Sustaining the competitiveness of European Supply Chain

by Vittorio Prodi MEP

Ladies and Gentlemen,

The past 40 years has seen collective public and private European efforts successfully raise the European Aerospace industry from a niche sector to a world leading industry. Major large companies, thousands of SMEs, academia and research laboratories have come together, under the European banner to produce globally leading technologies, systems, operations and services.

While it is easy to paint a picture of the successful past, increasing international competition in space technologies manufacturing, aircraft services and infrastructure to name a few, is a global phenomenon. Foreign governments know the strategic nature of Aerospace and are acting accordingly, supporting their industries and enhancing competition at all levels.

So how do we in the face of such global policy sustain our own levels of competitiveness?

As a decision maker I am here today to offer you maybe a different perspective to the rest of the panel. I would like to use the term 'competitiveness' as one which not only means the creation or sustaining of resilient European industries, but also to the establishment of European industrial cooperation platforms for the long term success of European society. These are platforms which can actively shape the international markets and therefore influence how other players may think about their own long term objectives.

So one answer to the question on how we sustain competitiveness is that we need to build on our strengths. And when I look at what we have built here, in the Aerospace sector, we can see the basis of a model for the long term success of European industry.

We have witnessed the establishment of one of Europe's most competitive industrial platforms, a vital facilitator of European integration and cohesion. The fact is, in the last decade, Europe's leadership in Aerospace has been underpinned by a commonly shared vision and an associated, ambitious strategic research agenda, which confronts the financial and environmental limitations.

There are two elements which I will extract, consider and build upon today to offer you my thoughts about the long term competitiveness of Aerospace supply chains;

- The European Aerospace vision, and
- The EU's legislative tools.

As I am sure you are aware, these two elements are built upon the value of 'European Capabilities', expressed through a shared public-private partnership where decision

makers, stakeholders and society maintain and extend global leadership through an appropriate and balanced regulatory framework. Elements such as greater standardisation and coordination at the European level, interoperability between companies and common visions, are now the basis around which supply chains can be promoted in-house and sustain global competitiveness.

The Vision: 'Made in Europe'

'Made in Europe' has long been a pillar from which our expertise and reputation are based. But how do we capitalise on this by projecting it from solely an advertising tool, to one which holds real sway in industrial policy, in research policy, and in transport policy?

I envisaged 'Made in Europe' to mean more than just the expertise needed to create world class design and innovation products. It is a governance platform which builds upon our collective strength, and employs each element of the European supply chain to bear on the international market.

Allow me to elaborate.

When we look at the Aerospace sector in Europe, we have a sector which has realistically grasped the nature of the problems it faces, and has pulled together in a common manner, to pursue societal, environmental and industrial development objectives. It can now be considered an industrial platform which confronts the realities of the global economy in a distinctly European manner. There are far more elements at play here than just quality of design. It carries with it an ethos of 'unity' which will be the long term pillar of strength for the sector.

I point to the recent publication of the 'Flightpath 2050' document and its goal of aligning Europe's supply chain to meet 5 key challenges that were outlined:

1. Meeting market and societal needs
2. Maintaining and extending industrial leadership
3. Protecting the environment and the energy supply
4. Ensuring safety and security, and
5. Prioritizing research, testing capabilities and education.

While these objectives were originally conceived for the Aeronautics sector, they also have an important role to play for the Space sector too. Each element aligns with an institutional undertaking that will shape the global marketplace favourably for the European Aerospace industry.

As European decision makers, these objectives allow us to bring together a range of tools, actors and common roadmaps to meet our needs, and provide the basis from which leadership, active engagement and a predictable legislative environment will maintain the competitiveness of the European supply chain.

This is the basis of Clean Sky, of SESAR and more importantly right now, it is the basis of the overarching 'Horizon 2020' Research and Innovation agenda.

