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## Orders flow despite Boeing defeat

Puget Sound Business Journal (Seattle) - by [Steve Wilhelm](#) Staff Writer

Boeing employees and local politicians may be upset at the loss of a huge Air Force tanker contract Feb. 29. But not most local aerospace suppliers.

Parts makers say they're so sated with work on other Boeing jets, and will be for so many years to come, that they will hardly notice the absence of the 767 tanker. In fact it's almost impossible to find anyone who anticipates much tangible loss.

**Primus International Corp.**, which makes control rods for the 767 through a unit in Ballard, said its output for the jet is minimal and would have stayed that way under a Boeing tanker deal.

"Even if they had won it, it would have been such a small amount of work," Primus CEO Jim Hoover said. "It's not something I would have put in my (business) plan."

Some suppliers also say that, thanks to globalization, they already make parts for Airbus, a unit of the European consortium that won the tanker deal. That work, coupled with tanker orders, could match or even exceed what they might have gained had the contract gone to Boeing.

In a move that surprised many, the Defense Department chose for the tanker a joint bid from Northrop Grumman Corp. and the European Aeronautic Defense and Space Co., generally known as EADS. While the first \$1.5 billion contract is for just four initial design aircraft, the program could be worth upwards of \$40 billion over 10 to 15 years.

The tanker, known as the KC-45, will be based on the Airbus A330, a large twin-engine widebody normally assembled in Europe. Airbus will assemble A330s at a new facility in Alabama, to be turned into tankers. The Air Force will use the tankers to refuel other military aircraft in flight.

The Pentagon decision brought outraged cries from U.S. political leaders about dire economic consequences from lost jobs and business. But in fact, those who appeared likely to suffer most from the decision -- the myriad of small companies supplying 767 parts -- seem largely unworried. Some even are getting new orders because of it.

Mukilteo-based **Electroimpact Inc.**, for instance, is preparing to build two \$4.5 million automatic riveting machines for the upper skin of the A330 wing, through a contract it signed Oct. 1. The company plans to complete the machines by the end of 2008.

Those machines will be used by Airbus supplier Vought Aircraft Industries Inc. to rivet A330 wing panels at a Vought plant in Nashville, Tenn. The panels will be sent to Europe for assembly into finished aircraft. Electroimpact President Peter Zieve expects Vought will order two more of the riveting machines when Airbus starts producing A330 airframes in Alabama.



Photo: Stephen Brashear  
Peter Zieve, president of Electroimpact, in Mukilteo, is designing a riveting machine that will make wing panels for an Airbus supplier in Nashville, Tenn.

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"This is a great order for us, \$9 million for two new machines. We're having fun designing these things, we're having a blast," Zieve said of the first two riveting machines. "I'm hoping that with this tanker deal, their requirements will be such that they'll buy an additional two machines."

Vought, based near Dallas, also is a major Boeing supplier, especially for the new 787.

The Feb. 29 announcement that the Northrop/EADS joint venture's A330-based tanker had won the initial tanker contract over Boeing's 767-based offering came as a surprise to most analysts. Nearly all of them had predicted a Boeing win, based largely on a sense of political momentum.

"The Air Force just had to buy Boeing, we all agreed," said aerospace analyst Scott Hamilton, in a self-deprecating piece entitled "So much for the predictions." He ran the piece March 4 on his web site, [Leeham.net](http://www.leeham.net).

During a Feb. 29 news conference at the Pentagon, where the contract announcement was made, Air Force General Arthur Lichte summed up the case for the larger A330 over the 767 in one word: "More."

"More passengers, more cargo, more fuel to offload, more patients that we can carry, more ability, more flexibility and more dependability," he said.

The Northrop/EADS tanker contract is considered a particular blow for [The Boeing Co.](http://www.boeing.com) because it probably means that the 767 production line in Everett will close down by 2012, instead of generating up to \$35 billion in revenue over the proposed 10- to 15-year life of the tanker program.

But the loss hardly means that Boeing is out of the military business. And in fact Boeing this spring in Renton will start production on a comparable but lesser-known military program, the 737-based P-8 marine surveillance and attack aircraft. That could add up to \$20 billion in Boeing revenues, if the projected 108 aircraft are built. The tanker program was to be about twice that, if all the expected aircraft were built.

And suppliers seem to have plenty of work already. Rea Wallace, who sits on the board of the Pacific Northwest Aerospace Alliance, said aerospace suppliers he's talking to seem unworried about possible damage to their companies from Boeing's loss.

"Everybody I talk to there seems to be disappointed because it will hurt the whole region. But at the same time, every supplier I'm in contact with is at full capacity with the 737 the 777, and the 787," he said.

For instance Bellevue based [QPM Aerospace Inc.](http://www.qpm.com), which operates manufacturing plants in Monroe and Portland, does make some sheet metal parts and enclosures for the 767's computers, said Mike Dunlop, CEO of QPM.

But QPM has been only making enough parts for one to two 767s a month, and the projected rate, had Boeing won the tanker contract, wouldn't have been much above that, Dunlop said. Meanwhile, QPM is so flush with other work that the loss of the 767 will be almost imperceptible.

"I think if this was a quiet time it might have an impact," he said. "But everybody I speak to and everybody I know, is running all their machines around the clock."

And like many others, Dunlop's Monroe plant also makes some A330 parts, at least partly balancing out any loss from the 767. And like many others, he's been wrestling to get on top of the demand from Boeing's new 787, with more than 800 ordered and production now delayed by six months.

"Obviously it would be better if Boeing got the tanker, but given all the other work that is available, and all the other programs ramping up, I don't think from an economic position that's going to make a difference," he said.

In Tacoma, Dave Baublits, president of **Precision Machine Works Inc.**, said he wasn't even sure if the 767 part his company makes, a door hinge, would have been used on the tanker version.

"To us it's not a huge difference. Our work statement on the 767 isn't huge," he said.

Baublits added that most of his company's work is with hard metals including steel and titanium, and most of that is for the Airbus A320, a competitor to Boeing's 737, and the Boeing 787. "We're busy, we're extremely busy. Lots of work out there," he said.

The impact of the 767 loss also is softened by the fact that a significant portion of Washington's aerospace supply business is shifting into composite work, while the 767 is the oldest, and probably the most metal-intensive model, that Boeing still builds.

While Hexcel Engineered Products does make composite trailing edge wing components for the 767 at its Kent plant, its Arlington plant makes A330 composite honeycomb parts that probably will be used on the Northrop/EADS tanker, said Global Operations Manager Russ Thurman.

"It would have been nice to have 767 added to that, but quite frankly, the growth in those other programs will more than offset the downfall from the 767," he said.

Even among companies that make more complex assemblies, the story is much the same. Lynnwood-based **Crane Aerospace and Electronics**, which makes proximity switches for 767s and A330s, said the rates and revenue for the two are comparable, and so the decision doesn't affect their forecasts.

Said spokeswoman Marilyn Schwartz, "If anything, it would be a wash."

Contact: [swilhelm@bizjournals.com](mailto:swilhelm@bizjournals.com) • 206-876-5427

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