

## SC21 TASK FORCE

**Growth through competitiveness** 

11TH JULY 2017 KPMG, BRISTOL



## Agenda



10:00	Welcome	Colin Hart Head of SC21 ADS Group
10:10	Growth in a Disruptive World	Huw Brown Partner KPMG
10:30	Preparing for Brexit	Jeegar Kakkad Chief Economist & Director of Policy ADS Group
10:50	SC21 Competitiveness + Growth	Chris Owen Chief Executive SMMT Industry Forum
11:05	Refreshments	ADS

## Agenda



11:40	Breakout session no. 1	All
12:00	Breakout session no. 2	All
12:20	Lunch	
13:20	Questions to Panel	All
13:40	The Winner's Experience What does SC21 mean to Dawnlough?	Gerard Farrelly  NPI Manager  Dawnlough
13:40 14:00	What does SC21 mean to	NPI Manager





## Welcome

Colin Hart
Head of SC21
ADS Group



# SC21 Aim - Why are we here?



'To design and construct Supply Chains to accelerate the competitiveness of the aerospace & defence industry and support the needs of the 21st Century.'





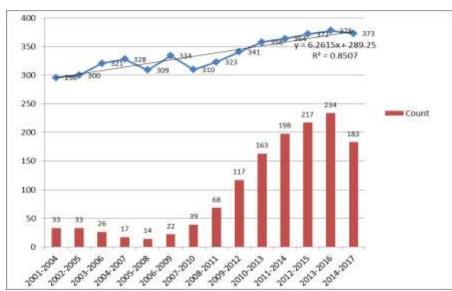




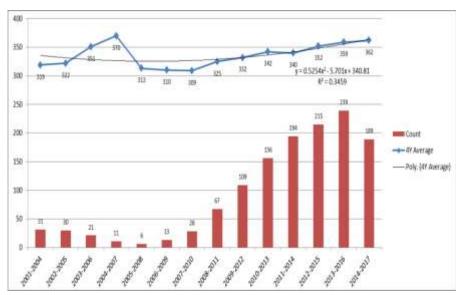
## **Welcome and Purpose**



#### SC21 – Has it delivered improvement?



Benchmarking data - ManEx



Benchmarking data - BusEx



## **Welcome and Purpose**





#### The UK Aerospace Supply Chain Competitiveness Charter As a signatory to the UK aurospace supply the

#### competitiveness charter, we commit to:

- appropriate condition appropri
- to redrially transverse product performance and manufacturing
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#### We expect that our UK suppliers will

- Engage activety or structured certif space ingressment artigramming, such as ECO1 and that sig or Growth, in Equation and something producting companied from
- Moreon in Selbhology by 1966 (All) Processor product performance and
- is importing the development of data and asial antice to sink in have the Premium on Compatibilities and agrammers remaind by comprises productively and many future demands. a board to proof
- Build long their rainboundnes with up

#### **Levels of Intervention**

**Evolving the SC21 Programme** 







**SC21 Operational Effectiveness** 





**SC21 Competitiveness** + Growth incorporating NMCL **Capability Assessment** 





**Sharing in Growth** 



Recognition of SC21 **Standard** achieved

## **Welcome and Purpose**



#### SC21 – Improvement Modules - What Else?

#### SUPPLY CHAIN



Identify the tools and skills required to enable companies to review current methods and define what skills, practices are required to deliver lower levels of inventory, greater data clarity, higher skilled employees and improved on-time delivery.

#### MANUFACTURING OPERATIONS



Reviews machine maintenance, operational processes and supporting quality processes to identify waste. Embed standard work, and lean practices to drive cost and waste from manufacturing and to improve right first time, on time, every time.

# BUSINESS ETHICS COMPANY ENGINEERS ETHICA COMPANY ETHICA





# **Growth in a Disruptive World**

Huw Brown
Partner
KPMG





# **Preparing for Brexit**

# Jeegar Kakkad Chief Economist & Director of Policy ADS Group



aerospace defence security space



## **ECONOMICS**BRIEFING

A running commentary

## **BREXIT MEANS...???**

## A Brexit Rorshach Test: What do you see?



## The UK's position



#### Redlines for the UK Government

- Discretionary control over immigration
- Discretionary control over lawmaking
- No compulsory contributions to EU budget
- Ability to negotiate own trade deals

## The EU's position

#### **Council & Commission directives:**

- To protect the EU 'Political Project'
- To guarantee UK financial obligations
- Legal certainty; rules and citizens
- To settle the 'divorce' before discussing the 'relationship'





## Phased negotiations

#### 1<sup>st</sup> phase (until late 2017):

- Divorce Bill
- Citizens' rights
- 'Other Separation Issues'
  - Irish Border
  - Nuclear material (EURATOM)
  - Aviation & Aerospace?

