



midlands aerospace alliance

RESCUING AND RECOVERING AEROSPACE SUPPLY CHAINS AT THE HEART OF UK MANUFACTURING



PEOPLE



NEW BUSINESS



FINANCE



SUPPLY CHAIN



INNOVATION

PRIORITIES AND ACTIONS

AEROSPACE SUPPLY CHAINS ARE VITAL

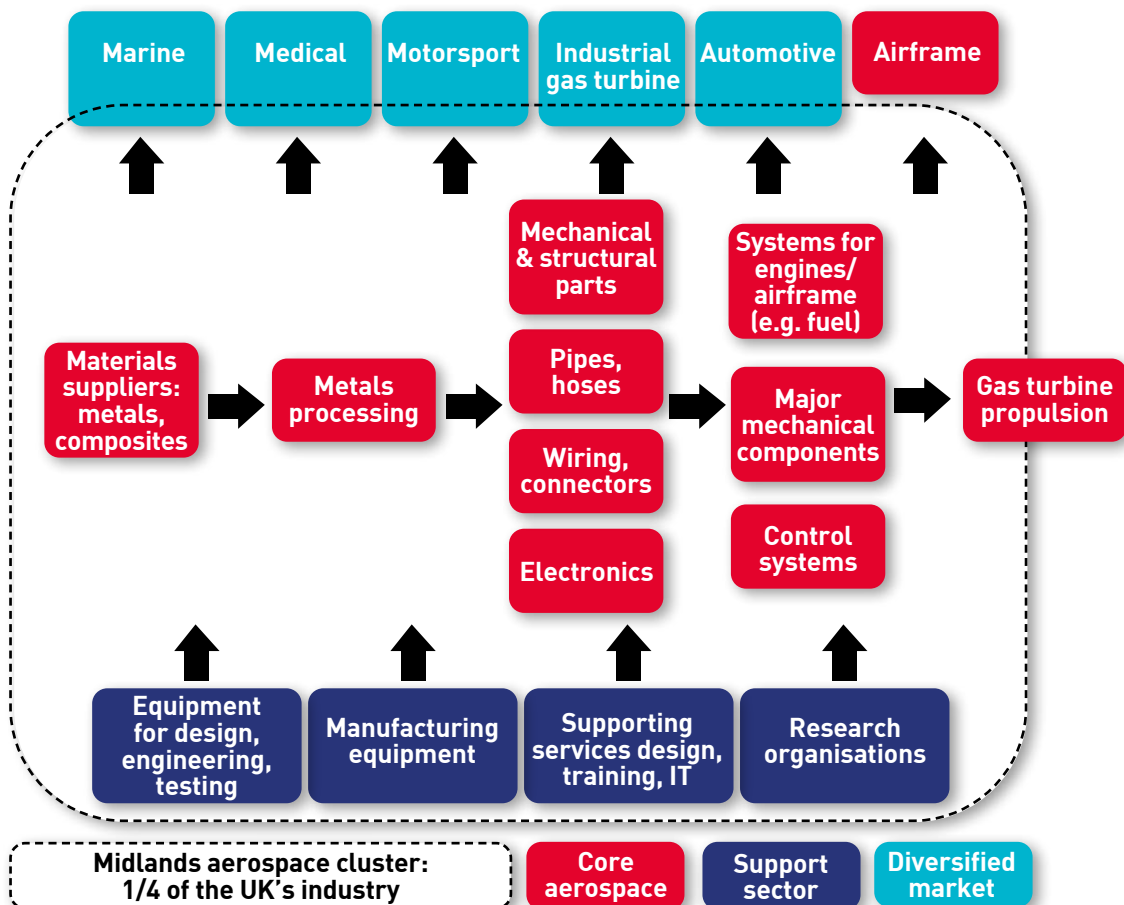


The Midlands is home to a major aerospace industry cluster, with over 300 supply chain companies forming one of the largest regional networks internationally. The region is a leader in advanced aerospace manufacturing. The cluster's contribution to the economy is driven by global demand for high-technology aero engines, complex aircraft systems and precision-engineered components for aircraft manufacturing giants such as Airbus and Boeing. Aerospace in the Midlands grew rapidly over the last 15 years, with output doubling and employment increasing by more than half.

