



WITH KEY ROLE AT STAKE, AIRBUS URGES UK TO STAY COMPETITIVE

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Airbus urged Britain on Friday to remain competitive for industrial investments after it voted to leave the European Union, as aerospace experts warned it could no longer take for granted a strategic position inside the European planemaker.

"The world will not stand still, nor will Europe," Airbus Group Chief Executive Tom Enders said in a statement.

"I hope the divorce will proceed with a view to minimizing economic damage to all impacted by Brexit. Britain will suffer but I'm sure it will focus even more now on the competitiveness of its economy vis-a-vis the EU and the world at large."

Airbus, founded in 1970 and spread between major plants in Britain, France, Germany and Spain, builds wings for Airbus passenger jets in the UK where the group employs 15,000 people.

With major aircraft investment decisions already taken for the next decade or so, Airbus has said its UK operations will not be affected any time soon, but has warned it could reconsider its position

in the country in the long term.

Enders, who campaigned for Britain to remain in the EU and has stressed the importance of maintaining favorable government policies towards aerospace, said, "of course we will review our UK investment strategy, (as) everybody else will".

In part, that reflects changes already under way as Europe's largest aerospace company - for years a political football of European governments - imposes a more market-driven culture following an overhaul of its shareholder structure in 2013.

Its Broughton wings plant in Wales is one of the newest and most efficient, yet it occupies a site whose history neatly illustrates Britain's back-and-forth relationship with Europe.

Deliberately placed beyond the range of Germany's Luftwaffe to assemble bombers in the late 1930s, it eventually became a core part of the emblematic project to re-unite Europe's aerospace industry and share development costs in peacetime.

On Thursday, however, voters in surrounding Flintshire voted to leave the EU by more than 56 percent.

Shares in Airbus Group fell 6 percent, but avoided the worst of the post-referendum turmoil on financial markets as analysts cited the short-term benefits of a stronger dollar, making its planes more competitive against U.S. rival Boeing.

But the company, which moves aircraft parts between its four 'home' nations, is vulnerable to any downturn that hurts air travel and faces uncertainty over the terms on which the UK can trade with the EU in future. Border tariffs alone, if revived, would hit Airbus hard, according to strategy chief Marwan Lahoud.

FIGHT FOR INVESTMENT

Although Airbus and the European Union are not directly connected, some analysts say Britain's newly detached status from the Franco-German core that both runs the EU and still influences the company will only accelerate existing competition with emerging suppliers like India, China, Mexico and Canada.

Even within Airbus, Germany and Spain have long coveted wings production, sparking industrial battles at home.

"Britain has always had to fight to remain one step ahead of competitors and make sure it was 1,000 percent more efficient and has done well in terms of wings," said aerospace industry commentator Howard Wheeldon.

"The immediate situation is that nothing changes, but what will inevitably change is the longer term where there will be a fight for investments in the next generation of wing programs."

The Leave campaign argued that top companies had made clear that investments in the UK would continue after Britain exits.

Airbus is not expected to start work on an all-new plane until some time next decade but it frequently tinkers with existing models and its factories are under pressure to hold onto work due to barter deals with countries that buy planes.

"Deals in places like India and China are increasingly about technology transfer and Britain will now be higher in the queue when it comes to transferring work," one source said.

The UK's share of Airbus work on the A350 has already slipped by several percentage points from 20 percent previously.

Some industry watchers see a two-tier company emerging, mirroring Britain's separation from the Franco-German core and leaving the UK exposed to industrial poaching, but company officials insist 'integration' plans under Enders are working.

Others worry 'Brexit' may have lit a fuse that could cause deeper instability in Europe, something that has traditionally filtered down towards aerospace, due its strategic importance.

"I think Britain will muddle through as it usually does, but my concern is the knock-on impact it could have on Europe, with disruptive political parties taking this as a cue... and the world of working together being undermined," said former Airbus UK head Robin Southwell.

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