



# vertiflite Commentary

## Global Change

By Mike Hirschberg, Executive Director

The global helicopter industry has gone through significant changes in recent years.

Western helicopter production has been adversely affected by a number of macro influences, including the end of major involvement in Iraq and Afghanistan and the resultant world-wide reductions in defense spending; the global economic downturn of the Great Recession, followed by the lowest oil prices in a decade; the rise of indigenous helicopter production in Asia and elsewhere; and the reemergence of the Russian helicopter industry as a major producer. In the US, the current administration cut defense spending by \$487B for the decade 2013-2023, in addition to the threat of Defense Department cuts of an additional \$560B from the budget cuts known as "sequestration."

These global influences have significantly challenged the helicopter manufacturing industry, leading to changes in both corporate leadership and structures.

Changes in corporate leadership have been broad and cut across the global rotorcraft community. In addition to the widely-publicized Lockheed Martin acquisition of Sikorsky and the executive level changes at Bell Helicopter, executive management changes have affected just about every prime helicopter manufacturer.

Since 2010, the leaders of AgustaWestland, Airbus Helicopters/Eurocopter, Avicopter, Bell Helicopter, Boeing Vertical Lift, Enstrom Helicopter, HAL Helicopter Complex, Robinson Helicopter, Russian Helicopters and Sikorsky — as well as subsidiaries such as AgustaWestland North America, AgustaWestland Philadelphia Company, American Eurocopter, Bell Helicopter Canada and Eurocopter Canada — have all turned over; some have even had three or four heads during this period. There is, in fact, only one leader of a major helicopter producer who was in charge then and still is today: Lynn Tilton, the Chairman and CEO of MD Helicopters, who just celebrated a decade of leading the company.

There have been many reasons for these departures — five years is a long time for company heads — including retirements for age or health reasons. But the turmoil in the global aerospace/defense industry has made the changes in leadership nearly universal in the helicopter business.



Global defense mergers and acquisitions also reached an all-time record in 2015 (based on purchase prices). Shortly after the Sikorsky acquisition was approved by federal regulators in September, US Secretary of Defense Ashton Carter repeated that it was "important to avoid excessive consolidation in the defense industry, to the point where we did not have multiple vendors who could compete with one another on many programs." Further cuts to the defense budget could nonetheless bring his fear to reality.

While there have not been any major helicopter OEM mergers since the creation of Russian Helicopters in 2006 (the AgustaWestland merger was in 2000 and Schweizer was acquired by Sikorsky in 2004), several helicopter companies have changed ownership or corporate structure. While Lockheed was not an OEM, it is one of the world's largest suppliers to the helicopter industry, and this corporate restructuring will have major impacts since the company is apparently looking to save \$150M in annual "synergies." EADS/Airbus also concluded a massive restructuring/rebranding at the beginning of 2015 and Finmeccanica/AgustaWestland recently unveiled similar plans for 2016.

More importantly, however, the supplier base has seen continued significant

consolidation over the past few years. Goodrich and Hamilton Sundstrand were merged in 2012 to form UTC Aerospace Systems. GKN purchased Fokker in 2014. Triumph Group has acquired dozens of companies over the past few years, including big names like Vought, Fairchild, Allied Aerospace Industries and Primus Composites, to name a few. Helicopter suppliers like BAE Systems, Northrop Grumman, Raytheon, Safran and Thales have also grown larger by acquisitions.

With defense budgets in the US and around the world under pressure, and sales of larger commercial helicopters stagnated after previous high demand from the oil and gas producers, the global rotorcraft industry is looking at a 25-30% reduction in annual sales from its peak in 2014 to the Forecast International prediction for a decade later.

As the world becomes both more global and more dangerous, the need for highly-capable military rotorcraft has never been greater, but most of the world's military aircraft fielded today are modernized versions of designs originally created in the 1960s and 1970s. Aging aircraft need to be upgraded in the near-term with modern platforms, and replaced in the long-term with advanced systems capable of reaching the full potential for the future of vertical flight.

Without strong commitment from governments to invest in military rotorcraft, the Western rotorcraft industrial base could see further consolidation. Cancellation of several large acquisition programs over the past decade or so has exacerbated the issue. If companies continue to invest hundreds of millions of dollars in new military aircraft without production contracts, eventually they won't have the resources to develop new aircraft.

AHS International works to advocate for greater investment in vertical flight to ensure that the rotorcraft of today and tomorrow can reach their full potential, both from a technological perspective and through greater application. Government leaders need to recognize the incredible benefits and capabilities of military and civil rotorcraft with policies that support the growth of the vertical flight industry.

What do you think? Let us know at [director@vtol.org](mailto:director@vtol.org)