Recently, the industry has been hit by a triple threat. Brexit raised costs by requiring UK aerospace companies to build up stocks of aircraft parts so there would be no interruption to supply during the transition; Boeing's 737 MAX programme was suspended, hitting suppliers for the aircraft, and then Covid-19, the most devastating, struck. Air travel collapsed by over 90% overnight, leading to one of the worst ever meltdowns in aerospace history as aircraft no longer needed to be overhauled and airlines cut their orders for new aircraft. The shockwaves have been coursing through aerospace supply chains with large and small companies forced to downsize their operations and workforce rapidly.

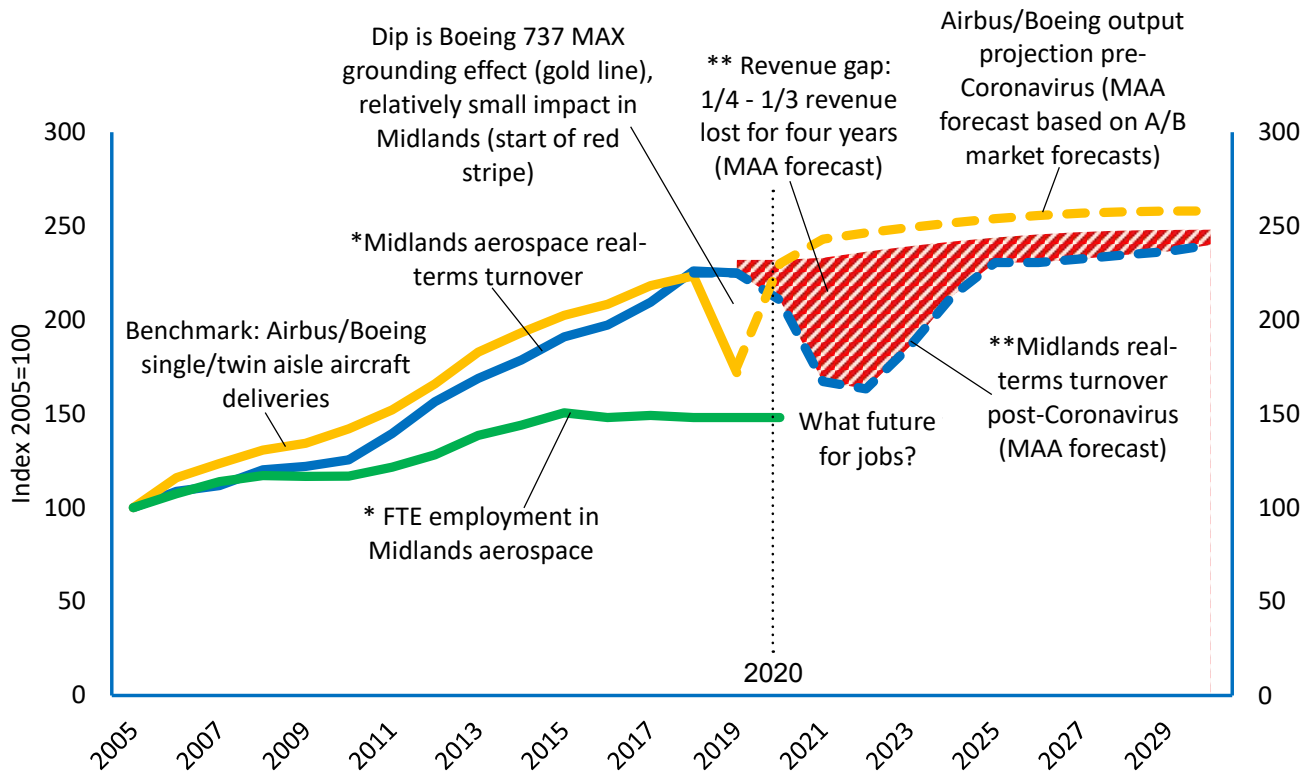


SUPPLY CHAINS REACH WIDE AND DEEP



OUR FORECAST

Although these are unprecedented times and it's therefore challenging to make reliable forecasts, we're expecting the lowest point for the industry to come later in 2020 before demand begins to pick up in 2021. However, we anticipate that it could take until 2025 for the industry to recover and return to its previous growth trajectory.