#### 2<sup>nd</sup> phase (late 2017-late 2018?)

- Interim/Transition arrangements
- Future arrangements



## ADS' approach



- Positive, informed & constructive engagement
- Ensure Government sees us as a priority
- ADS have not lobbied through the press
- Mitigate risks for industry from the <u>process</u> of Brexit:
  - Political: Targeting hard-line Brexit MPs
  - Prioritisation: Work across sectors
  - Capacity: Provide analysis for UK Civil Service

## **ADS' priorities**



- No deal is worst possible commercial and security outcome
- Bad deal is one that leads to regulatory & economic divergence
- ....but a good deal delivers:
  - Transitional arrangements
  - Access to and influence in EASA
  - Burden-free access to European markets
  - Access to and influence in EU space and R&D programmes.
  - Access to skilled labour

## **Brexit Timetable**



2017

19<sup>th</sup> June Brexit negotiations begin

Queen's Speech (including Great Repeal Bill incorporating EU legislation into

domestic law)

17<sup>th</sup> July 2<sup>nd</sup> Round of Brexit Negotiations

28<sup>th</sup> August 3<sup>rd</sup> Round of Brexit Negotiations

18<sup>th</sup> September 4<sup>th</sup> Round of Brexit Negotiations

24<sup>th</sup> September German elections

9<sup>th</sup> October 5<sup>th</sup> Round of Brexit Negotiations

December Barnier wants 'divorce' talks completed by end-2017

2018

March UK needs transition deal agreed (eg airlines sell tickets 12 months in advance)

October Barnier's deadline to agree a deal

2019 UK leaves EU at 23.00, 29<sup>th</sup> March 2019

Brexit is coming

## **NO DEAL IS BAD NEWS**

## **Exporting to the EU now**







#### Make it



#### Intrastat it







Check if you need a licence or to follow special rules to export restricted goods from the UK

Your courier or freight forwarder will ask you to complete a proforma invoice and attach to the consignment.

Charge VAT if you'd do the same for customers in the UK

If you move goods anywhere within the EU worth over £250,000 in the last calendar year, make an Intrastat declaration.

You don't need to do this if you're not registered for VAT in the UK.

## **Exporting Post-Brexit: No Deal**

#### No deal means...

- No customs cooperation
- No regulatory cooperation
- No recognition of UK AEO
- No rules of origin agreement
- No transition arrangements

#### ...bad news at the border

- More documentation requirements
- More compliance checks
- More security checks
- 100% guarantee on deferred duties
- A hard border with long queues

#### OECD\*:

Costs of trade procedures are

2%-15%

of the value of each transaction

(up to £1.3bn for UK aero exports to EU)

Source: Overcoming Border Bottlenecks: The costs and benefits of trade facilitation (2009)

## **Exporting Post-Brexit: No Deal**











Get ready...

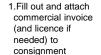
...make it...

...send it...

...declare it...

...clear EU customs

- 1. Get an EORI#
- Find an AEO(C) and/or AEO(S) certified shipper
- 3. Identify
  Commodity
  Code for tax & regulations
- Check if you need a licence or to follow special rules to export restricted goods



- 2.Courier or freight forwarder makes an official export declaration to HMRC
- 3.Shipper provides detailed Electronic Summary Documentation (ENS) to EU Customs Authority prior to arrival at 1st EU customs office/port



#### Road transport

1hr before arrival in 1st EU customs office



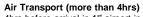
#### Rail

2hrs before arrival in 1st EU customs office



#### Air Transport (less than 4hrs)

Actual departure



4hrs before arrival in 1st airport in EU



#### Bulk/Break bulk cargo

4hrs before arrival in 1st EU port



Containerised cargo 24hrs before loading on vessel

- Arrival Notification
- Present goods to Customs (eg via a C1600 form & a manifest)
- Declare goods for customs

via an electronic customs declaration, including:

- Commodity code
- Customs Procedure code
- General Valuation Statement
- Goods either assigned approved treatment or put in to temporary storage (up to 90 days)
  - Approved Treatment includes placing under a Customs Procedure (eg release for free circulation, transit, customs warehousing, inward processing, etc...)
- High risk of regulatory compliance, licencing & security checks
- Pay import charges



Brexit is coming

## WHAT CAN COMPANIES DO?

## **Actions for companies - Workforce**

#### **Understand your workforce**

- What % of your UK-based workforce are citizens from the rest of the EU?
- What % of your EU-based workforce are UK citizens?
- Are any of these workers are in business critical roles?
- Will their employment status change post-Brexit?
- Engage with all such employees to address concerns they may have about Brexit.

