

Intercontinental Push



Defense cuts at home give added impetus to European companies' international expansion

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Some European aerospace companies are shifting their focus—and staff—to markets where there are more growth opportunities.

Saab recently established an Asia-Pacific regional headquarters in Bangkok headed by Dan-Ake Enstedt, who was president of Saab North America. “I was covering the U.S. and Canada. It is the same concept. What we did there, we are trying to do in Asia and the rest of the world,” says Enstedt.

All Saab employees in the Asia-Pacific region report to Enstedt, and he reports directly to Saab CEO Hakan Bushke. Saab’s business and reporting lines were restructured to reflect geographic markets under the direction of Bushke, who joined the Swedish aerospace giant in November 2010. Enstedt says reporting directly to the CEO means decisions can be made more quickly.

Before this restructuring, Saab largely had its managers and employees in Sweden. They would fly out from time-to-time to meet with prospective customers for a sales campaign overseas. In the past, that may have made sense because, as Enstedt points out, 20 years ago Sweden accounted for 80% of Saab’s business. Times have changed, however, and 70% of Saab’s business is now outside of Sweden, he notes.

Enstedt sees this shift coming for U.S. defense companies, as well. “They are where we were 20 years ago,” he

says. “Eighty-five percent of their business is in the U.S.” But the recent cuts to U.S. defense spending, and the prospect of more cuts in future, means U.S. defense companies will have to move more workers to markets outside of the U.S., predicts Enstedt.

Saab has divided its global business into six regions: Europe/Middle East, India, Asia-Pacific, Nordic nations, Africa and the Americas. Besides Bangkok, Saab has Asia-Pacific offices in Kuala Lumpur, Tokyo, Singapore, Canberra, Seoul and Jakarta. “We are trying to be closer to the customer. We also have a strategy to team up with local industry and to do transfer of technology,” Enstedt says.

In Malaysia, Saab is partnering with industrial conglomerate DRB-Hicom to meet offset requirements that will arise if Saab, for example, wins the competition to provide fighters and some airborne early warning aircraft to the Malaysian air force.

Malaysia has also become an important market for Swiss aerospace giant Ruag Aviation, which has generated work helping to maintain the Malaysian air force’s Northrop F-5s, Boeing F/A-18 Hornets and Pilatus PC-7s, the same aircraft types that the Swiss air force operates. Ruag Aviation, being a Swiss-based company, used to derive nearly all its revenue from Switzerland; it helps maintain the Swiss air force fleet.

Ruag Aviation’s vice president

Stephan Jezler says the amount of revenue the company generates from Switzerland has fallen to 50%, as a result of a steady

A Ruag 228 turboprop was on display at the Langkawi air show in Malaysia in March. The Malaysia maritime enforcement agency wants more maritime patrol aircraft.

decline in the Swiss defense budget. He predicts the percentage will drop further. “Switzerland’s defense budget is slowly going down. It is slowly shrinking, as is the case with all countries in Europe,” Jezler says. “That is why needed to have this international strategy.”

One way Ruag is expanding internationally is through acquisitions. For example, it acquired Rosebank Engineering in December to gain a strong footprint in Australia. Rosebank helps maintain aircraft for the Australia and Malaysia air forces and an agreement with BAE Systems to manufacture components for the Lockheed Martin F-35.

Ruag is also looking closely at Latin America, a growth market where there is still a sizable fleet of F-5s, a type that Ruag has much experience maintaining. Brazil’s air force has been upgrading its F-5s with help from Embraer, but Jezler says Ruag has the advantage of access to a large stockpile of F-5 spare parts. When the Swiss air force sold some of its F-5s a few years ago to the U.S. Navy for training use, the sale excluded spare parts, he adds.

Ruag is also hoping it can win contracts to help support Gripen NG customers thanks to an agreement it has with General Electric, the maker of the Gripen NG’s F414 engine, which also powers the Boeing F/A-18E/F Super Hornet. Ruag will support the Swiss air force’s future fleet of Gripen NGs, and Jezler says the agreement with GE allows it to support Gripen NG and Super Hornet operators overseas as well. Brazil is seeking to buy new fighters, and the Gripen NG and Super Hornet are in the running along with other types. ☉