

MORE SPACE FOR SME
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As President of AIPAS and Chairman of the European Space SME consortium SME4SPACE, I'm honoured of the invitation to this conference, this invitation confirm that SME position in Europe, and particularly in SPACE is high in the government agenda.

Progress, which space research lead to, is reached through the realization of new instruments suitable to provide useful services to public and private institutions. SMEs play a fundamental role in this sense, thanks to their flexibility and their proximity to the final users. These capabilities are supposed to emerge in the framework of the future earth observation and satellite navigation missions, that will provide data, images and information through which public administrations, regions and local actors could provide valuable services for the community.

But beside strength and opportunity for SME position in Europe are also weakness and threat to be confronted :

- The relative dimension of the commercial contribution to space w.r.t. public spending
- The space industry consolidation process.

These two aspect shapes the industrial policy of European countries and impact differently the space industries of different dimension.

In contrast with what happens in United States, where civilian and military institutions contribute to almost 40% of Space industry turnover, Europe provides only 25% in terms of public funding. Such a structural difference has opened the Space sector to the fluctuations of economic cycles coming from the markets. While big actors reacts to this with an effort of more flexibility, an efficient space system company outsource to the supply chain up to 80% of the production, for the SME this opportunity does not exist, and normally a low demand correspond to increased competition in price and higher pressure on margin. As already said above, another limitation the development of Space SMEs is the concentration process ongoing among large industries.

European Industry responded to the growing competition at global scale activating in last few years a concentration process in essentially two multinational large system companies Astrium and Tales Alenia Space. These two companies are still restructuring in a process seeking more efficiency streamlining the sector supply chain, cutting the duplications, essentially taking home higher margin activities, subcontracting the less profitable part of the cake...

If we were talking of some low tech commodity, the general comment could be : “ nice, a more mature industry, with global size competitor, with lowering general expenses and increasing margin opportunity”...

Unfortunately this is not the case, Space is a knowledge industry, furthermore a strategic piece of knowledge industry of Europe as reported in the COM(2007) 212 “European Space Policy”: << **Space systems are strategic assets demonstrating independence and the readiness to assume global responsibilities**>>.

In high tech environment these processes has severe consequences on the side of value disruption and loss of industrial capacities generated in many years of public investments on research and development activities.

Both these factor represent, also in less knowledge critical industries, a menace for smaller actors that are, literally flushed out the supply chain: SME fails to improve in service level and cost, become less competitive and win less business. As a result there is lower cash to cover the overhead and the needed investment. In the medium term this spiralling down will make critical also the rising of private equity and optimal workforce obviously moving toward more lucrative technology sector.

These concern are obviously not only SMEs business, on the contrary they should spread upward in the supply chain to the prime, to the commission, to the European Government.

In order to gave momentum to this SME initiative the major European SME Association founded SME 4 SPACE: a consortium of the European SME association.

Main goal of SME4SPACE is address both programmatic and procedural drawbacks affecting SPACE SME's in their interaction with European bodies. Furthermore the Association will foster cooperation among different member states SMEs and will encourage coordinated extra-EU initiatives.

Today joined SME4SPACE alliance AIPAS(I), ASTOS(UK), CSO (Cz), the DLR SME group Arbeitskreis Raumfahrt-KMU "AKRK" (D), and VRI (B), we have interest from France, Greece, Holland, Hungary, Poland and Portugal.

ESA strongly supported this initiative and during the last Le Bourget Airshow in Paris a Letter Of Intent on cooperation in Space was signed by the ESA DG and SME4SPACE chairman.

This cooperation agreement will address programmatic issues such as : interest of SME in future ESA programmes; measures to improve competitiveness of SMEs; explore research and technology, issues seeking harmonisation and prioritisation; as well as the access of SME to ESA

program discussing also procurement procedures, and contractual rules: IPR and protection of confidentiality, payments etc...

Beside this it's time to review the ESA industrial policy, and probably this is matter of the member states more than an executive's issue and recognize that the to day European Space Industry it's no more the same of 20 year ago, the rule of the "right returns" no more guarantee, at least in quality the priorities of different member states and the integrity and the development of an Industrial Base adequate to Europe ambitions in Space.

In this context flexibility and efficiency represent two key competitive factors and both character are firmly represented in the SMEs DNA. New rules of participation to the European Program should foster cooperation along the supply chain, allowing space, visibility and resources to the SME.

Let me now spend few word about Italy, a case study sample for SME development and industrial policy. In our country space SMEs showed a great vitality, by creating jobs, contributing to the realization of important missions and strengthening the specific skills for space missions. the most important part of Aerospace SMEs, in particular those highly specialized and able to invest in technology and innovation, are represented in Italy by a group of about 100 companies, with a total of about 2.500 employees and a turn over of 400 M€

In Italy not so much has been done to adapt to the new scenario and even less to protect SMEs operating in this sector, where immaterial assets represent a strategic resource to preserve. A restriction in the network of Italian space SMEs, indeed, would cause a contraction of national capabilities, particularly in the areas of most promising industrial R&D, reducing technological capabilities in fundamental divisions like on-board electronics and satellite earth observation systems. Such a restrictive limit would increase the distance from the leading European countries and approach Italy to emerging European countries like Spain, or, at a global scale, China and India. But we have to register a renewed interest in SME, and new initiative by Prof. Bigniami are in the right direction focusing the SME role in the supply chain and fostering cooperation between SME, large system companies and research.

Also SMEs, on the other side, should launch processes of coordination in the supply chain, strengthen cooperation mechanisms with institutional research and promote initiatives of negotiation with the large industry. We believe that SME4SPACE initiative is a first step in this direction and we will put all our effort in pursuing it .