

Strengthening Cooperation through the Supply Chain for a Sustainable Transformation of the Aeronautics Sector



The European aeronautics and aerospace sector is at a decisive turning point. With air traffic exceeding pre-COVID-19 levels, the industry is under increasing pressure to deliver on the dual green and digital transitions while remaining competitive, resilient and socially sustainable in a context of global competition, supply chain disruptions, high energy prices and geopolitical uncertainty.

All of these factors are putting pressure on wages and job security, especially for workers from the supply chain.

However, solutions do exist...

IndustriAll Europe's EU-funded project FLY-SUS 'Strengthening cooperation through the supply chain for a sustainable transformation of the aeronautics sector' directly responds to these challenges and charts the path towards a fair and balanced transition.

With the aim of ensuring the sustainability of the European aerospace value chain, the project encourages cooperation, shared responsibility and strong social dialogue between all stakeholders.

STRENGTHS

- **Unique skills with the ability to create an aircraft from start to finish on its own soil: a long aeronautical tradition + well preserved and transmitted know-how**
- **A strong industrial base: major players who themselves rely on a multitude of European subcontractors**
- **Internationally recognised know-how: the majority of European civil aircraft production is destined for export and the European aircraft manufacturing industry is a world leader**
- **Excellent prospects for the coming years with a full order book for the next 10 years**
- **One of only three European industries identified as having positive prospects for the coming years by the study 'Ending European Naivety'**

WEAKNESSES

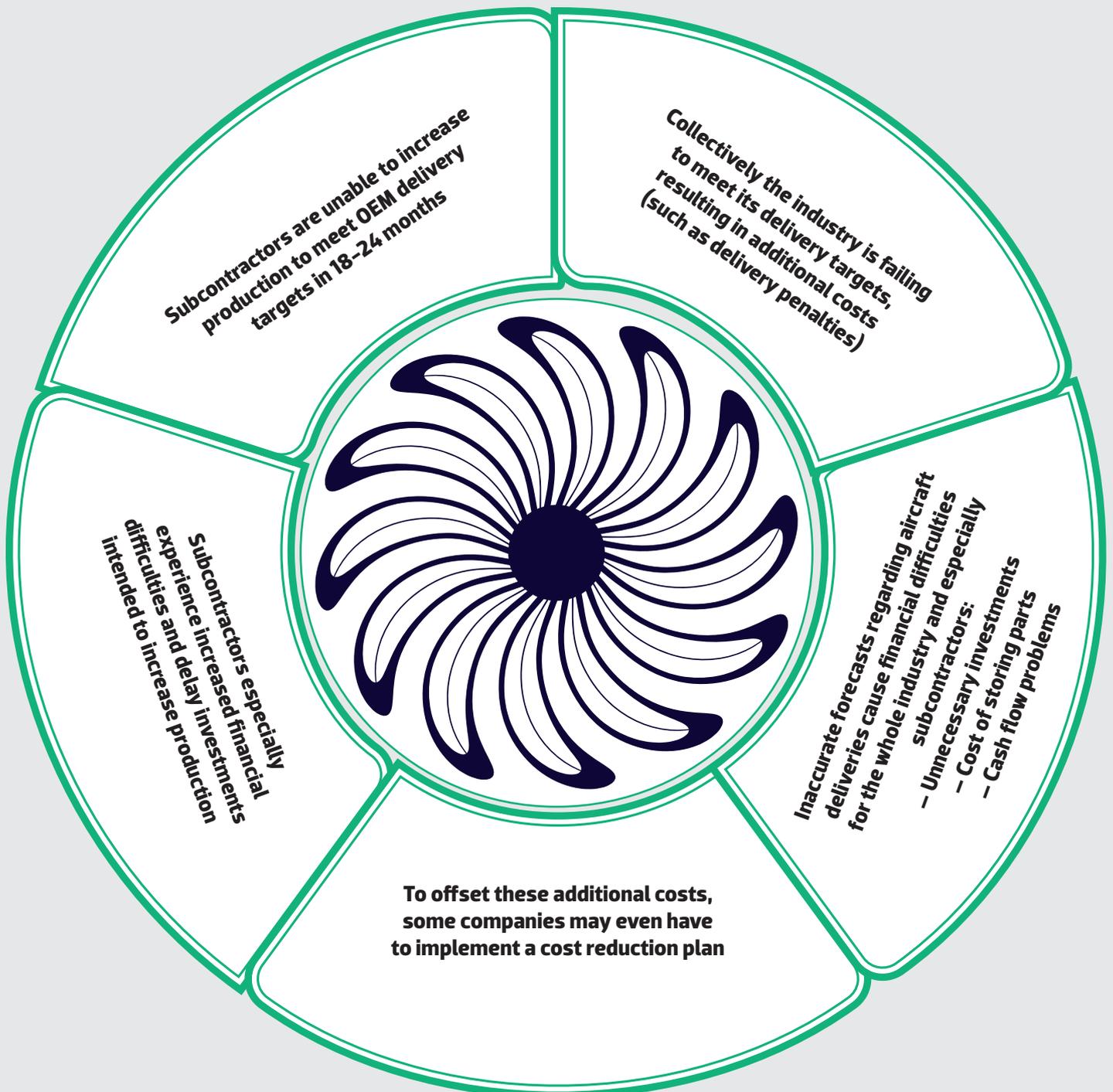
- **A gap between strong demand for aircraft on the one hand, and insufficient resources on the other hand**
- **Tensions and instability in the subcontracting chain:**
 - Increased risk of relocation and overflow of activity to other regions of the world
 - Implementation of a dual sourcing strategy by major contractors: having two suppliers from two different regions of the world, where previously there was often only one European supplier
 - Weakening of the European aerospace industry (composed mainly of small and medium-sized enterprises that are invisible in public discourse)
- **A lack of investment = ageing factories in Europe + insufficient R&D + insufficient coordination between players + a lack of long-term industrial strategy**
- **Shareholder remuneration targets that sometimes take precedence over investment in people and machinery and prevent long-term success**
- **Disagreements and misunderstandings within the aeronautical value chain:**
 - Aircraft delivery targets on European soil are not shared by the entire industrial fabric = fragmentation of production dynamics and creation of a vicious circle
 - Financial and human resources to work on the aircraft of tomorrow are limited: lack of common and realistic visibility on green aircraft, which reduces the potential investment efforts of players in the sector

