



Federal Supply Code 1560: United States Department of Defense Acquisition of Airframe Structural Components

Historical Revenues, Participants and Forecast.
Executive Summary

February 2008



About this Study

- This report examines six years of U.S. DoD spending in Federal Supply Code (FSC) 1560 Equipment Aircraft Structural
- Companies are grouped into three tiers based upon FSC 1560 revenues over time
- Revenues rose sharply from 2001-2002, and have leveled off at close to \$2 billion annually from 2003 to 2006
- The number of reporting locations has skyrocketed, rising from 484 in 2001 to 1,184 in 2006
- DoD has spent a total of \$12.3 billion in FSC 1560 from 2001-2006
- It also provides a spending forecast from 2007-2011
- G2 Solutions worked from contract action data beginning in 1999 as well as another set of information characterizing DoD FSC 1560 spending from 2001-2006.
- In its simplest form, airframe structural components markets are similar to commodity trading; through this report G2 looks at macro political, policy and force structure issues to justify a 5-year forecast

FSC 1560 Definitions

- This class includes fabricated system parts that are permanently attached or peculiar to the integral airframe of an aircraft, such as support structural components, spars, ribs, ailerons, stabilizers, bulkheads.
- Includes Flight Control Surfaces; Internal and External Auxiliary Fuel Tanks; Exhaust Systems; Pylons, Trim Tabs; Aircraft.
- Excludes Fitted Covers; Helicopter Rotor Brake System Components; Aircraft Loose Equipment and Alternate Mission Configuration Equipment stored on board the aircraft.

Source: U.S. Defense Logistics Agency

FSC 1560: Outlook (1)

- G2 Believes DoD will be forced to allocate more budget to airframe structural components, with actual 2006 spending of roughly \$2 billion forecast to rise in excess of 30 percent by 2011.
- The following are cost escalation drivers from a DoD platform perspective:
 - USN F-18 C/Ds will soon be close to 20 years in service. No major corrosion issues are yet apparent, but G2 feels the F-35 will not arrive in sufficient 2013 numbers to enable a rapid retirement. In such a scenario G2 can envision orders for more F/A-18EFs
 - USAF F-15 A and B variants will have to be retired, forcing some front-line F-15Cs to guard units. If the F-15C is to get an AESA radar it would indicate a major structural overhaul is in the works
 - If the USAF tanker decision is protested, the Air Force has claimed the subsequent delay would mean the last of the KC-135s would be retired in 87 years, as opposed to the notional 2045 if the tanker decision is not protested. The KC-135 fleet will require massive attention
 - There is no planned strategic bomber replacement on the horizon
 - In regard to close-air support, the AV-8B Harriers are set to retire, and there is no replacement for the A-10 in the works
 - Continued...

A Challenge Among Challenges

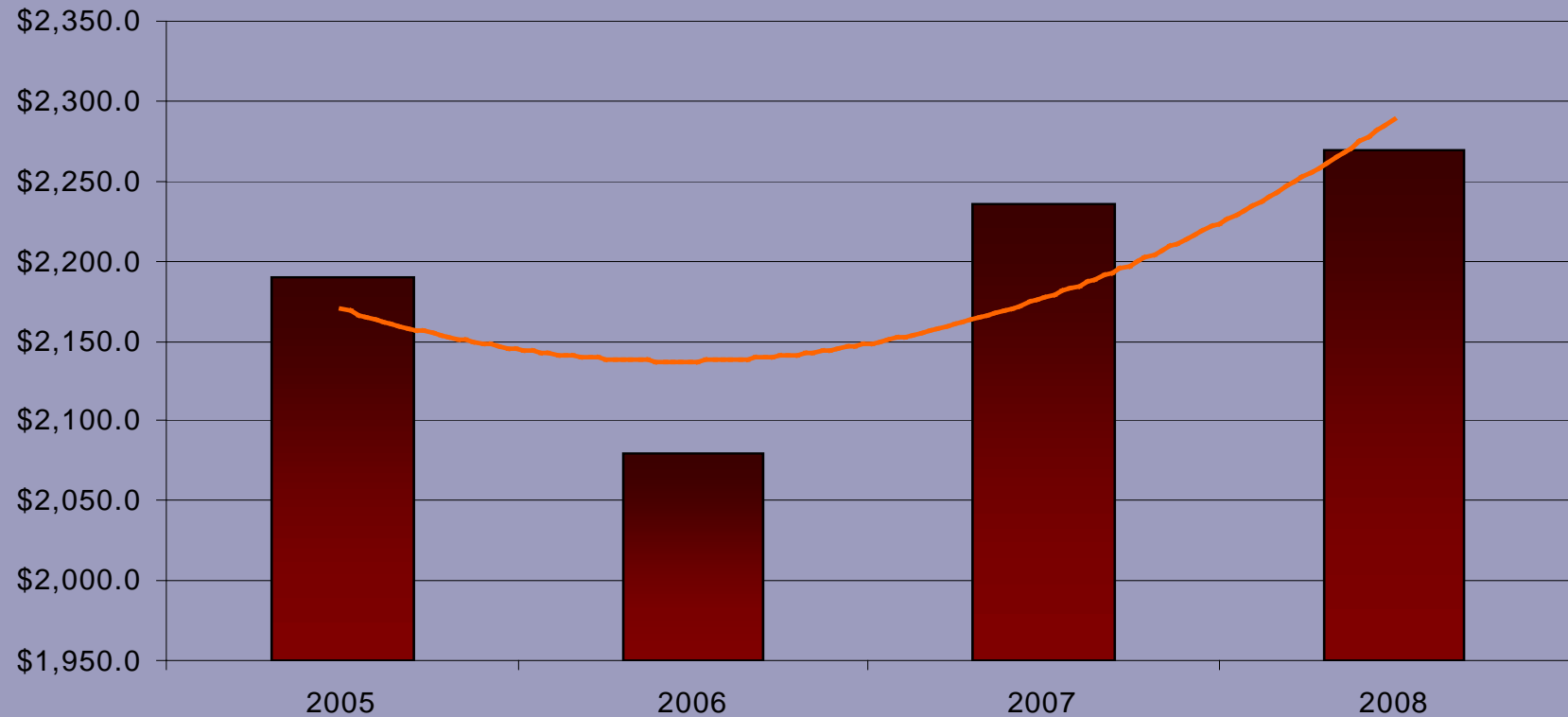
“The Air Force effectively is the redheaded stepchild in the budget, just like the Navy is, in the Pentagon. They’re just being completely constricted in their capabilities in order to permit DoD officials to deal with what you have to do for Army and Marine Corps ground forces in Iraq and Afghanistan.

