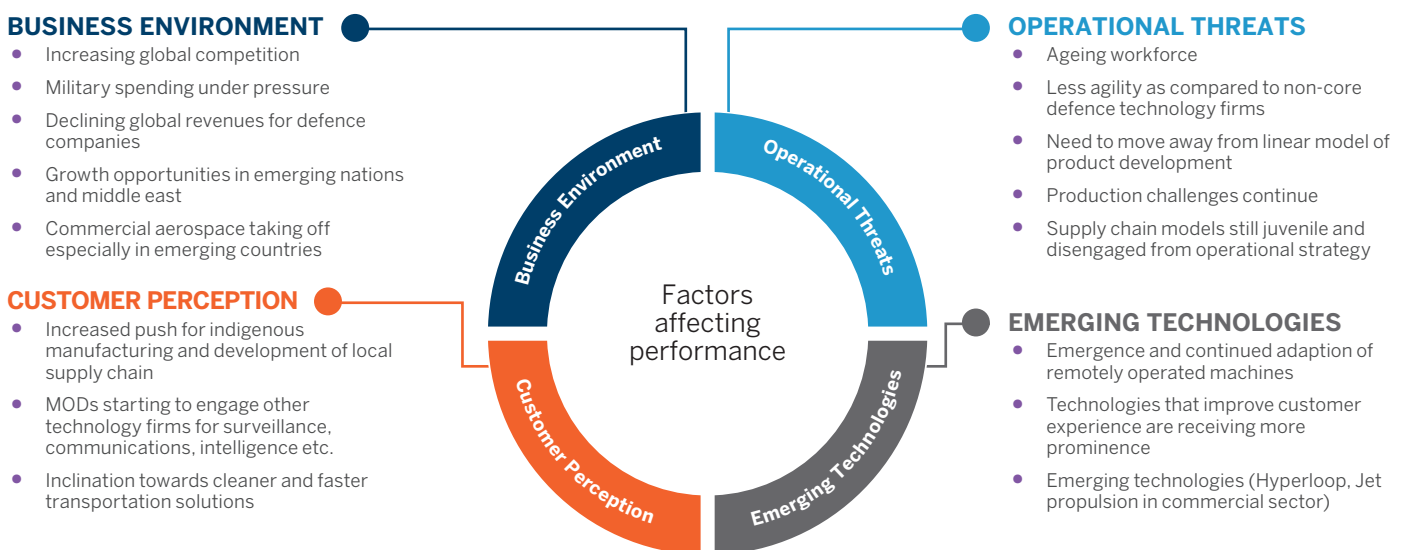


# Impacts of Brexit on the Aerospace Industry

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

With dedicated teams in key political and commercial capitals, FTI Consulting is well placed to help you navigate your Brexit challenges and manage commercial risk.

## The Aerospace industry has already been facing multiple issues impacting performance



## Brexit further adds to the complexity and may have long reaching impacts on both ease to do business and profitability

### Commercial aviation and economy

- Despite rising aircraft production there is insufficient demand for airlines
- A hard Brexit may slow GDP growth on which airlines depend
- Further the boost in inbound traffic of foreign tourist due to a drop in pound would not be sufficient to balance out a drop in outbound UK holidaymakers
- Knock on impact on the aerospace industry

### Funding from EU institutions

- UK Aerospace industry relies on funding from EU institutions
- Number of EU initiatives to promote investment in research which are an important source of funding for UK projects
- Funding issues may result in delays and escalating costs for many planned projects

### Competition to UK space sector

- EU is a major customer for UK space sector which employs 30,000 people and has enjoyed 8% - 10% growth pa
- UK companies may find it harder to win further work on two of its biggest satellite projects
- Anecdotal evidence suggests that other companies may already be using Brexit as an opportunity to enter the market

### Skills shortages

- UK is already in the grip of a skills shortage
- Loss of access to highly skilled engineers and technicians as a result of freedom of movement controls may hamper the ability of aerospace industries to continue operations from UK

### Tariffs, cost of production

- UK Aerospace industry is 2nd largest in the world after the US.
- Key partnerships such in aircraft assembly rely on cross border cooperation
- Market leaders could see prices rise for imported components and parts
- Currently the industry is exempt from tariffs but concern is competitors could increase costs of UK production
- Example includes EU exemption on raw materials used to make components that could be reversed

### Regulation & Certification

- Currently Britain is a member of aerospace certifying authority EASA
- Post Brexit Britain could create its own regulatory regime resulting in manufacturers requiring dual certifications this would increase costs, longer waiting times and discourage further investment in UK
- Likelihood of no agreement being reached to replace Open Skies is less

# Brexit checklist: **What should you be thinking about?**

- ✔ Obtain political and regulatory insight and intelligence to create clarity
- ✔ Address any potential commercial and operational requirements
- ✔ Ensure you have the right financial and investment strategies in place
- ✔ Monitor and influence legislative programmes to protect commercial interests
- ✔ Consider any corporate restructure, valuation or business modelling needs
- ✔ Mitigate any tax risks
- ✔ Undertake market analysis and economic scenario modelling to inform your business decisions
- ✔ Understand the implications for your governance, trade and investor protection rules
- ✔ Engage all your internal and external stakeholders effectively across all platforms

## Our Brexit **Leadership Team**



### **JOHN MALONEY**

Senior Managing Director, Operational Transformation Practice

London

+44 (0)203 727 1277

john.maloney@fticonsulting.com



### **HANS HACK**

Senior Managing Director, Financial Services

Brussels

+32 (0)2 289 08 75

hans.hack@fticonsulting.com



### **MELORIA MESCHI**

Senior Managing Director, Economic Analysis

London

+44 (0)20 3727 1362

meloria.meschi@fticonsulting.com



### **RICHARD BAXTER**

Senior Managing Director, Tax

London

+44 (0)20 3727 1655

richard.baxter@fticonsulting.com



### **FIONA HOLROYDE**

Managing Director, Public Affairs

London

+44 (0)20 3727 1543

fiona.holroyde@fticonsulting.com



### **LOUISE HARVEY**

Non-Executive Chair, Strategic Communications

Brussels

+32 (0)2 289 09 35

louise.harvey@fticonsulting.com



EXPERTS WITH IMPACT

### About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

The views expressed in this article are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals.