



Our Industry in the Next 10 years

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Content

- Shape of our industry
- Outlook for Aerospace, Defence, Security and “Advanced Engineering”
- Challenges- for large and smaller companies
- Our collective ambition
- Messages to Government: One Voice

Where are we today – overall

- A growth industry still, but slowing
 - Used to be 2 x GDP Aerospace, 1 x GDP Defence, 3 x GDP Space
 - Heading for 1.5 in Aerospace, < 1 x Defence, still 3 x Space
- Survived a major recession, but defence pressure still to hit
- Lost the “awe and wonder” in the public’s eye
 - No Men on the Moon, nor Concorde
 - A plane is a plane
 - Polluters and ethical problems

Where are we today – the UK

- Still number one in Europe....and two in the World
- Global export success and wealth generator
- Large and successful supply chain
- But:
 - Lost image as a prime/system integrator
 - No “United Technologies”
 - Arms trade image
 - Not investing enough to maintain global share
 - India, China, Mexico, Brazil, Russia

Shape is evolving

- Migration towards multi-sector
- Civil and Military Air
- Autonomous Systems for the future
- Defence and Security
- Space
- Alternative Energy e.g Civil Nuclear

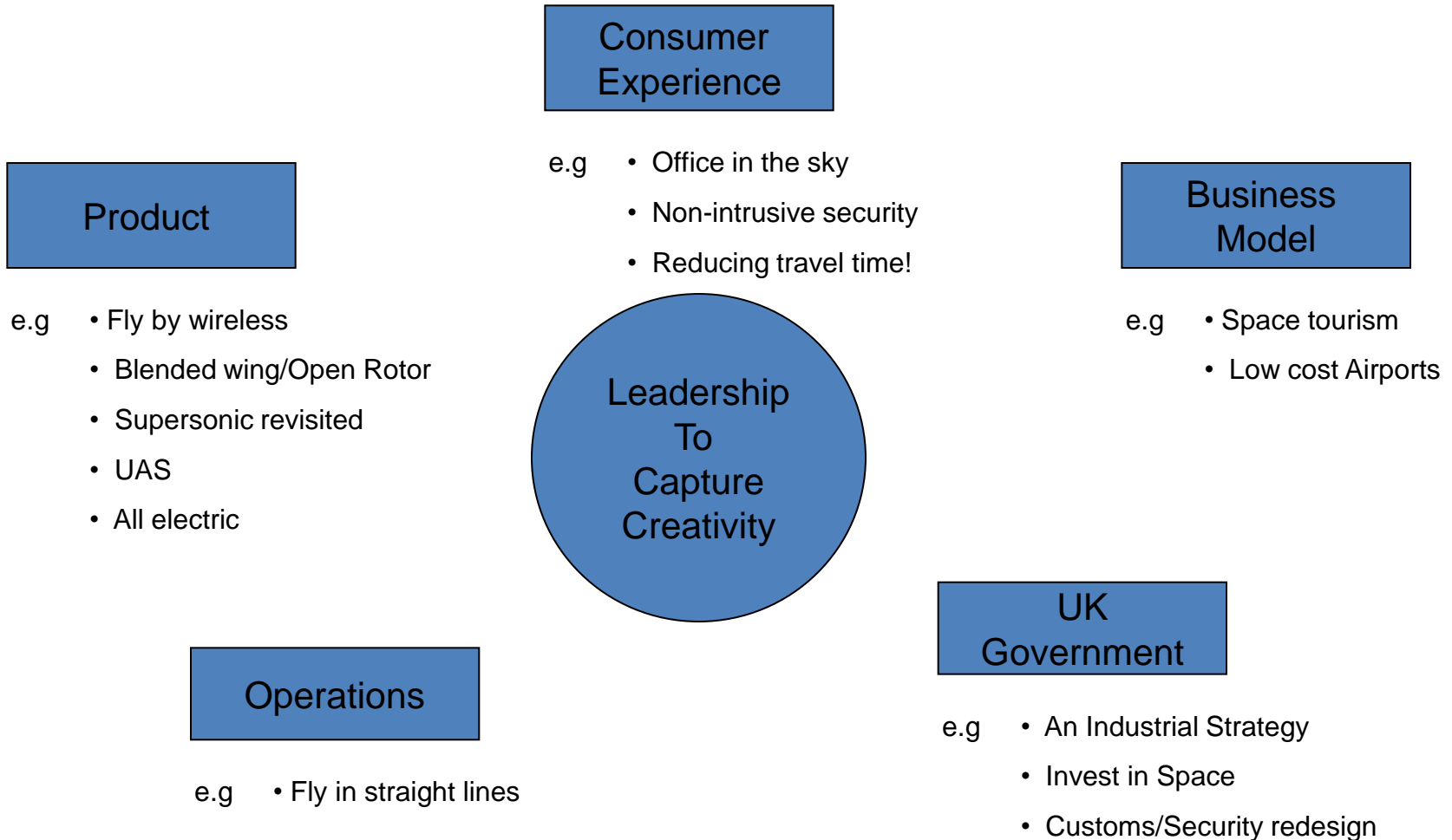
Demand Outlook mixed

- Civil recovery 2011 onwards- boom in 2013-14?
- Defence- perfect storm for 2011/12
- Security- steady expansion, although fiscal drag
- Space- refocus but high growth returning in a couple of years time
- Civil Nuclear- a boom for the decade at least

UK Aerospace Position: two scenarios

- If we can capture Innovation and New Short Range wing, then potentially a continued high world share which stands at 17% currently
- If not, slippage from 17% to 7-8% within 20 years
- Dependent on the £ position also as to impact on SMEs

How could it be different in future?



UK Defence dependent on SDR and political situation

- 10-15% cuts likely in non-big programmes
- Too risky to rely on UK for the future
- Security and Civil Nuclear are good diversifications to consider
- France and USA essential- for SMEs
- Middle East and Far East still boom markets, especially for Security

UK Space – Prospect for long term growth

- Good intentions – the IGT
- Ambitious programme- from 6% to 10%
- 2012 onwards for major action and tangible results

Challenges

- Diversification to ensure sustained growth
- Two year squeeze on prices
- Competitiveness in supply chain
- Erosion of job shop operations to low cost countries
- International Business development even more crucial

Messages to Government

- Country to Country competition
- R&T budgets council
- Strong internationally winning companies in UK essential
- Fairness in access to markets for SMEs- MoD, Primes etc
- Continued local support focussed on training, skills, technology and business development
- We are structured for success: RTAs and TAs: lean and focussed on business development, nationally and internationally
- Government, itself, needs to become much more productive

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