



FARNBOROUGH INTERNATIONAL AIR SHOW

REPORT

Farnborough, United Kingdom
July 2008

Mr. Horst Schmidt, President of the CTMA, represented the association at this event, departing Canada for the UK on Friday, July 11th to prepare for the show and returned to Canada on Sunday, July 20th.

Europe's largest industrial air show is held on alternate years between Paris, France and Farnborough, United Kingdom. This year's exhibition was situated in temporary structures on the grounds of the Farnborough International Airport. The exhibit space created with these structures would exceed that of McCormick Place in Chicago – not including the exhibits in the open air section of the show. There were in excess of 1,200 exhibitors from more than 20 countries with 15 countries having national booths. In addition to the booth space there was in excess of 100 chalets which are larger private halls leased by corporations and national organizations to hold meetings and entertain invited guests.

From July 14th to 18th the show was restricted to industry representatives only and the public was allowed access to the show only on the 19th and 20th of July. This provided low traffic volume with the highest potential for business. Each day, at roughly 2 pm, an air show was conducted over the airport adjacent to the show. Unlike other air shows that are conducted for the entertainment of the crowd, this air show was conducted by test pilots who were focused on showing the best attributes of each of the aircraft in flight for the purpose of the potential purchasers viewing these aircraft on the ground. The aircraft demonstration included: business and executive aircraft; commercial aircraft; military aircraft; utility and special-purpose aircraft; and aircraft currently being tested for commercial certification. One of the latter flown daily was a new Airbus A-380.

The show featured every aircraft builder in the world as well as a major component supplier. In addition to this were: the tier 2 and tier 3 subcomponent suppliers; aircraft designers; system designers and builders; instrumentation developers; aircraft maintenance and service providers; air freight and cargo expeditors; aircraft converters (from passenger to freight); specialty metal suppliers to the aircraft industry; aircraft and aircraft engine leasing companies; and a series of companies that provided machine tools and equipment for the above. Despite the fact that the most recent aircraft introduced have up to 60% composite content, very little composite related materials and parts were exhibited. According to presentations made by both Airbus and Boeing, they concur that the use of composites in aircraft is in its infancy at the moment.

Another unique exhibit was a private two passenger aircraft developed by Boeing which is powered by a fuel cell and capable of 30 minutes of flight. The major discussions during the show revolved around the price of oil and the corresponding cost of aviation fuel and the effects it will have on the future of the industry. The consensus seemed to be that the rising cost of aviation fuel would have a positive effect on the industry by accelerating the renewal of the existing air fleet to modern more efficient aircraft. They also recognized that air travel habits will change. The industry is already seeing legislated restrictions on flights under 400km in Europe and prior to this they were already seeing travelers preferring high-speed trains over air for the

short hauls. They are also seeing the number of flights available between various destinations being dramatically reduced with larger passenger loads on fewer aircraft. Other changes noted were in the piston engines which have all gone over to diesel with no gas burning piston engines exhibited at the show. Even the jet engines have changed – first with the introduction of the fan jet and most recently the gear drive fan jet which increases the revolutions made by the fan. The Airbus A-380 is touted to be the most fuel-efficient airliner developed to date based on passenger air miles. Despite the gloomy forecasts for fuel prices and the anticipated changes in the travel industry, all major aircraft builders believe there will be a conservative growth in the industry of 5.4% per year for the next 20 years.

During the show, Industry Canada had arranged presentations by Boeing, Airbus and Framework 7 for the Canadian participants and special invited guests. The message from both Boeing and Airbus were very similar, although Boeing is enjoying a substantial advantage over Airbus where Boeing is building their aircraft based on US dollars and Airbus is building similar aircraft with currencies valued at one and a half to two times the US currency. This has placed Airbus at a distinct competitive disadvantage over Boeing since the majority of international aircraft sales are conducted in US dollars. As a result Airbus has set a three year objective of increasing US dollar content in all of its planes from its current level of 30% to 70%. The Canadian part of this objective is to increase purchases in Canada from the current \$188 million annually to \$800 million annually. This would result in 3,000 new jobs for Canada.

In Canada, Airbus is well on its way to expanding its supply base. On June 6, 2008 Airbus and NRC signed a five year Memorandum Of Understanding for research and technology development. Then on July 16, 2008 they signed a framework contract initiating this research. In addition EADS expanded their Eurocopter facility by 50% along with their CML plant and their EADS Atlantic Composites division. Over the next 20 years Airbus has projected delivering another 124 aircraft into the Canadian commercial airline fleet.

Boeing set out the criteria that would get the attention of new suppliers trying to enter their supply chain. Boeing is looking for: reduced costs; reduction in the weight of its planes; improved technologies both in product engineering and process developments; and improved delivery times in the build schedule of its aircraft. They identified a number of areas of opportunity for new suppliers which are: fasteners and structural components; processing improvements both in chemical and thermal processes; hard metal machining (particularly titanium); fabrication of composite details; castings and forgings; and a number of technology developments in environment, technology gaps; and enabling dual/multi use. Boeing is targeting more research and development; partners and suppliers that can increase value added; developing a global supply chain through suppliers with a global presence; and working with partners and suppliers to develop and deploy leading edge technology.

The Industry Regional Benefits (IRB) program requires that contractors to the Canadian Government must place anywhere from 60% to 100% of the contract value awarded with Canadian companies. To facilitate this, each major contractor has a manager charged with the placing of IRB work and Industry Canada has a network of managers that oversee and assure that the IRB commitment by these companies is being met. Currently the IRB commitments that need to be placed are in the billions of dollars. The IRB is a vehicle by which Canadian companies are given an opportunity to bid on some of this work but the award is still subject to a given company's capability and price. Work carried out at tiers 3 or 4 can still be linked to IRB credits for the contractor and at these levels the requirements for quality and military certifications become less stringent. This is an excellent program to acquire new long term customers in areas where there is far less competition.

During the show the CTMA was represented through the Canadian Machine, Tool, Die & Mould Federation where we were part of the Ontario Exhibit Booth organized by the Ontario Aerospace Council (OAC). Rod Jones along with Judy Duffy of the OAC were outstanding in ensuring that we were prepared for the show as well as facilitating our access to every major event and contact to make this activity a success. Industry Canada made sure that Canada was a major brand at this show with an excellent booth, extensive advertising throughout the show halls, and finally exclusively placing Canada's ad on the back of every show badge. As a result, the number of contacts made and information and data collected was somewhat overwhelming. We are still weeks away from having it in a presentable form, but we are hoping to be able to provide members with a list of companies and contacts that could be most beneficial to the industry in expanding and developing your client base in the aerospace and military related projects.



Respectfully submitted

Horst Schmidt
CTMA President