## **Actions for companies**

#### Assess exposure to customs checks & delays at EU/UK border

Post-Brexit, customs checks (and so delays) are likely at EU/UK border (eg Dover-Calais)

- How dependant are you on suppliers on the other side of the UK/EU border? How about your suppliers' suppliers?
- Do you have any contracts with customers or suppliers based on turnaround time or just-in time delivery?
- Do you have any contracts with customers or suppliers with penalty clauses for late delivery?

## **Actions for companies**

#### Prepare for EU/UK customs compliance checks

Post-Brexit, moving goods across the EU/UK border will involve customs compliance procedures that do not exist now and will only become clear after negotiations are complete.

- Companies should check what customs compliance procedures they have in place, for example to move goods from the UK to the US.
- Are these procedures (the IT systems, the people, etc...) scalable to handle all your EU/UK transactions as well?
- If so, how long will it take to scale up?
- If not, how long will it take to put in place new procedures?

## **Actions for companies**

#### Assess dependence on EU regulatory system

- Post-Brexit, the UK may not be covered by the European Aviation Safety Agency (EASA).
- Companies should check whether they rely on EASA certification in their UK business, as retaining EASA certification post-Brexit may not be possible.
- Talk to your customers and suppliers about the process that may need to change if the regulatory environment changes.

## **Questions?**



# SC21 Competitiveness + Growth

Chris Owen
Chief Executive
SMMT Industry Forum













# SC21 Competitiveness & Growth (C&G) Delivered through NMCL

Tuesday 11th July 2017

Dr. Chris Owen, CEO, SMMT IF

#### The Need





- Post-brexit loss of confidence by manufacturers [1]
- Forecasted manufacturing investments on the decline [2] [3]
- Closure of MAS and Business Growth Service (March 16)
- Deletion of AMSCI (November 15)
- Investment planning cycles typically years. We must react now, restore faith and prevent irrecoverable decline
- Automotive, Aerospace and Rail sector growth must be underpinned by a competitive domestic supply chain
- "Match Fit" to capitalise on new export opportunities post-Brexit
- Consistent, long-term roadmap for growth through competitiveness
- Simplified and quality assured support for manufacturers

### **Cross sector opportunities**





**Automotive** 

- The outlook remains strong >2m vehicles assembled in UK p.a. in 2020.
- £71.6bn industry turnover and £19bn GVA <sup>[1]</sup>
- Increase in UK domestic sourcing 36% to 44% [2]
- Willingness to source from UK suppliers if competitive



Aerospace

- 33,070 new aircraft required in next 20 years. Doubling of fleet 2016 to 2035 [3]
- £31.1bn industry turnover and £10bn GVA
- UK order backlog 9 years worth £195bn [4]
- 56% of companies expect growth
   10% [4]

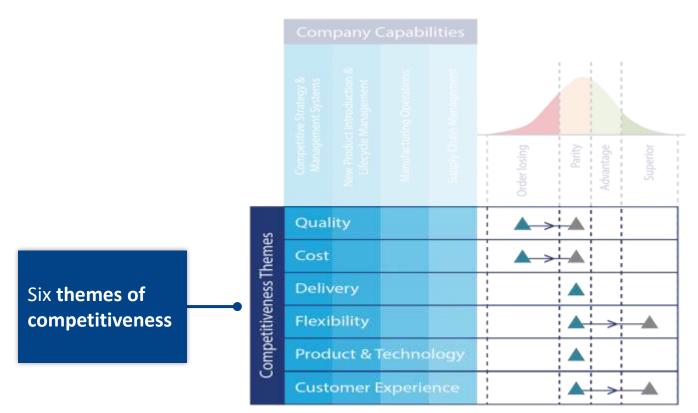


Rail

- NTFL 250 trains c. 2,500 carriages carriages c. £2.5bn. First delivery 2022
- JNAT 27 trains, 170 cars, Contract award Q3 2017
- NTFD c. 45 Trains, contract award Q1 2018
- HS2 First phase, contract award end 2019

