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Going Concerns

Global A&D Suppliers Continue Flocking To U.S.

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Diamonds in the Rough



To listen to the traditional, heritage U.S. aerospace and defense industry in recent years, you'd be forgiven for thinking that Washington is smothering the future of business in America and that a growing anti-capitalism movement is afoot.

The [Pentagon](#) has been waging a "war on profit" and striving to usurp intellectual property, over some trade associations and other industry boosters, who also note that anti-Big Business tea party concerns on Capitol Hill are trying to kill the U.S. Export-Import Bank. And don't get them started about the stupidity of so-called sequestration federal spending caps, glacial defense acquisition reform, and the innovation-crushing regulatory burden.

Yet international suppliers—taking a cue from Neil Diamond—keep "coming to America."

"For us, to serve this large customer, we think it's absolutely worth it," says Judy Marks, president/CEO of Siemens Government Technologies.

She is not alone, judging by comments at a recent panel of U.S. chief executives from four foreign-based A&D companies at the Atlantic Council in Washington (moderated by analyst Steven Grundman, an Aviation Week contributor). The panel included Michael Andersson, president/CEO, [Saab](#) North America; Peter Lengyel, president/CEO, [Safran](#) USA; and Alan Pellegrini, president/CEO of [Thales](#) USA.

These CEOs are bullish on America. In response to an Aviation Week question, Lengyel ranks Safran's prospects in the U.S. as a "10" on

a scale of 1-10 and says the Paris-based company is growing its U.S. revenue from 20% of sales to 25%. Pellegrini talks about U.S. growth as “double-digit, every year” for France’s Thales; and while Andersson and Marks decline to give details for Saab or Siemens, respectively, both say the future is “very positive.”

It is a far cry from the message from U.S.-headquartered primes and OEMs—but then again, how things look often depends on where one sits. For foreign companies coming to America, the explanation may lie in the catchphrase attributed to bank robber Willie Sutton. In other words, America is “where the money is.”

“Our No. 1 end-user in the world is the U.S. government,” Lengyel says. For instance, Safran has provided the FBI’s fingerprint system for almost 30 years and is responsible for about half of the [Transportation Security Administration’s](#) baggage-screening detection systems. This is on top of the jet and helicopter engines, avionics and other work it is well known for worldwide. In the end, America makes up \$5 billion of the parent company’s \$20 billion annual revenue, he says.

For Thales, with eight business units in the U.S., American work accounts for about \$2 billion in yearly revenue and the company even exports “a substantial amount,” according to Pellegrini.

Of course, there are challenges, but they are not what you might think. These CEOs do not rage against sequestration, per se, or the defense contract audit and management agencies. For these international companies—used to working in other countries from their earliest days because their respective domestic markets could not support them—the U.S. is the gold standard.

“It’s a very welcoming market, in general,” Saab’s Andersson says.

“There’s probably no more open and transparent market,” agrees Marks.

Indeed, these executives heap praise on Washington for the Defense Security Service (DSS) and its efforts to improve foreign investment and business conditions in America. DSS oversees protection of U.S. and foreign classified information and technologies in the hands of cleared industry providers under the National Industrial Security Program. Under Stan Sims, director since 2010, DSS has been winning kudos from executives and policy analysts alike.

“Since his tenure . . . we’ve had an extraordinary level of transparent and open exchange on these issues—to the benefit of growing U.S. businesses, despite the foreign ownership element, while still keeping as the No. 1 tenet the protection of national security information,” Lengyel says.

What is the secret to these executives’ happiness and success? First, they say, is to accept the reality of U.S. regulations and security requirements. “We just decided this is what we have to work with,” says Andersson.

Second, understand and exploit the role your foreign-based company can play as a partner to U.S. primes and OEMs. Not only does it help foreign companies win spots on U.S. programs, but these relationships help in pursuing overseas business, too.

“They look at us as a good channel to market,” Pellegrini says of U.S. companies abroad. “We’ve . . . by definition had to seek out and nurture markets [inside and] outside of Europe.”

Finally, know that Washington is not the root of your challenges. Says Pellegrini: “The most time you put into this is educating the parent back home.”



Steven Grundman (far left), Michael Andersson, Judy Marks and Alan Pellegrini listen to Peter Lengyel. Credit: Atlantic Council

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