



House of Commons
Trade and Industry Committee

**Recent Developments
with Airbus:
Government Response
to the Committee's
Ninth Report of
Session 2006–07**

**Eighth Special Report of Session
2006–07**

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The Trade and Industry Committee

The Trade and Industry Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Trade and Industry.

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.publications.parliament.uk/pa/cm/cmstords.htm

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/parliamentary_committees/trade_and_industry.cfm.

Committee staff

The current staff of the Committee are Elizabeth Flood (Clerk), David Slater (Second Clerk), Robert Cope (Committee Specialist), Ian Townsend (Inquiry Manager), Anita Fuki (Committee Assistant), Jim Hudson (Senior Office Clerk) and Cassandra Byrne (Committee Secretary).

Contacts

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Eighth Special Report

The Committee published its Ninth Report of Session 2006-07 on 19 June 2007. The Government's response was received on 5 October 2007 and is published as an Appendix to this Report.

Government response

The Department believes the recent events with Airbus report to be fair and balanced. Since the report was produced, Airbus has continued to push ahead with implementing its Power 8 programme to reduce costs and increase productivity.

It has now received bids from interested parties to be a partner at the Filton site, and Airbus is keeping the Government informed throughout this process on the provision of the commercial rationale of the sale, how the associated composite investment programme will be arranged, and an insight into the long term plans for Filton. A decision on the site is expected this year.

Airbus and its parent company EADS have also begun to move towards a simplified management structure in accordance with corporate governance best practice. In July Tom Enders was appointed as CEO for Airbus and EADS created a single chair, Dr Ruediger Grube and a single CEO, Louis Gallois. In October, the EADS board will consider appointing four new independent non-executive directors. The Government welcomes these moves, however it continues to put pressure on EADS to take further steps to ensure proper director independence and allow free float shareholder representation.

One of the main issues for the UK is to develop further its capabilities in composite material technologies for aircraft components. The Government was, therefore, pleased that the UK was chosen as the Airbus centre of excellence for wing and pylon, and that the UK achieved 20% of the A350 XWB aircraft work share, with a commitment to work with partners to develop and produce major work packages in composite materials in the UK. The government has confidence in the UK aerospace industry abilities to step up to the challenges offered by higher levels of outsourcing on the A350 XWB and future programmes.

To support the development of composite materials, and ensure UK industry has the technology capabilities for the future replacement for single aisle aircraft, Airbus is leading a bid to the Technology Programme for a collaborative research and technology programme "Next Generation Composite Wing". The consortium includes Qinetiq, Bombardier, Messier Dowty, Goodrich, GKN and Spirit; and has bid for £25 million from the Technology Programme, and sought a further £25 million of funding from nine regional agencies. Industry will provide the matching £50 million. The Next Generation Composite Wing programme is proceeding through the Technology Programme's appraisal process, and progressing through the appraisal processes of the regional agencies. The Department is working to ensure the programme's national importance is recognised by all those undertaking appraisals and those appraisals proceed as speedily as possible. It is premature to speculate on the outcome of all those appraisals.

The Department is working with colleagues in Europe on setting high level goals and research needs through the Advisory Council for Aeronautics Research in Europe (ACARE). This ensures there is a coordinated approach to European Framework Programme funding for Airbus.

The next stage in the Boeing-Airbus trade dispute will see the WTO produce an interim report on the findings and conclusions in relation to the Boeing complaint against Airbus. But this is unlikely to happen before the end of the year. The counter complaint by Airbus against Boeing will follow, with the first oral hearings in late September 2007. The Government remains committed to negotiated settlement. The Government is aware of the favourable public support for the aerospace industry received by countries such as Japan and others and will continue to work with the UK aerospace industry and the European Commission to maintain a level playing field.

The Government has confidence in the EADS/Airbus management and that future decisions in relation to Power 8 and the work share on future programmes will be based on commercial grounds. In support of this the Government will remain in continuous contact with the companies.