Paradoxically, record order books do not translate into good financial health for all players in the sector. In addition to recent uncertainties (health crisis, energy crisis, delivery delays, etc.), some contractors prefer to duplicate their supply chain, putting European suppliers in competition with international suppliers.

These situations generate complexity, additional costs and potentially increase risks within the European industrial fabric, which

is struggling to structure itself to meet this high level of demand. The current fragility of the European aeronautical industrial base is preventing adequate investment in the carbon-free aircraft of the future.

Through relocation and missing investment in green, carbon-free aircraft, the European industry may lose its leadership in aircraft production.



RECOMMENDATIONS

1. Update a European industrial strategy for civil aviation focusing on sovereignty and Just Transition issues (e.g. European White Paper on the aeronautics industry), with European social partners' involvement at its core

2. Develop a new risk-sharing policy between main contractors and European subcontractors: a greater proportion of risk has to be taken by the original equipment manufacturer (OEM) compared to today

- Guidelines for the sector at different levels, including worldwide
- OEM delivery commitments must also bind OEMs towards suppliers
- Promote centralised purchasing structures for raw materials
- Rebalance risks in exceptional situations (energy, inflation, crises)
- Work on extending the duration of contracts and commitments between all parties

3. Improve cash availability for aeronautic suppliers

- Introduce reliable payment times by OEM
- Reduce suppliers' payment times – create a European standard for the industry
- Incorporate investment financing into subcontracting contracts
- Create a dedicated European Investment Bank (EIB) policy for aerospace subcontractors

4. Require employment and investment commitments in return for public subsidies for the aerospace sector

- European preference
- A defined share of value creation and production to take place in the regions that provide the respective financial resources
- Systematically include collective bargaining and a minimum number of apprenticeships & training as a condition for public funding

5. Involve subcontractors in R&D for the aircraft of the future, in particular by imposing a quota for SMEs receiving public funding for aircraft

- Coordinate the sector at EU level & improve coordination between contractors and subcontractors
- Public research funds should target more subcontractors
- Link public subsidies and co-financed R&D to local production and manufacturing

RECOMMENDATIONS

6. Strengthen European aeronautics clusters by increasing cooperation between the various stakeholders in each region (companies from different sectors, trade unions, universities, etc.)

- Increase the visibility of the aeronautics sector, particularly SMEs/mid-cap companies on the local labour market
- Create career paths between subcontractors and original equipment manufacturers (OEMs) in order to increase visibility on the labour market; develop mechanisms for secondment and job sharing between companies in the sector
- Establish local coordination between companies on cross-cutting issues (raw material procurement, cybersecurity, etc.)
- Continue and increase the support for cybersecurity from OEMs for suppliers
- Share information with employee representatives of the main contractors in their aerospace supply chains to enable coordination between employees in the supply chain and main contractors (create new channels of communication to identify difficulties within the supply chain through employee representation)

7. Make working in the aeronautics sector more attractive:

- All companies should have worker representative structures
- All companies should have collective agreements
- Establish permanent furlough scheme mechanisms in the various European countries that subcontractors can rely on in the event of an economic crisis to avoid loss of jobs and skills
- Companies (suppliers and OEM) should reach a minimum rate of apprenticeships and training. If companies do not reach that rate, they should pay a fine which will go to national funds to support training for the aeronautics sector
- Introduce work organisations that are family friendly and support approaches, like company-organised childcare, well equipped local schools, good public transport
- Offer employees greater flexibility in terms of working hours, particularly for blue-collar workers

8. Facilitate access to a cheap financial solution for the European industry, including the aeronautics industry and its supply chain

- Redirect European private savings to the European industry
- Create low-cost and long-term financing options for European industry
- Create an equivalent to the French Livret A savings account for European industry, including aerospace subcontractors
- Increase employee share ownership
- Encourage public investments in companies of European strategic importance for the sector