Commercial Production Takes Sting out of Government Cuts in Aerospace by Jennasherly

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On September 1st, 2011 the International Association of Machinist and Aerospace Workers contacted President Obama in order to help preserve the Aerospace and Defense Industry and its workforce from substantial downsizing that defense budget cuts will bring. But it may have been too little too late as a combination of issues such as the culmination of the Iraq war, Afghanistan winding down and an unprecedented national deficit at hand were enough for the congress to agree last month on approving cutting military spending by $350 billion over the next 10 years. The fiscal 2012 defense appropriated bill that has already been passed by the U.S. House of Representatives is a testimony to whatâ€™s coming with $119 billion already trimmed from defense spending, representing a steep 24.6% decline from 2011 .

This and similar news stories have led to a contraction in defense industry orders from aerospace manufacturers. The aerospace manufacturing sector is feeling the pinch as a significant percentage of their revenues stem from government contracts. Yet, commercial sector orders are set to rapidly expand with new commercial orders and the increasing demand within emerging markets. A news-worthy bright spot within this sector has been Delta Airlineâ€™s order for 100 Boeing narrow-body jets in a deal estimated to be worth more than $8.5 billion. The ramping up of orders is helping to improve the economic outlook for not only commercial aircraft manufacturers but also aerospace suppliers who provide services to such as aerospace painting, non-destructive testing and anodized coating.

At first glance, the Delta deal would seem to be an uptick for the American aerospace industry. Upon closer observation, the deal appears to be no more than a stabilizing counter in light of more recent news that American Airlines opened up their purchasing options to foreign aircraft manufacturers and awarded EADS the â€œlargest aircraft order in historyâ€• for 260 Airbus A320s. But everyday new silver linings arise within Americaâ€™s commercial aerospace sector as new global markets open up. One juggernaut of a market that has recently begun to open up its aerospace industry to private participation is India. Boeing has already established a strong presence in Indian aerospace manufacturing by partnering with Hindustan Aeronautics Limited (HAL). The HAL partnership coupled with $1 billion worth of orders that Boeing expects to receive from India by 2017 exemplifies the American aerospace industryâ€™s resilient ability to find opportunities for growth that will offset dwindling government defense contracts.

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