

Written evidence submitted by Airbus

1. About Airbus

1.1 Airbus is a global leader in aerospace, defence, space and related services. We are the largest aeronautics and space company in Europe and a pioneer of cutting-edge technologies and products for our global customer base. Airbus operates in roughly 180 locations worldwide, employing 134,000 people and supporting 12,000 direct suppliers.

1.2 The UK remains a market of strategic importance for Airbus and we are exceptionally proud of our 100-year British aviation heritage. Airbus is the largest commercial aerospace company in the UK, as well as its biggest civil aerospace exporter. We are also Britain's largest space company, a world-leader in cyber security, and the biggest supplier of large aircraft to the RAF, through the A400M Atlas and the A330 MRTT Voyager. Airbus Helicopters make up 100% of the UK National Police Air Service and 60% of the Air Ambulance fleet, while our share of the military helicopter market is 29%. As Britain's civil helicopter hub, Airbus also represents around 50% of the UK's civil helicopter fleet. Through these contracts and our exports, Airbus makes a significant contribution to the UK economy, with our GVA to GDP totaling £7.8 billion in 2019.

1.3 Airbus strongly welcomes the Government's commitment to level up across the UK and to increase regional prosperity, and we look forward to lending our support wherever possible. We rely on 13,500 skilled employees over 25 sites across the length and breadth of the country to deliver our sector leading products and services. Whether it is through the design and manufacture of wings in Broughton and Filton, advanced satellites in Stevenage, providing country-wide support to some 400 helicopters – many vital to securing national infrastructure, in Oxford or securing connectivity and cybersecurity in Newport, we have a long history of providing high-skill employment to communities nationwide. We also spend £5 billion each year with UK suppliers. Through this expenditure we support a supply chain comprising more than 2,500 companies and a further 110,000 UK jobs.

1.4 We know that such investment is vital for the innovation that can help unlock global progress and deliver a step-change in economic growth. That is why we spend £350 million on UK research and development per annum and collaborate with more than twenty British universities, on projects like Wing of Tomorrow. Investing in our people and ensuring a sustainable pipeline of talent is equally important to the business. Airbus was the first UK company to offer a Higher Apprenticeship with an Engineering Degree Qualification and we are delighted to have trained more than 1,000 apprentices over the past decade.

2. The Impact of Coronavirus

2.1 The coronavirus crisis continues to have a severe impact on global aviation and aerospace markets. A slowing down of UK Government decision making will almost certainly mean that investment in technology and innovation in the aerospace and defence industry will be limited and ultimately could make our long-term recovery extremely difficult. **Government and industry working together now will mitigate some of this risk and ensure that the UK's aerospace sector is able to compete on a solid footing in the global market and make the most of the opportunities we can see for investment and innovation. This will be of vital importance for both Airbus in the UK and wider UK aerospace industry.**

2.2 The UK Government has already implemented a number of measures to support business through this crisis that Airbus has accessed such as the Job Retention Scheme and relief for some HMRC payments that have helped with cash flow in the short term. Our sector, though, is a long term one and while the immediate impact has been severe, the recovery will also be slow and will have a significant impact on our industry in the long term. For that reason, we are looking at ways that we can work together with the Government beyond the initial business support and restart phases of the Coronavirus response.

Support for the aerospace sector

2.3 The Coronavirus pandemic has halted aviation worldwide which poses a threat to the future of our airline customers globally. The International Air Travel Association (IATA) has warned that the deterioration of global conditions for airlines as a result of COVID-19 will see revenue fall by \$252 billion from 2019 levels this year. In April, 70% of passenger fleets were grounded and over £5 billion lost in value for UK aerospace based on 2020 production rates. Forecasts suggest the situation is not going to get better anytime soon. **We would encourage the Government to explore the potential benefits of introducing an aircraft renewal scheme to support the aerospace ecosystem. There are nearly 70 (7%) aircraft flown by UK registered airlines which are more than 15 years old. Replacing these with new aircraft would have material environmental benefits, for instance using 25% less energy and generating 50% less noise pollution. All new aircraft in service have been certified to fly with up to 50% of sustainable aviation fuel on board.**