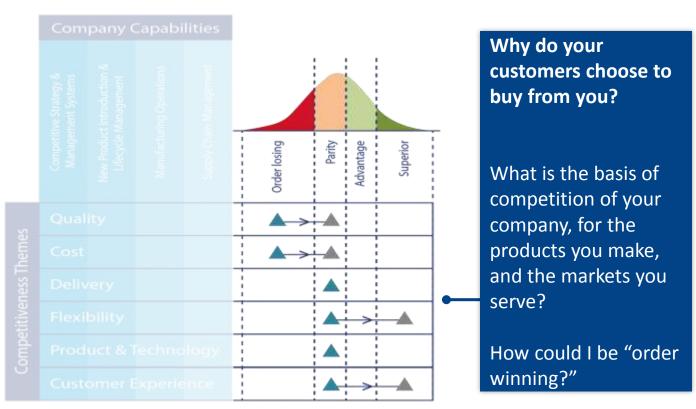
## What do we mean by competitiveness?





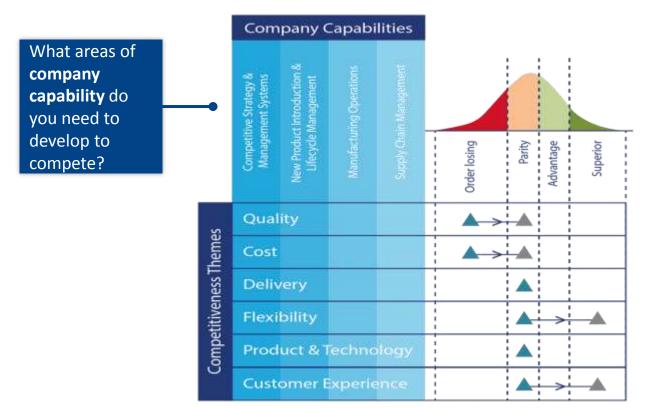
### **Growth through competitiveness**





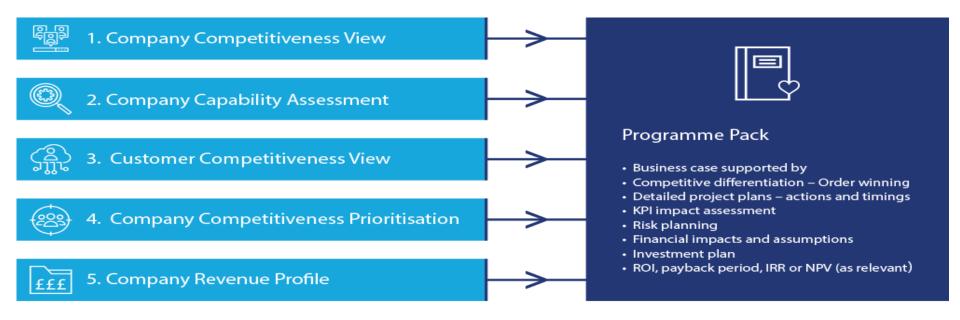
## **Building capability to compete**





## **Building the business case to improve**

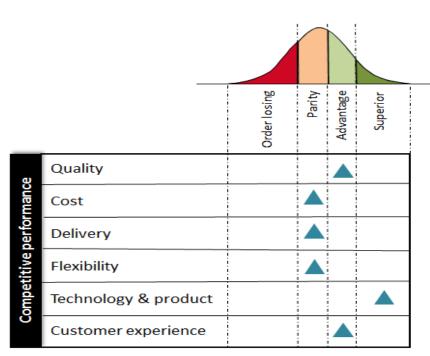




# 1. Company competitiveness view









# 2. Company capability assessment





Area	Theme
	Vision and Strategy
	Business Planning
	Policy Deployment
	Leadership, Culture, Values and Behaviours
Competitive Strategy and Management Systems	People Capabilities and organisation structure
Management Systems	Quality Management System
	Knowledge and Information Management
	Financial management
	Ethical performance & CSR
	Product-phase out process
	Product Portfolio management
	NPI programme management
New Product Introduction and	Product cost and price management
Innovation Management	APQP and PPAP (Quality management)
	Product lifecycle value
	Service innovation
	People capabilities and organisational structure
	Plant & Equipment
	Operational Processes
Manufacturing operations	Working Environment
Manufacturing operations	Quality Management
	People Capabilities and organisation structure
	Energy, resource and material disposition
	Planning & Scheduling
	Delivery Performance
	Outbound Logistics
	Inbound Logistics
Supply Chain Management	Inventory Management
Supply Chair Management	Plant layout and material flow
	Supplier Management
	Supplier Demand
	Strategy and Risk Management
	People Capabilities and organisation structure