Legislative Planning 'Made in Europe'

Please allow me to say, as the Chair of the Sky and Space Intergroup, I have taken a strong personal interest in order to ensure that the Aerospace positions are taken into account. In fact as I speak to you, the Parliament is in its final stages of negotiation in order to establish its position vis-à-vis the other institutions on Horizon 2020.

What is of greatest interest for the competitiveness of our supply chains is how Horizon 2020 is introducing a new way to viewing Research and Development, the basis of the 'Innovation Union'.

At the base of this document is an idea which allows for flexibility but also draws its strength from European tradition and standards. The result is a research framework which allows information to move quickly throughout European supply chains creating flexible systems, in an integrated open approach to Research and Innovation. Furthermore, the risk is shared between public and private players.

So how do we implement an Open innovation approach in EU-funded collaborative research projects?

As decision-makers we are aiming to achieve simplification, clarity, predictability while strengthening 'trust' between all public and private stakeholders. This will require us to reduce administrative burden and complexity while increasing the consistency in the application of rules. What I am saying is nothing new, these were the foundation principles the Commission presented us with at the beginning.
And while in theory this is sound, undertaking a shift of this magnitude requires significant legislative adaptation in order to keep incentives in place to actually promote wider participation and exchange. These will mean greater intellectual property protection, and greater support within the regulation. Internationally it will require a stronger political position from the European Union to defend industry in the international fora.

But briefly on Intellectual Property protection we see that the proposed rules are mainly based on the proven FP7 provisions. This means that ownership will stay with the participant that generates the result, while joint-ownership applies when the results are jointly generated. In the case of transfer, the regulation will demand fair and reasonable compensation. But the details of this are still to be finalised.

This is a policy which recognises many realities for European industry in face of dynamic markets, and in the face of highly sophisticated demand, and it creates further benefit for the sustainability of the industry. One of the major issues on the horizon is about ensuring security of supply for rare and raw materials. This will require us to close the production loop when it comes to recycling and dismantling. By neglecting the end of life processes, Europe may loose its ability to reclaim

important benefits from this industry in terms of resources, jobs and economic growth possibilities for our citizens.

So when we look at questions about ensuring the ability of our Aerospace industries to adapt, whether it be original equipment manufacturer's, or aircraft maintenance, repair and overhaul, by sharing risk and information we are able to build a resilient supply base which is able to innovate and therefore guarantee sustainable, long term competition.

Let's take the example of the 'Code of Conduct'. We can foster the competitive advantage by launching a programme for avoiding littering and gradually incorporating rescue operations for satellites at the end of operating life: We could set the rules and standards.

'Sustainable Competitiveness' is more than future promises of funding. There are many documented threats to European supply chains: political instability, natural disasters, poor product quality, communications failures, currency risks, and cyber attacks to name a few. Most important is to ensure that past public sector promises are kept and that legislative stability is the norm. Shortly, the European Commission should look back over its' terms and initiate action on promises which have not been followed through. Regardless of the actions that will result, the most important lesson that must be re-learnt here, is that when a public body commits to a programme crucial for European industrial competitiveness in the long term, it needs to defend that programme.

Promises, when kept, can act as drivers of recovery to industrial demand and employment. They can open new markets, and create chains of interlocking partnerships made to achieve manufacturing objectives.

Once broken, they weaken the economy and further deepen the credit crisis. At stake for suppliers’ is their ability to maintain necessary lines of credit and finance the working capital necessary to run daily operations.

It is extremely difficult to protect and promote European industry abroad when knowledge-intensive industries, with long technological phase-in times are not given the stability they need. Moreover it breaks down trust between public and private spheres, with spill-over effects for the wider policy lines. It is difficult to demonstrate our seriousness in achieving our long-term objectives if even short-term ones are not kept.

I guess that everybody has understood my words here. In tackling the economic crisis GMES is the solution, not part of the problem.

In conclusion I am confident that the European supply chain has the strength to withstand the current economic downturn and stay competitive and soar.