Midlands aerospace cluster: projecting Covid-19 impact

Recovery assumes companies and people stay in industry. *2005-19 MAA annual survey. **2020+ = MAA forecast based on Midlands sub-sector portfolio data and Teal Group forecasts. All data real terms, 2005 = 100

Aerospace suppliers that work on varied aircraft programmes, and those that also supply other market sectors in the Midlands engineering supercluster, for example rail, should be in a stronger position than those dependent on the production of the large, long-haul civil aircraft that have been hardest hit and which the Midlands cluster is more dependent on than most. But conditions are tough for all.


THE UK AEROSPACE INDUSTRY - INCLUDING SUPPLY CHAINS - BRINGS IN £36BN IN REVENUE AND PROVIDES OVER 250,000 HIGH-VALUE JOBS.

We must therefore take decisive measures to ensure that supply chain companies survive this crisis and bounce back with capabilities, capacity and competitiveness intact. Action needs to take place nationally and regionally.

In the Midlands, we're bringing together aerospace experts across industry, academia and government to work through the critical and complex issues, helping rescue, recover and grow aerospace, as one. Our five-point plan uses insight, research and deep industry knowledge to address the key priorities and pinpoint the concrete actions that are critical to take now in order to return to growth and prosperity in future.



THE VISION

 We need to renew our vision and strategy for aerospace manufacturing supply chains so we can work together with all stakeholders to not only survive and recover from the current crisis but create the strongest foundations for renewed growth and prosperity

OUR AIM IS FOR THE MIDLANDS TO:

- Remain a world leader in advanced aerospace technologies across an extensive supply chain.
- Be a thriving hub for low-carbon aviation innovation through industry and research centres.
- Support high-value engineering jobs and attract the best talent.

We believe there are some key principles that will help us build towards this vision:

THINK BIG

Aerospace is a global success story for the UK and can get back to that. We must remain ambitious so, when demand picks back up, we will emerge among the leaders internationally.

FOCUS WIDE

There is a lot of attention on aerospace primes but the whole manufacturing base must be factored into decisions. We must be inclusive and wide reaching.

ACT TOGETHER

It is perilous to make decisions only in a top-down way. Supply chain companies have significant insight and intelligence and are always a vital part of the solution.

BE TRANSPARENT

The aerospace industry is notoriously sensitive to sharing information but it's crucial that transparency of non-confidential data is increased to enable effective planning and decision making for the whole ecosystem.

HAVE INTEGRITY

Organisations must act responsibly, making decisions in a way that considers the long-term impacts on the whole industry, not each one individually.

The industry showed the power of collaboration when it came together as part of the UK Ventilator Challenge. This didn't involve just the big players, but the whole supply chain, with more than 40 Midlands and MAA member companies contributing.

WE ARE AT OUR BEST WHEN WE COLLABORATE. WE CAN PROSPER AGAIN TOGETHER.

THE FIVE-POINT PLAN

Our five-point plan lays out five key pillars and over twenty actions that will be critical to rescuing and recovering aerospace supply chains and best enable a return to growth and prosperity as the market recovers.



PEOPLE: ENSURE SAFE AND PRODUCTIVE WORKPLACES

Safety is a top priority. We also need to protect capabilities and skills.



NEW BUSINESS: OPPORTUNITY CREATION

There are still real business opportunities but companies may need to be inventive to widen markets.



FINANCE: 'RE-LAUNCH' SUPPORT FOR SUPPLY CHAIN COMPANIES

A race to the bottom in terms of price could have damaging effects so companies need to think long-term.



SUPPLY CHAIN: DEVELOP A RESILIENT SUPPLY NETWORK

The whole supply chain needs to be factored into planning.



INNOVATION: TURN IDEAS INTO REVENUE

Innovation can be key to increasing productivity and diversifying in order to survive the crisis.

A COLLABORATIVE PLAN

Our plan has been developed in collaboration with experts and organisations across industry, academia and government to ensure it embraces the needs of aerospace as a whole.



