



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **IMPACT OF CORONAVIRUS ON THE AEROSPACE
INDUSTRY**

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BY **Ken Skates AM
Minister for Economy, Transport and North Wales**

I was briefed this evening by Airbus senior Officials on the dramatic impact of the Covid 19 Pandemic and specifically on the impact of a 40% reduction in demand and wanted to share details with Members.

As you are only too aware the Covid 19 pandemic has had an immediate and catastrophic effect on the aerospace and aviation sectors globally

Airbus advised me today that according to IATA (International Air Transport Association), worldwide domestic flights have dropped by 70% and the loss of passenger revenue is reaching \$314 billion. Europe's largest airports have managed 90% fewer flights and the recession combined with a perceived COVID-19 infection risk when travelling, is damaging passenger confidence. Airbus does not expect air traffic to reach pre-crisis levels for 3 years at best, possibly 5 years and that is assuming there is no second-wave crisis. To date, approximately 57,000 people have been furloughed and sadly, some 33,500 made redundant across airlines, airports and aerospace businesses.

Consequently, growth will be very limited and fewer new aircraft will be needed. Globally (over all manufacturers) demand for production of short haul sized aircraft is likely to drop by 15% (around 1,500 fewer aircraft out of 10,000) and by 30 - 65% for long haul sized craft, by the end of 2025, (around 600 - 1,300 fewer aircraft out of 2,000).

Airbus employs some 6000 highly skilled, well -paid people at Broughton and was the cornerstone of the high value manufacturing in Wales. Indications at the turn of this year were that 2020 looked to be very promising for the Company. Monthly production of the A320 was set to be ramped up and the order backlog stood at 7,482 commercial aircraft, with demand forecast to rise.

However, in stark contrast, the Airbus order book has been eroded as demand for new aircraft has fallen and production rates have dropped by 30%. Airbus is now fighting for survival and has announced plans to adapt its global workforce and resize its commercial aircraft activity in response to the COVID-19 crisis. This adaptation is expected to result in a global reduction of around 15,000 positions no later than Summer 2021, with 1700 of these in the UK. This restructuring will predominately impact on two sites only – Broughton in Deeside and Filton in Bristol.

I cannot stress enough the existential crisis the sector is facing – one which could result in economic devastation in those constituencies surrounding the Broughton and Deeside facilities and the neighbouring areas of North West England. I would also wish you to be aware that we have identified 150 suppliers employing circa 1500 staff who will almost certainly be affected by today's announcement.

The Broughton site has already put some 500 Guidant agency staff under notice of redundancy and furloughed some 3,200 core staff. Airbus have made extensive use of the Job Retention Scheme with about 40% of its UK employees in the Commercial Aircraft division also on furlough. I was informed today that the information and consultation process with social partners has already begun with a view to reaching agreements for implementation starting in autumn 2020.

While compulsory actions cannot be ruled out at this stage, Airbus will work with its social partners to limit the impact of this plan by relying on all available social measures, including voluntary departures, early retirement, and long term partial unemployment schemes where appropriate.

Airbus stated that the UK apprenticeship scheme will continue as planned however start dates have been staggered to reduce class sizes and thanked Welsh Government for our support to their apprentices. Graduates on scheme are secure for the term of the scheme. The company has already reduced or announced reductions of more than 700 temps and sub-contractors at the UK commercial sites.

I have also spoken to BEIS Ministers today stating that all governments must work together, starting with a high value manufacturing summit to support this and other strategically important sectors. Specifically I have discussed areas of industrial strategic support to help both the company and the wider sector including a supply chain fund, flexible hours (shorter working week), and an aircraft scrappage scheme to retire older, less environmentally friendly aircraft and R&T support. I have also discussed with them innovative ideas such as temporarily removing Air Passenger Duty, stimulating internal flights and incentivising UK companies to carry out their MRO (Maintenance, Repair and Overhaul) in the UK, delivering significantly more support to 'green' R&I initiatives and finally, developing positively weighted defence and space strategies around the future flight sector.

I am concerned that, whilst other central European governments have moved rapidly to protect the future of strategically important industries such as aerospace, the UK Government may already be too late to prevent irreparable damage as companies

announce cuts - the severity of which threaten the future viability of operations in the UK and the certainty of work being lost to other countries.

In responding to today's announcement, it is clear that we need to take immediate action to safeguard the position and wellbeing of the airbus workforce and supply chain. We also need to focus on doing everything in our power to secure a sustainable future for the aerospace and high value manufacturing sectors.

Building upon the extremely close working relationship the Welsh Government enjoys with partners in North Wales and across the wider Mersey Dee area, this action will be founded firmly on collaboration. In the immediate term I have asked my senior officials to convene, as a matter of urgency, a multi -agency north Wales/Mersey Dee area rapid response group and effort. This group will work with Airbus, the supply chain, trade unions, and all key agencies to ensure the rapid and effective deployment of all support required to individuals and the supply chain.

In parallel, work has already started between industry fora, partners within the Mersey Dee area and my officials, to understand the specific needs of companies within the aerospace supply chain. I have asked for this work to be expedited and also replicated for the automotive sector – my aim is to ensure as robust an understanding as possible of needs and opportunities so that any support provided is targeted and delivers maximum impact over the short, medium and long term.

In the longer term, I will be convening, within the next 3 weeks, a high-level summit to discuss the future of aerospace, automotive and wider high value manufacturing sector in the context of Brexit and net zero carbon. The summit must be focused on the future shape of these sectors, must be cognizant of wider developments such as in the low carbon energy and construction spheres and must be a vehicle for defining a clear roadmap of collective actions and interventions to get there.

That is why I will be pressing UK Government to be a part of this summit.

I will update Members again in the coming weeks.