1.1 Airbus welcomes the opportunity to respond to the Business, Energy and Industrial Strategy Select Committee’s inquiry into the impact of Brexit on the aerospace industry. As the committee will be aware, Airbus was a leading voice during the referendum campaign arguing for the ‘remain’ vote.

1.2 However Airbus’s operations in the UK are an integral and indispensable part of our European aerospace industry. Airbus’s sites in the UK are among the most efficient and competitive sites in Airbus, and competitiveness is the key word for our industrial investments in the UK but also in France, Germany and elsewhere in the world. That is why Airbus is committed to working with the UK Government and others to ensure that Britain leaving the EU will not impact it’s programmes and business units.

1.3 In the UK, Airbus has more than 15,000 employees across more than 25 sites, including Broughton and Filton where we design and assemble aircraft wings. The UK division generates annual revenues close to £6bn, making Airbus the UK’s largest space, and second largest aerospace and defence, company and a major contributor to the UK economy.

1.4 Airbus is structured around a four ‘home-country’ model which relies on the seamless flow of goods, people and intellectual property across France, Germany, the UK and Spain.

1.5 Airbus is a global leader in aerospace, defence and space services, generating revenues of over £60bn a year.

2. Market access

2.1 The EU, US, Canada and the UK, are all signatories of a plurilateral (32 multi-nation) WTO Agreement in Trade of Civil Aircraft (TCA), which means that there is duty-free trade (zero tariffs) in a prescribed list of aircraft parts. This means, that even if the UK were to leave the EU without a deal, no new tariffs would be applied to Airbus.

However, Airbus relies on a highly integrated supply chain across its home nations. The continued ability to move components and equipment across borders quickly and efficiently is crucial to our UK business. New checks at UK/EU borders would cause significant disruptions and delays, as well as additional administrative complexity and increased costs.

2.2. Exposure to potential tariffs on raw materials could, however, be mitigated if the UK integrates into domestic law the currently applicable EU Inward Processing Regime (IPR) (including the aeronautic-specific ones for civil, military aircraft and helicopters as well as satellites), which suspend and exempt products imported in the EU for further processing.
2.3 While WTO standards do not cover raw materials and unfinished components, Airbus relies on Inward Processing Relief (IPR) to remove potential tariff barriers and maximize competitiveness. A specific aeronautical scheme within IPR which removes all duties on imports for further EU processing, even if products are not re-exported thereafter (Article 324c/324d of IA).

2.4 Continued access to EU-led programmes is also vital, particularly for the space sector. Airbus in the UK plays a leading role in the Galileo satellite navigation and Copernicus Earth observation programmes, as does Airbus subsidiary Surrey Satellite Technology Limited (SSTL). The Horizon 2020 programme is also an important source of funding and collaboration on research projects across a range of competencies and sectors. The Government has signaled that it wishes to remain in Horizon 2020 and also in other EU-led programmes that provide benefit to the UK economy, industry and academia and this is welcomed by Airbus and SSTL.

2.5 However, no specific commitment has so far been made to Galileo or Copernicus. Perceptions are therefore already forming both within the European Commission and within the European Space Agency, the delivery body for these programmes, that the UK is already withdrawing. These perceptions need to be countered by a clear commitment from the UK that it willing to continue participating and funding these programmes. In the absence of a UK national space programme at present, EU-led programmes are playing an increasingly important role in sustaining and growing the UK’s space sector and it is vital for UK space companies to continue to have access to and participate in them.

3. Regulation

3.1 Similarly, all aircraft components and parts that are developed and modified must be certified by internationally recognised airworthiness standards. For example, the nose cockpit unit that goes into an Airbus A380 has three tiers of suppliers, each of which are EASA certified.

3.2 The European Aviation Safety Agency (EASA) currently sets those standards in Europe and has reciprocal recognition from other international aviation regulators. Working with EASA has allowed Airbus to devise a single-standard of airworthiness regulation across its business in all the countries it operates.

3.3 It is essential that the double certification of UK aircraft parts and components, including those in the supply chain, is avoided post Brexit. If the UK were to be forced to adopt different standards, this would increase cost for both Airbus and its supply chain and potentially impact on the safety of aircraft and interoperability.
3.4 Any regulatory divergence between the UK and the EU should be avoided. More specifically, all EASA-issued Design Organisation Approval (DOA) and Production Organisation Approval (POA) must remain valid in the UK.

3.5 Airbus, therefore, recommends that there should be a future agreement which allows its UK business and supply-chain to receive easy validation, which is best achieved by the UK remaining an active, full member of EASA.

4. Skills and people

4.1 With its four ‘home countries’ business model and fully-integrated, global supply chain, it is essential for Airbus that the fluid and quick movement of its workforce can continue after Brexit.

4.2 Airbus employees undergo around 80,000 business trips per year between the UK and the EU-27. On top of this, the company has around 1,900 of its staff on ‘cross-channel’ expatriation contracts (around 1300 UK employees working elsewhere in the EU and around 600 EU27 employees in the UK).

4.3 Airbus is keen to ensure that its business, and that of its UK supply chain can continue to support high-value design, manufacturing and engineering jobs. Airbus particularly relies on skilled UK employees being able to move across borders, at short-notice, to fix issues that emerge on the production line, be that wings or satellite payload integration. Introducing new visa requirements for these cases post-Brexit will lead to potential delays and costs in moving skilled employees to where the business needs them the most.