2.4 The impact of Coronavirus has cascaded throughout the UK aerospace supply chain. There are more than 1200 SMEs in our UK supply chain and if these businesses are unable to meet deliveries and the needs of the wider supply chain, the whole industry could grind to a halt. A special industry backed aerospace taskforce led by Tom Williams, former COO of Airbus and supported by the industry trade association ADS, has been established to review the UK aerospace supply chain and actively engage to ensure its future sustainability and liquidity. **We would encourage the UK Government to engage with this taskforce and offer financial support to protect the strategic and incredibly important UK aviation ecosystem.**

Research & Development

2.5 The post Coronavirus recovery must be a green one in order to meet the UK's climate targets. As calls for decarbonisation are being accelerated, the transformation agenda for aerospace will assume a greater sense of urgency than ever, with it being seen as one of the key sectors, if not economic battlegrounds, for this century. **The Government can support the sector by confirming the doubling of funding for the Aerospace Technology Institute from £150m per year to £300m per year. This will ensure that the UK can maintain its position as a global leader in innovation and R&T, particularly on green aviation and addressing the net zero challenge.**

2.6 Other countries with world leading aerospace industries, and those who aspire to the same, will inevitably look at how they can increase R&D funding to support their industries. The UK Industry/Government split is currently 50/50 when it comes to R&D funding. However, the UK may risk being squeezed and becoming marginalised at a time when the next big investment decisions needs to be made. **To mitigate this, we would welcome the reassessment of the funding split, moving closer to 70/30 in line with the funding profile of competing nations. Advancing annual R&D tax credits would also help support work by Airbus in this area.**

2.7 We are likely to enter commercially challenging times for R&T programmes in the coming months and years. Securing further Government funding will ensure that we can continue to lead programmes from the UK and will symbolise a long term commitment to the Centre for Excellence for wing, landing gear and fuel systems technology in the UK. **R&D Funding should ensure continued support for both the Industrial Strategy Challenge Fund programmes, as well as the launch of the Brunel Challenge relating to High Value Design (HVD).**

Job Retention Scheme & Business Support

2.8 Airbus welcomes the measures that the Government has announced to support businesses. They have already meant we have been able to significantly improve cash flow though furloughing approximately 4,700 employees and removing some of our tax bill burden. Although we have been able to adapt our business in the short term, the long term impact COVID-19 will have on Airbus means that further support is necessary. **We encourage the Government to investigate National Insurance payment holidays and extended Business Rates relief for large businesses which would bring welcomed cashflow support to support future business stability.**

Space Sector

2.9 The Space sector is proving more resilient to the coronavirus crisis than the aviation sector and can therefore play a vital role in stimulating economic recovery. Space also plays an important role in the development of skills, technologies and services needed to build a resilient society capable of addressing global challenges, such as climate change, national security, health crises, food security and migration. UKs Space ecosystem supports high value jobs in every region of the UK and we ask the government to **bring forward strategic UK space infrastructure programmes**, in particular UK GNSS and Skynet 6 to stimulate high tech supply chains and maintain critical skills in position navigation and timing and national/Defence communications. In addition, it is essential that **UK reaffirms its Commitment to UK involvement in Copernicus**, with or without a deal with the EU, to retain skills in the Earth Observation sector and ensure the UK plays a leadership role in tackling climate change. Finally, the Space sector needs a **rapid ramp up of the National Space Innovation Programme** including unlocking funding for the current financial year to generate new sovereign capabilities and international partnerships outside of Europe.

3. Conclusion

3.1 The Coronavirus crisis is having a severe impact on global aviation and aerospace markets. A slowing down of UK Government decision making will almost certainly mean that investment in technology and innovation in the aerospace and defence industry will be limited and ultimately could make our long-term recovery extremely difficult.

3.2. Our sector will be impacted in the long term, for that reason, we are looking at ways that we can work together with the Government beyond the initial business support and restart phases of Coronavirus response.

3.3 In addition to the recommendations that we have outlined above, we would also encourage the Government to consider the following additional measures to position itself as a long-term strategic partner with the UK aerospace and defence industry:

- Apprenticeship Levy relief will allow Airbus to continue to support the vital development of the UK workforce.
- Enhance the UK's defence budget as a way to stimulate economic growth in a high value, high return sector.
- Respond to the calls for a Space Innovation Fund, of £150m per annum, to give confidence to smaller companies to stay in the industry.
- Ensure that the programme specification and procurement process are expedited for key campaigns such as UKSAR2G and NPAS.

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