



By Antoine Gelain

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COMMENTARY

British Aerospace

A proud past but an uncertain future

In less than a month, British, Irish and Commonwealth citizens living in the U.K. will vote to decide whether the U.K. should remain in the European Union or not. While the stakes are high, this is really business as usual for the British, as this June 23 “Brexit” referendum is just the latest episode in the country’s longstanding ambivalence toward Europe.

In many ways, the recent history of the U.K. aerospace sector reflects such uncertainty: After being involved in the very early stages of what became Airbus in the 1960s, the British government withdrew from the project in 1969, leaving Germany and France to proceed on their own. Ten years later, in 1979, it returned—via state-owned British Aerospace—by acquiring a 20% share of Airbus.

Twenty years later, in 1999, British Aerospace passed up an almost sealed deal with DaimlerChrysler’s aerospace division, which would have created Europe’s largest aerospace conglomerate, and instead merged with fellow British company GEC-Marconi, which itself eschewed a potential tie-up with France’s Thomson-CSF (now Thales). From that point on, the newly formed BAE Systems directed most of its resources toward penetrating the U.S. defense market.

This U.S.-centric strategy, shared by most U.K. A&D companies at the time, culminated in the sale of BAE’s Airbus stake in 2006. This turned out to be a strategic mistake, and in 2012 BAE was willing to pay a big premium to buy its way back into Airbus



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through a merger with EADS, which ultimately fell through.

Partly because of all these mistakes by the firm that was formerly regarded as the national champion, the U.K. aerospace industry is in a much weaker strategic position today than 30 years ago. Essentially, it has lost its “head”—that is, an organization capable of designing a complete aircraft. This capability is gone, and BAE Systems is the shadow of its former self in terms of industry leadership and aerospace design engineering capabilities.

While British Aerospace was historically the “head,” Rolls-Royce has always been the “heart” of the country’s aerospace sector. Going back to the company’s early days, when talented engineer Henry Royce and flamboyant race car driver Charles Rolls joined forces to create what would quickly become an iconic brand, the company’s mystique took root in the national psyche. Royce in particular was described by a journalist as an “engineering artist” who “cares more about getting the best out of an article than he does about getting the most money out of it.”

During World War II, as the firm channeled all its energy into the

war effort—“Work until it hurts!” exhorted the company’s chief executive to its workers—it became the symbol of British resilience in the face of adversity. Thus, Rolls-Royce’s current troubles feel like the British aerospace industry being wounded in its heart.

Meanwhile, the part of the industry that does work well is the one that builds aircraft parts but does not design them: Tens of small- and medium-size manufacturers of “build-to-

Rolls-Royce workers assembling cylinder blocks on the Hillington Merlin production line in 1942.

print” aerostructure and detail parts are today the industrial backbone of U.K. aerospace. But very few of them, if any, design their own products. As an illustration, only one British company today—GKN—is qualified by Airbus as a tier-1 supplier of “design and build” aerostructures.

Without strong domestic design and system engineering capabilities, the industry must compete with an increasing number of nations for the award of work packages and for foreign investment. And while the British have always displayed a smug optimism about their ability to attract foreign investors, such reliance is as dangerous today as it was 100 years ago when a popular commentator, E.E. Williams, said that “we live as a nation under an enormous danger, for we are at the mercy of foreign nations, not only for our food and for our clothes, but also for our huge invested capital.”

Like the country as a whole, the British aerospace industry is at a crossroads: in search of its true identity, torn between the pragmatic recognition that its future is inextricably tied to the future of Europe as a whole and the deep-rooted belief that it is destined for greater achievements on the world stage, for which its European membership may be perceived as a drawback.

Having already been deprived of its head, now struggling with its heart, let us just hope that the British aerospace industry will not end up losing its soul. ☹