“When it comes to money for the Pentagon, we’ve got to replace everything with a wheel and a wing on it that is currently in theater. What’s that going to cost us? Eight hundred billion? A trillion dollars? We’ve got a military that’s at war and a country that’s not at war. We don’t have an industrial base that’s at war either,”

Rep. Ellen Tauscher, head of the House Armed Services Committee’s Panel on Strategic Forces (AF Magazine, January 2008).

- Although sensational in its scope, this quote underlies the uncertainty lawmakers and uniformed leaders face in addressing airframe readiness and budget issues. If Tauscher’s comments are only half true the consequences for budget and platform availability could be grave in the period of only four or five years.

DoD FSC 1560: Total Spending (2005-2008)



2005 and 2006 are actuals, 2007 and 2008 are forecasts

Combat Air Power War Footing Puts Airframes Into Unknown Fatigue Territory

- Combat intensity in Iraq and Afghanistan has resulted in dramatic increases in sorties and hours flown for attack, tanker and airlift fleets
- Tanker sorties climbed from 12,787 in 2006 to 14,613 in 2007, with the number of receivers moving from 42,083 to 73,174 in the same timeframe
- For airlift fleets, the marked increase comes in the forms of supplies airdropped, with 2 million pounds in 2005 climbing to 6.7 million pounds in 2007
- The steep rise in Close Air Support sorties with delivery of a major munition reflects the realities on the ground in Afghanistan as well as a more aggressive U.S. force posture. CAS sorties by their nature require maneuver on ingress and egress; there are substantial stresses on the airframe in certain parts of this flight envelope

Table of Contents (1)

- Title Slide
- About This Study
- FSC 1560: Definitions
- FSC 1560 Outlook (3 slides)
- FSC 1560 Trends
- FSC 1560: Comparative Strengths of Market Participants (2001-2006)
- A Challenge Among Challenges
- The New Administration Will Face Tough Aircraft Decisions
- DoD Airframe Structural Components: Trends Over Time (2001-2006) Title Slide
- DoD FSC 1560: Total Spending (2001-2006)
- DoD Airframe Structural Components: Number of Revenue Reporting Locations (2001-2006)
- DoD Airframe Structural Components: Revenues by Service Branch (2001-2006)
- DoD Airframe Structural Components: Percent of Revenues by Service Branch (2001-2006)
- DoD Airframe Structural Components: Tier 1 2006 Company Revenues by Percentage
- DoD Airframe Structural Components: Tier One Company Revenues (2001-2006) Title Slide
- McDonnell Douglas: FSC 1560 Revenues in \$ Million (2001-2006)
- McDonnell Douglas: FSC 1560 Percentage of Revenues by Reporting Location (2006)
- McDonnell Douglas: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- McDonnell Douglas: Major Contract Actions and Trends
- The Boeing Company: FSC 1560 Revenues in \$ Million (2001-2006)
- The Boeing Company: FSC 1560 Percentage of Revenues by Reporting Location (2006)
- The Boeing Company: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- The Boeing Company: Major Contract Actions and Trends
- Northrop Grumman: FSC 1560 Revenues in \$ Million (2001-2006)
- Northrop Grumman: FSC 1560 Percentage of Revenues by Reporting Location (2006)

Table of Contents (2)

