence on ROI is prompting some companies to limit their participation at airshows. The major shows will continue to be prime venues for developing future business, but a few regional shows are losing their niche appeal.

"It depends on whether the region has a market to attract exhibitors," Richard Aboulafia, VP analysis at The Teal

Group said. “Farnborough and Paris survive partly because of legacy and because people want to come there.”

“The losers are regional shows that have neither the market or cosmopolitan locations. Berlin? [ILA Berlin Air Show] Forget about it. FIDAE [Chile’s International Air and Space Fair] is a shadow of what it was,” he added.

The five-day Dubai Airshow, which will occur November 12-16, 2017, at the Al Maktoum International Airport in Dubai, will remain successful, in part, because the event draws significant participation from Middle East countries interested in buying civil and military aircraft, Aboulaflia said. That said, it is highly unlikely Dubai 2017 will come close to the 2013 show, which posted a record-breaking order book for airliners worth \$162.2 billion from Etihad Airways, Emirates Airlines and Qatar Airways.

Surprisingly, the Marrakech Airshow, held in late April 2016, had some niche appeal for those civil and military aircraft manufacturers and vendors seeking a stronger presence in Africa, Aboulaflia said.

Hunting ground

Another sector that has quietly increased their air show presence is funding houses. Private equity hedge funds and investment firms have become much more active at air shows in the last five years. “There is a great deal of interest in buying sub-tier aerospace manufacturers,” Michaels said. Airshows provide a “great hunting ground” for investment opportunities. Apollo Global Management and Carlyle Investment Management, a unit of The Carlyle Group, are two of the more prominent investors that attend these shows. These interests have “swept up several machine shops,” Michaels said.

While commercial aircraft orders could be modest at this Farnborough, large OEMs will still have a major presence.

“There is no such thing as a pure-play commercial aircraft market,” Aboulaflia said. “This Farnborough might be more of a military show, with key fighter competitions going on.”

Two Lockheed Martin F-35 Joint Strike Fighters are expected to make their debut at Farnborough, but we’ve heard that song before. Similar plans for the last Farnborough, two years ago, were cancelled.

Commercial aircraft orders are likely to be down at Farnborough. “But a lot of deals could still be secured for component supply, aftermarket services and the like,” Jaworowski noted.

Airbus and Boeing were still finalizing their plans in May and June for Farnborough 2016. Boeing will feature a large centennial pavilion as part its 100th year in business and will include stories of Boeing innovation, past, present and future.

The pavilion serves as a reminder to Farnborough attendees that the giants are still among them.

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