

MEDIA RELEASE

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**Association of
Aerospace Industries
(Singapore)**

STUDY REVEALS SINGAPORE AEROSPACE INDUSTRY'S CONFIDENCE AND RESILIENCE

- *Singapore Aerospace Value Chain (SVAC) Study: Singapore ranks no. 1 as most preferred manufacturing investment destination in the Asia Pacific. Study findings to be released on 17 September 2009 at the Singapore AeroIndustry Annual Meeting.*
- *Singapore is projected to show continued strong growth in the MRO sector.*
- *Singapore Aerospace Manufacturing needs to take a quantum leap to close up capability gaps at the integrator and design capability level to take the industry up one level.*

SINGAPORE (17 Sep 2009) – Singapore is the most preferred manufacturing investment destination for aerospace companies considering outsourcing to the Asia Pacific, according to the findings of a major study commissioned by the Association of Aerospace Industries (Singapore) [AAIS]. This key finding is one of many findings and recommendations coming out from a detailed study, considering the inputs from 54 local and foreign aerospace companies as well as 29 overseas companies that currently do not have operations in Singapore.

The SVAC Study took eight months to complete, and was well represented by the industry – the respondents represented 81% of MRO revenue generated by companies in Singapore, and 67% of aerospace manufacturing companies.

Bringing together industry players and the government agencies, the study's aim was to map the local aerospace industry landscape, its specific value-chains, identify strengths, weaknesses, limitations and gaps, with the final objective of formulating strategies and action plans to close identified gaps. It was steered by a key industry committee of over 15 industry leaders including representatives from major

aerospace organisations such as ST Aerospace, SIA Engineering Company, Eaton Aerospace, Parker Aerospace, Thales Aerospace as well as small to mid-sized Singapore SMEs such as Wah Son Engineering and Raycom Aerospace. The AAIS brought together best-in-class consultants from Frost and Sullivan's Aerospace and Defence Practice, and SIMTech to develop the study and recommendations over a project period of 8 months.

"The Singapore aerospace industry has been experiencing a CAGR of close to 14% on average for both the MRO and manufacturing sectors for the past 8 years and we aim to maintain and even spike this growth over the next 20 years," said Mr Charles Chong, President of the AAIS. With recommendations targeted at growth in both the MRO and manufacturing sectors, the study revealed concrete and applicable strategies for the short, medium and long term.

Key Recommendations for the MRO Industry Growth Plan

To continue the growth path of the MRO sector, the traditionally strong sector of the local aerospace market will maintain its competitiveness through a recommended three-pronged approach of having continuous improvement and capability development for different aircraft and engine types; developing a culture of Lean MRO management to pervade the industry; and maintaining MRO R&D investments and contributions.

Beyond sustaining current growth, the study also recommended some areas of focus that Singapore could look at holistically to grow the aerospace MRO market here. These include high-end integrated MRO package solutions and capability development in line with material and sensors advancement, coupled with increasing OEM control and integrated solutions encompassing asset management and possibly flight operations, as well as targeting growing businesses in the aviation market such as aviation leasing.

"The study looked at potential areas of growth beyond maintaining market share. Singapore is very established and well-known as an MRO hub of choice in the region as well as internationally, and we achieved this position by constantly innovating and creating value. Focusing on this value principle, the

local MRO industry must go wider and dig deeper to bring more capabilities and options to the customer,” Mr Fergus Lopez, Chairman of the SVAC Committee and Director- Asia Pacific, Middle East and Africa for Parker Aerospace Customer Support Operations, revealed.

The Push for Singapore Aerospace Manufacturing

The Aerospace Manufacturing sector of the industry is small but stable, making up 10% of industry output. The study looked into furthering this high value-add sector of the industry, identifying Singapore’s leverage being its strong Precision Engineering cluster’s ability to support the large aerospace OEMs.

Taking into account the MRO industry’s stable and strong growth over the next 20 years, Mr Lopez articulated that a soft target the committee looked at was to increase Singapore’s aerospace manufacturing output from the current 10% to 30% of the total aerospace output within 30 years.

Singapore was found to be significantly strong in the Tier 3 and 4 levels of 'Build to Print Suppliers' and 'Supporting Suppliers', which typically support the Tier 1 and 2 integrators and OEMs. However, a gap was identified to lie within Tier 2, where Singapore’s integrator capability has significant shortfalls. Further, the absence of strong 'Design and Build Suppliers' in the industry also presents a significant gap between the lower and higher value-added work.

For Singapore to strengthen its manufacturing capabilities, the study recommended that companies should participate as risk-sharing partners with OEMs, increase their ‘design and build’ and ‘build to print’ work scope, build on aerospace composites material suppliers, and invest in tools and support equipment, fabrications and technology.

The findings of the SVAC survey resulted in eight key pillars of action plans being developed to further the Singapore aerospace manufacturing sphere. All these and more findings were be discussed in depth during two separate topical forums during the Singapore AeroIndustry Annual Meeting held on 17 September 2009 at the Singapore Aviation Academy.

Singapore Aerospace Industry Business Sentiment

Also shared during the meeting were the results of a snap poll on business sentiment in the industry. Conducted over a two week period by the AAIS and partners AeroStrategy Limited; a global aviation and aerospace management consulting company, the poll was a refresher of a same survey done in January this year to gauge the industry's sentiments of the current economic climate. The results showed an improvement overall in terms of business sentiment and projections. Half of the 40 respondent expect a growth of 1-10% for the next 12 months as compared to only 39% in January this year. Only 14% are bracing for a 1-10% contraction as compared to 34% previously. An even more optimistic statistic shows 76% of the respondents are confident of a recovery that will reach pre-downturn levels by the second half of 2010.

With the business sentiments of the aerospace industry looking up, and world markets steadily improving, the Singapore Aerospace Industry is ready to capitalise on the arising opportunities coming out of the economic storm. With these concrete recommendations, the AAIS will work closely with the industry as well as key government agencies to create opportunities and capabilities within the industry, to take it to newer achievements and repute.

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About the Association of Aerospace Industries (Singapore) - AAIS

The Association of Aerospace Industries (Singapore) or "AAIS", a non-profit organisation, is a leading industry association for the Aerospace Industry in Singapore that represents companies from the Maintenance, Repair and Overhaul (MRO) sector, Aerospace Manufacturing sector, Research and Development / Training sectors and suppliers for civil air transport and aerospace defence. The AAIS endeavours to provide leadership by facilitating strategies in innovation competitiveness, technical standards and accreditation. It also serves as a forum for members to discuss and elevate relevant issues to policy-makers and stakeholders.

Within the AAIS, the AAIS AeroResource Centre focuses on building industry and manpower development capabilities, with the aim of enhancing the competitiveness of the aerospace industries and the capabilities of aerospace suppliers. It is the one-stop avenue for the aerospace industry's growth needs and a launch pad for suppliers to establish themselves in the industry and overseas growth markets. Please visit www.aais.org.sg for more information and news about AAIS.

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