## 2. Company capability assessment





- 105 evidence based questions across the capability areas
- Questions marked as either F or P, identifying whether it is at Foundation or Progressive level.
- Foundation statements are those that should normally be in place in a stable organisation and should be a priority for improvement if not in place.
- **P**rogressive statements build on the Foundations, demonstrating higher levels of capability. It is clearly identified against each Progressive statement which Foundations form the pre-requisites before they can be scored.

	Theme	Statement Number	F/P	Pre- requisite Statement Number	Statement	Supporting Evidence Basis
ı	Ethical performance & CSR	35	F		implemented, trained and adhered to ensure all	Evidence that the organisation has considered legal and moral ethics issues and has implemented policies and training to manage the risks associated. Areas covered may include bribery, data protection, conflicts of interest, corporate manslaughter, competition regulations etc.
	Ethical performance & CSR	36	Р		The organisation recognises the importance of fostering good community relations in support of delivering the vision and strategy and employee morale	Evidence that the organisation has understood it's relationship with the local and regional community in terms of future recruitment, disruption (noise, traffic etc.) etc. and has implemented appropriate activities in support of this.  Recognition exists across the organisation of the part that can be played to support the local community with community based activities incorporated as part of the strategy and personal development objectives (e.g. schools outreach, community projects etc.).

# 2. Company capability assessment



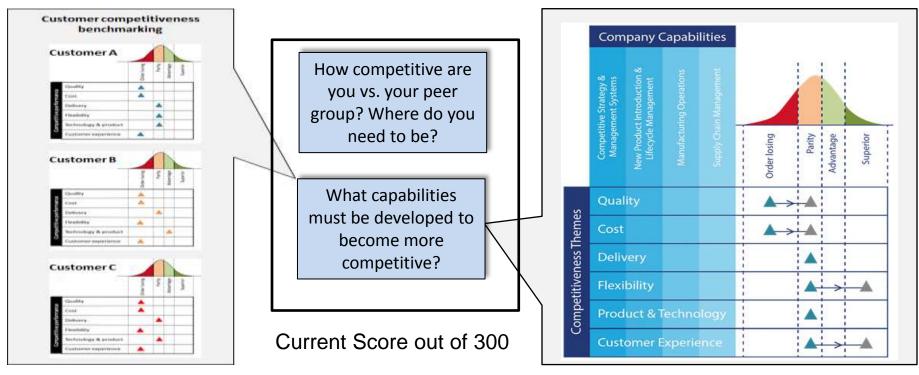


- 1 day preparation visit and 2 day assessment for typical SME
- Combines area visits and office based discussion
- Pragmatic approach what does this mean in your context?
- 0,1,3 point scoring : No evidence, basic evidence, complete evidence
- Progressive questions scored individually but not included in total if foundations incomplete (42 foundation, 63 progressive)
- Scoring to a maximum of 315 points

