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Butzel Defense Industry Insights

Client Alert

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Key Takeaways from AUSA 2022 Annual Meeting

Last month, members of Butzel's Aerospace & Defense Industry Team attended the Association of the United States Army's ("AUSA") 2022 Annual Meeting, in Washington DC. Butzel co-hosts the annual Michigan Defense Industry – Arsenal of Innovation Annual Reception with the Michigan Economic Development Corporation ("MEDC") Defense Center and Macomb County. Butzel's attorneys also spent time meeting with our defense industry clients and walking the exhibitor hall, gaining insights and perspectives from company representatives and defense industry stakeholders. Here are some of the key takeaways from the team's time at the event:

The Defense Industry Looks Forward:

The theme of this year's Annual Meeting was "Building the Army of 2030." The Defense industry is keenly aware of the Army's making as a top priority in the modernization of its force and equipment to meet the challenges of the future. For the industry, that means an emphasis on integrating emerging technologies with the next generation of fighting systems; and the industry presented an array of exciting new technologies to meet this goal. This push presents unique opportunities and challenges.

A Time of Increased Industry Attention:

With that goal in mind, the passage of the 2023 National Defense Authorization Act looming (which is primed to raise defense spending even higher), and a rise in the need to counter pressing external threats, it certainly seems to be a time of growth for the Aerospace and Defense industry. That sense was palpable from speaking to industry representatives at the conference. However, as discussed below, this potential for increased spending may be tempered by the economic forces

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putting pressure on companies economy wide.

Areas of Concern for Industry:

While the potential for increased defense spending, as the Army focuses on force modernization, is a boon to the defense industry, those companies are keenly aware of the economic realities at play that may substantially impact them. Company after company that we spoke to mentioned, among their greatest concerns, the continuing impacts of inflation, workforce-retention issues, and supply chain management on their bottom lines. For example, the supply-chain concerns are felt uniquely by subcontractors to the large federal government prime contractors who are caught between their bigger customers and lower-tier contractors and suppliers whom they depend on to meet their contractual obligations. Continuing to navigate this issue, along with the realities of dealing with government contract pricing structures considering continuing inflationary pressures will remain top-of-mind for defense industry participants.

Michigan is Primed for Growth in the Aerospace and Defense Sector:

As highlighted by the attendees and speakers, the reception co-hosted by Butzel, and the companies on display at the Michigan section of the Exhibition hall, Michigan maintains a critical—and growing—presence in the aerospace and defense sector. Michigan has thousands of companies serving the defense industry, which companies are the recipients of billions of dollars of federal defense contracts. This activity ranges from business units of some of the largest federal government prime contractors to countless of their subcontractors and other small business contractors. These smaller and emerging companies form the heart of Michigan's defense industry and continue to push innovation, which is sure to play a role in driving forward DoD's push to meet its modernization goals through collaboration with industry.

Butzel will continue to support the aerospace and defense industry—both in Michigan and well beyond. Please contact a member of the Butzel Aerospace & Defense Industry Team to address any legal needs relating to aerospace and defense matters and federal government contracting.

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