- Northrop Grumman: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Northrop Grumman: Major Contract Actions and Trends
- Sikorsky: FSC 1560 Revenues in \$ Million (2001-2006)
- Sikorsky: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Sikorsky: Major Contract Actions and Trends
- L-3: FSC 1560 Revenues in \$ Million (2001-2006)
- L-3: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- L-3 Corporation: Major Contract Actions and Trends
- Bell Helicopter Textron: FSC 1560 Revenues in \$ Million (2001-2006)
- Bell Helicopter Textron: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Bell Helicopter Textron: Major Contract Actions and Trends
- Lockheed Martin: FSC 1560 Revenues in \$ Million (2001-2006)
- Lockheed Martin: FSC 1560 Percentage of Revenues by Reporting Location (2006)
- Lockheed Martin: FSC 1560 Percentage of Revenues by Business Unit (1999-2006)
- Lockheed Martin: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Lockheed Martin: FSC 1560 Percentage of Minor Revenues by System (1999-2006)
- Lockheed Martin: Major Contract Actions and Trends
- Rohr Incorporated: FSC 1560 Revenues in \$ Million (2001-2006)
- Rohr Incorporated: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Rohr Incorporated: Major Contract Actions and Trends
- DoD Airframe Structural Components: Tier Two Company Revenues (2001-2006) Title Slide
- FSC 1560: Tier Two Company Revenues Over Time (2001-2006)
- Amfuel Cells and Coated Fabrics: FSC 1560 Revenues in \$ Million (2001-2006)

Table of Contents (3)

- Amfuel Cells and Coated Fabrics: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Amfuel Cells and Coated Fabrics: Contracts and Trends
- Cyclone Aviation Products: FSC 1560 Revenues in \$ Million (2001-2006)
- Cyclone Aviation Products: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Cyclone Aviation Products: Contracts and Trends
- CPI Aerostructures: FSC 1560 Revenues in \$ Million (2001-2006)
- CPI Aerostructures: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- CPI Aerostructures: About
- Robertson Aviation: FSC 1560 Revenues in \$ Million (2001-2006)
- Robertson Aviation: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Robertson Aviation: About
- PPG Industries: FSC 1560 Revenues in \$ Million (2001-2006)
- PPG Industries: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- PPG Industries: About
- UFC Aerospace Corporation: FSC 1560 Revenues in \$ Million (2001-2006)
- UFC Aerospace Corporation: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- UFC Aerospace Corporation: Contracts and Trends
- Sierracin Sylmar: FSC 1560 Revenues in \$ Million (2001-2006)
- Sierracin Sylmar : FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Sierracin Sylmar: About
- Engineered Fabrics Corporation: FSC 1560 Revenues in \$ Million (2001-2006)
- Engineered Fabrics Corporation: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Engineered Fabrics Corporation: About
- Marianna Airmotive Corporation: FSC 1560 Revenues in \$ Million (2001-2006)

Table of Contents (4)

- Marianna Airmotive: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Marianna Airmotive Corporation: Contracts and Trends
- Contract Fabrication and Design: FSC 1560 Revenues in \$ Million (2001-2006)
- Contract Fabrication and Design: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Contract Fabrication and Design: Contracts and Trends
- Foster Miller: FSC 1560 Revenues in \$ Million (2001-2006)
- Foster Miller: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Foster Miller: About
- Texstars Corporation: FSC 1560 Revenues in \$ Million (2001-2006)
- Texstars Corporation: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Texstars Corporation: About
- DoD Airframe Structural Components: Tier Three Company Revenues (2001-2006) Title Slide
- FSC 1560: Tier 3 Companies' Percentage of Revenues Over Time (2001-2006)
- Aerometals Incorporated: FSC 1560 Revenues in \$ Million (2001-2006)
- Aerometals Incorporated: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Arrowhead Products Corporation: FSC 1560 Revenues in \$ Million (2001-2006)
- Arrowhead Products Corporation: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Capy Machine Shop: FSC 1560 Revenues in \$ Million (2001-2006)
- Capy Machine Shop: FSC 1560 Percentage of Major Revenues by System (1999-2006)
- Honeycomb Company of America: FSC 1560 Revenues in \$ Million (2001-2006)
- Honeycomb Company of America: FSC 1560 Percentage of Major Revenues by System (1999-2006)

Table of Contents (5)

- FSC 1560: Fiscal Year 2006 Synopsis Title Slide
- FSC 1560: Tier 1 Market Share Leaders (2006)
- FSC 1560: Tier 2 Market Share Revenue Leaders: (2006)
- FSC 1560: Tier 3 Market Share Revenue Leaders: (2006)
- FSC 1560: Forecast Title Slide
- Combat Air Power War Footing Puts Airframes Into Unknown Fatigue Territory
- Iraq and Afghanistan: Number of CAS Sorties With Delivery of Major Munitions (2004-2007)
- FSC 1560: DoD Spending Forecast (2007-2011)
- Market Conclusions (1)
- Market Conclusions (2)
- Market Conclusions (3)
- Competitive Conclusions
- Addendum: Platform-Specific U.S. DoD Opportunity Analysis
- Platform-Specific Opportunity Analysis
- 1560: Selected DoD Airframe Average Age and Availability Assessment
- AH-64 Apache
- CH-47 D/F Chinook
- CH-46E Sea Knight
- CH-53E Super Stallion
- EA-6B Prowler
- P-3 Orion
- C-5 Galaxy
- KC-135 Stratotanker
- F-15 C/D and F-15E

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