## 3. Customer competitiveness view



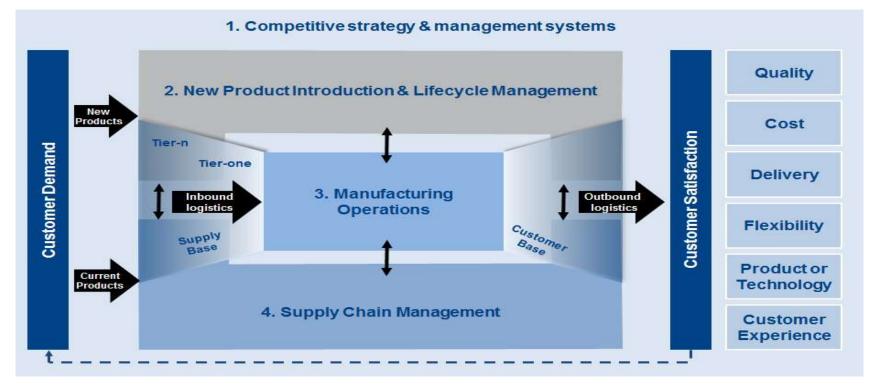




# 4. Company competitiveness prioritisation



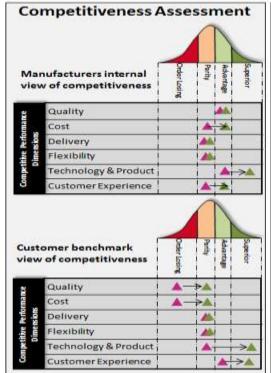


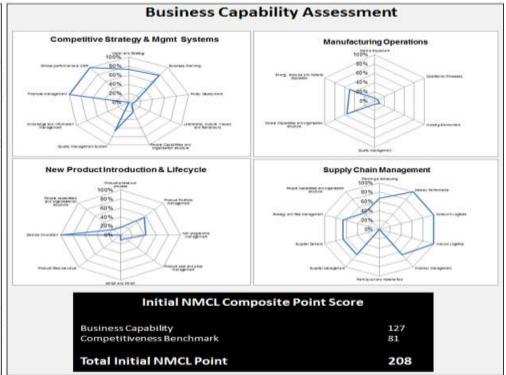


# 6. Programme pack - Inputs



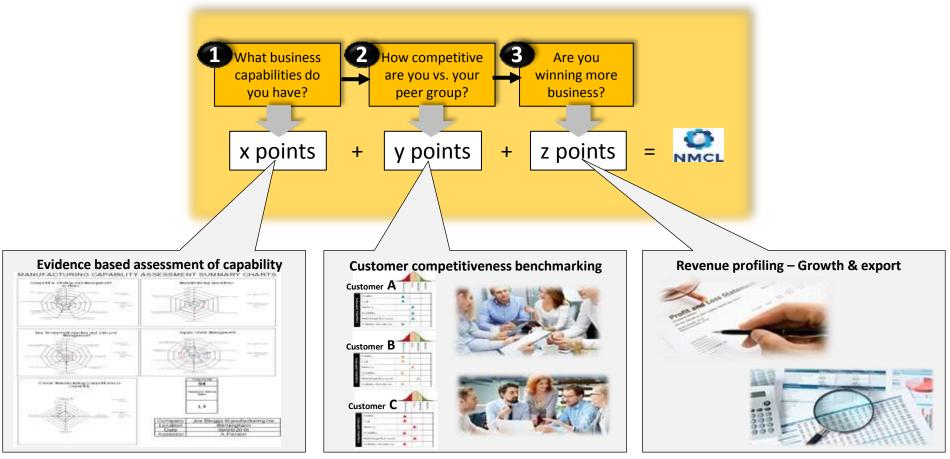






# **Post Activity Validation - NMCL score**





### **Q&A**



"Exactly the sort of pragmatic support we need"

"If we look to improve our facilities maintenance and uptime, we may be able to avoid adding new equipment, and floorspace as well as hit our volume increase targets and improve productivity"

"In 2 days, you have managed to understand the issues in our business, highlight our priorities and tell us things that neither EFQM or SC21 has"

"The process has been enlightening, we will happily share our experiences with the other pilot suppliers so we can all get better together"

"It's amazing that you can correctly find out so much about the business in 2 days of assessment" NMCL

"I have found this process to be a great help, maintaining objectivity and encouraging the participation of all."

"Had some interesting perspectives which helped to challenge the internal views. .. experience to relate to the Company's current situation and provide some very

relevant solutions."

"We have realised during the two days we are a design consultancy that makes things, rather than a manufacturer that designs things, we will look at how we measure the value we add to our customers on this basis as well as focusing on the manufacturing side of our business"

"We must focus on improving our New Product Introduction processes, something that we didn't really understand how vital this is"

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# Coffee break





# **Breakout sessions 1 & 2**

#### SUPPLY CHAIN - CONFERENCE ROOM

- Colin Hart
   ADS Group
   Head of SC21
- Irshad Booly
   BAE Systems Maritime Naval Ships

   Supplier Development Manager

#### MANUFACTURING OPERATIONS - ROOM 2

- Andy Spence
   SMMT Industry Forum
   General Manager Aerospace
- Tim Jones
   National Physical Laboratory (NPL)

   Services Development Leader

# EUROPEAN UNION GENERAL DATA PROTECTION REGULATION (EU GDPR) – ROOM 1

Neil Clarke
 KPMG
 Cyber Security and Data Privacy Lead,
 Consulting South

#### **BUSINESS ETHICS - ROOM 3**

- John Burbidge-King Interchange Solutions CEO
- Steven Pegg
   Lockheed Martin Corporation

   Senior Ethics Officer





# **Lunch & Networking**





# **Questions to Panel**