AEROSPACE EXPERTS



INDUSTRY SURVEY RESPONDENTS



REGIONAL AEROSPACE BUSINESS LEADERS



INDUSTRY AND STAKEHOLDER ORGANISATIONS



LOCAL STRATEGIC PARTNERSHIP



LEADING AEROSPACE UNIVERSITY

THE CRITICAL ACTIONS



SAFE WORKPLACES

Continue to share industry best practice as government advice evolves.



TRANSITION TO A 'NEW NORMAL'

Maintain higher levels of flexibility and remote working where possible to help retain talent.



REDEPLOYMENT

Preserve the skills and capabilities of our sector by helping find alternate employment.



KEEP APPRENTICESHIPS OPEN

National funding and local support is required for the future skills base.



SUPPORT INDUSTRY ENTRANTS

Current trainees need to be able to enter the industry and must not feel abandoned.



PROMOTION
Work together to promote the advanced capabilities of the Midlands aerospace network.


INFORMATION
Share market knowledge and updates about changing demand with all supply chain tiers.


DIVERSIFICATION
Share and enable opportunities for aerospace companies to enter new markets.


DIGITAL
Explore digital solutions to support companies while the crisis continues.


EXPLORE
Organise regional 'meet the buyer' events for lower tier companies and build renewed outreach to global primes.



 **SAFEGUARD WORKING CAPITAL**
Help companies manage working capital until aircraft demand turns up.

 **CASHFLOW SUPPORT FUND**
Organise finance that is repayable based on business performance.

 **ON-TIME PAYMENT**
Large firms must pay suppliers as originally agreed.

 **THINK BEFORE APPLYING PRICE-DOWN PRESSURE**
Large firms should be creative, agreeing sustainable, long-term cost targets with suppliers.





UPGRADE STRATEGIC PLANNING

Suppliers need to rapidly upgrade strategic planning and operating procedures.



IMPROVE ORDER BOOK PLANNING AND FORECASTING

Large customers must give clearer forecasts so suppliers can plan with better data.



BOTTOM-UP FEEDBACK

Large customers need to listen to impact signals from lower-tier suppliers to minimise disruption.



COMMIT TO INTEGRITY ALONG THE WHOLE SUPPLY CHAIN

Action to ensure ethical practices; this may include a charter with teeth.



RESPONSIBLE SOURCING

Companies receiving UK government aid should source in the UK where the capability exists.





MOBILISE REGIONAL CLUSTERS

Share best practice, collaborate and achieve consolidation and scale through networks.



 **UNLEASH BOTTOM-UP INNOVATION**
Enable supply chain companies to find and create new markets.

 **SYSTEMATIC CROSS-INDUSTRY TECHNOLOGY DEVELOPMENT**
Create and resource demand-led innovation to pull technology from one sector to another.

 **INVEST IN R&D AT SCALE TO MAKE AEROSPACE TRULY SUSTAINABLE**
Foster real, authentic participation by smaller supply chain companies.



MOVING FORWARD

As the current crisis is an evolving one, our plan will develop in line with changes to our economy, environment and industry.

One of our key priorities, right now, is to identify resource requirements and delivery options.

We will be talking with our peer UK regional aerospace clusters, and with national organisations (including Make UK, the Aerospace Growth Partnership, ADS, Government and Unite the Union) to align our activities with national

initiatives that stimulate flying, support airlines, bring forward defence projects and invest in low-carbon R&D.

We are also coordinating action with regional bodies including Local Enterprise Partnerships and the West Midlands Combined Authority as well as our region's key research centres.

And we'll continue to share best practice in support for supply chains with the 45 members of the European Aerospace Cluster Partnership.



**TOGETHER, WE CAN MAKE
AEROSPACE FLY AGAIN.**

With thanks to:

- Representatives from Midlands aerospace companies who responded to our survey covering the five pillars of our plan and the priorities.
- Regional aerospace leaders sitting on our board or one of our three working groups who contributed to in-depth debates.
- Leadership colleagues at the Black Country Consortium which is responsible for the aerospace sector strategy for the West Midlands Combined Authority.
- Everyone who participated in the Aerospace Unlocking Potential series of virtual events and meetings including our partners at the University of Nottingham, industry experts, consultants and hundreds of additional organisations. The £20 million ERDF-funded Aerospace UP programme supports aerospace innovation in supply chain companies located across eight Midlands local enterprise partnership areas.