4.4 This in turn will make UK skilled employees more complicated to deal with and make programmes that involve the UK more bureaucratic. This will affect the long-term competitiveness of UK sites.

4.5 Airbus’ competitiveness, therefore, relies on its ability to continue to move its workforce (and that of the supply-chain) across borders for business-critical missions. It is important to ensure that Airbus employees can move without friction between nations where a major site is located.

5. Research & Development

5.1 Maintaining the UK’s participation in EU-funded research programmes and projects is of key importance for Airbus. Therefore, Airbus welcomes the UK Government’s Science and innovation paper, which outlines the UK’s core objective in the negotiation, is to “continue to collaborate with European partners on major science, research, and technology initiatives.”

1 Based on 2016 figures
5.2 This allows Airbus to shape and influence research projects in an EU-wide ecosystem that brings together big manufacturers, small-to-medium-sized enterprises (SMEs) and research institutes. Leaving this will have implications on the overall accessible R&T funding for aerospace but also on the overall architecture (rules, modalities and governance).

5.3 It is critical for the UK to continue to participate in collaborative research programmes such as Horizon 2020 and Clean Skies. Airbus, therefore, urge the Government, as part of the negotiations, to prioritise the UK’s continued involvement.

5.5 In addition, if no deal is reached and the UK can no longer apply for EU research funding, Airbus’ business in the UK will lose out. While other parts of the company, based in the EU, will continue to be eligible for such programmes, parts of the UK business would be unable to participate in cross-border collaborations and will, as a result, miss out on research that could underpin future UK capabilities.

5.6 As mentioned above (points 2.4 & 2.5), EU-led programmes are of increasing importance to Airbus’ space interests, such as Galileo and Copernicus. While Airbus welcomed the UK Government’s increased commitment to European Space Agency programmes at the last ESA ministerial council meeting, an increasing number of space programmes are being led and funded by the EU.

5.7 Often these programmes include criteria that only EU member states can participate, and in some cases, this has been retrospectively applied to recent contracts won by UK companies. Therefore, it is vital in the negotiations that the UK secures continued access to these programmes to avoid highly skilled UK jobs and research moving to EU member states. Also at risk would be the investment already made by the UK in these programmes, that often have delivered a greater return to the economy than the initial investment.

5.8 Galileo and Copernicus are long term programmes and the UK space sector has built up a leading position in terms of contributing to both the research and implementation phases. These programmes support a large number of UK jobs and also involve important collaboration arrangements with UK universities, and this will be put at risk if the UK loses access.

5.9 Currently, Airbus invests £500m annually in UK R&D. Investing in world-leading science and research allows the development of game-changing technologies that improve productivity and deliver advanced innovations which sustains 15,000 high-value Airbus jobs in the UK.

5.10 Airbus is a key partner in the Aerospace Growth Partnership (AGP) and the Defence Growth Partnership (DGP) which brings government and industry together to secure the long-term future of the UK aerospace and defence sector. This has been a catalyst for growing the UK’s aerospace sector delivering 39 percent growth in the last five years.

5.11 The establishment of the Aerospace Technology Institute (ATI), which through a joint £3.9 billion industry and government investment fund, positively promotes research and development into new technology for the aircraft of the future has bolstered additional growth of the sector. This fund makes the UK an attractive place to locate R&D programmes and enables Airbus to be one of the UK’s biggest inward investors in R&D sustaining long-term, high-value UK jobs. As Britain leaves the EU it will be more important than ever to ensure that the Government prioritises these schemes and investments to make the UK an even more attract future investment.

5.12 Similarly, the participation of the UK in the European Investment Bank (EIB), which is currently only open to EU Member States, is important. Airbus urges the UK Government to ensure that an amendment to EIB statutes continues to allow Airbus to benefit from future loans for its UK investments.

6. Transitional arrangements

6.1 In order to ensure that Airbus's competitiveness and productivity continue unimpeded, it is believed that there should be lengthy-transition period that allows for Airbus to invest in appropriate customs arrangements, such as electronic-border management systems. As noted earlier in the document Airbus moves employees across the UK-EU27 border around 80,000 per annum and exports over £6bn worth of product into the EU. This means, that if there is a production issue from a UK export such as a commercial aircraft wing or satellite payload, it is of vital business need that Airbus can move staff and equipment urgently (within hours).

6.3 It is also essential that the UK and EU should assesses the ability of staff and IT systems to cope with the substantial increase in cross-border movements and quantify the level of investment needed to prevent significant delays at border points.

7. Summary:

7.1 Airbus’s UK operations need to remain highly productive to ensure that its aircraft components, satellites, helicopters, defence and cyber solutions developed in the UK remain competitive in an open and global market place. If costs increase as a result of the UK leaving the EU, this will inevitably impact future UK investment decisions.
7.2 The above policy areas identified in submission, if agreed in the negotiation, will ensure that our programmes and business units are able to move succinctly and efficiently without undue disruption. However, to ensure Airbus is not put at a competitive disadvantage by a trading and regulatory cliff edge, it is vital that the UK and EU agree on the terms of a transitional arrangement as soon as possible.

7.3 Not reaching a deal with the EU would have significant consequences for Airbus and its supply chain. Airbus believes that no deal would potentially reduce UK’s influence on regulatory matters, damage UK’s work advancing new technology and, in turn, creating high-value jobs. Therefore, Airbus relies on a fully-integrated relationship which secures the access to, skills, R&D and influence that underpins its global competitiveness and rising productivity.

30 October 2017