

AEROSPACE

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SINGAPORE

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THROUGH THE EYE OF THE STORM

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Airbus and Singapore collaborate to enhance capability of the RSAF

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THROUGH THE EYE OF THE STORM

An account of how a global pandemic struck
the Singapore aerospace industry





Photo: Changi Airport Group

FEATURE

ACT 1: DORSCON ORANGE

Robin tucked his mobile phone away and returned to his book. However, he had just agreed to chair the COVID-19 taskforce for the Association of Aerospace Industries (Singapore) or AAIS and his thoughts were elsewhere.

On Friday the 7th of February, the Singapore government had raised its disease outbreak readiness condition (DORSCON) to Orange. The effect had been immediate as many rushed to empty daily essentials from the supermarket shelves. It also threw plans for the Singapore Airshow, starting on Tuesday, into great uncertainty.

The organisers rushed to assure participants that the show would go on, albeit with additional safety measures in place – temperature taking, hand sanitisers and elbow bumps instead of handshakes.

While most exhibitors decided to continue their airshow participation, major international exhibitors cancelled their trips or assigned their local representatives to man the booths. Visitor numbers were lowered dramatically, but the Japanese, Australian and Singapore delegations continued to be well represented. The Singapore Pavilion coordinated by AAIS was a relative hive of activity in an otherwise much quieter than usual show.

Although no COVID-19 outbreak was recorded at the airshow, one of the largest infection clusters in the community was recorded arising from a private dinner at SAFRA Jurong on Friday 14 February. It had been a close shave for the airshow.

For AAIS, DORSCON Orange coming on the Friday before the airshow was an uncomfortable moment as it threw many plans into uncertainty. It did however, affirm its decision earlier in the week to cancel plans to bring 1,200 students to the airshow for a careers programme. AAIS had also decided to transit to its business continuity plan starting the week of the airshow, operating in two separate teams.

ACT 2: AEROSPACE COVID-19 TASKFORCE

As he jolted himself from his thoughts, Robin recalled his conversation on the phone with AAIS' Chief Executive. Kheng Yok had briefed him on expectations of a long and serious pandemic with consequent economic ramifications. Members were reporting immediate loss of business volume, cash flow concerns, and potential bottlenecks due to supply chain and manpower issues. AAIS had been born nearly two decades earlier in another pandemic and it was time for it again to rise to the occasion, finding ways to support its members by collective action, sharing of resources and policy advocacy. He concluded with a request, "Robin, we intend to set up a taskforce to guide our crisis management

A TIMELINE OF THE COVID-19 OUTBREAK IN SINGAPORE



efforts. Will you be willing to chair the taskforce?"

It was 23 March 2020, the day of the first taskforce meeting on MS Teams. It seemed all meetings had gone online but people were still getting used to it. Getting everyone's video working was taking the first 10 minutes of meetings! Robin called the meeting to order with members, Michael Doellefeld (AAIS 2nd Vice President) and Ekkehard Pracht (AAIS Management Committee member), both of whom had volunteered their service. The first meeting discussed launching an online survey to feel the pulse of industry and holding 3 online dialogue sessions with

members. Plans were also made to conduct webinars to help members in their crisis response.

The dialogue sessions were held from 28 to 30 March 2020 and co-chaired by Robin and Kheng Yok. Members took turns to explain how their customers were either holding payment or asking that work-in-progress be suspended. They were worried about how they would continue to pay staff,



with revenues plummeting. It was a sombre mood tinged with a sense of despair.

ACT 3: THE CIRCUIT BREAKER

On 3 April 2020, Singapore’s Prime Minister addressed the nation, and announced “Circuit Breaker” measures in a move to pre-empt escalating infections and prevent large scale outbreak in the nation. The lockdown period, which Singaporeans later abbreviated to a colloquial “CB”, included the suspension of activities in all non-essential workplaces from 7 April, and full home-based learning for schools from 8 April for a period of one month. Only essential services could continue operations.

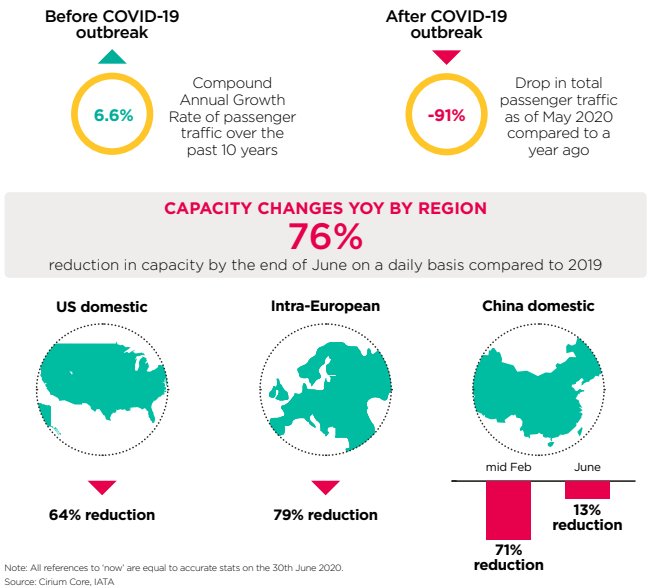
Robin was relieved to learn that the aerospace industry was granted exception as an essential economic sector. However, this did not mean business as usual, since exempted enterprises were only allowed to operate with limited capacity and with enhanced safe distancing measures in place.

Phones began to ring at AAIS as members sought to clarify their status as an essential service. Business leaders related their concerns as they were immediately faced with the challenge

of reorganising their operations and manpower on the ground to adhere to safe management requirements. There was also the matter of arranging remote operations for the rest of their employees who were to work from home.

On top of this, Malaysia had earlier announced a “Movement Control Order” – effectively closing its borders and barring its citizens from traveling abroad (including for work). This had affected companies with Malaysian staff who could no longer commute across the border daily. Logistics, human resource

IMPACT ON AIR TRAVEL INDUSTRY BY NUMBERS



SUMMARY OF SURVEY INPUTS

The main feedback from companies was as follows:

Business Impact from COVID-19	<ul style="list-style-type: none">• Most were hit by reduction in sales/revenue• Staff with specific skills (PRC, Malaysians) held up thus impacting production• Productivity loss due to Circuit Breaker/lockdown• Cashflow severely affected as customers defer payments and projects are stalled or cancelled• Supply chain disruption – spares/materials impacted
Key concerns (in order of priority)	<ol style="list-style-type: none">1. Staff wellbeing and job security – safety, pay cut, potential layoffs2. Cashflow/liquidity3. Drastic reduction in work volume/lack of activities <p>Other concerns</p> <ul style="list-style-type: none">• Duration of pandemic/How long needed to sustain and adapt• Lockdown & impact on businesses

policies, manpower re-allocation, IT infrastructure, data and security, supply chain risks, equipment management and other organisational matters required the urgent attention and decision by management, all at the same time.

Robin recalled the challenge of managing and leading through the aviation crises brought about by 9-11 and SARS in the 2000s. In such times, the ability to share resources and act collectively as an industry was immensely valuable. The Aerospace COVID-19 taskforce therefore quickly put together a webinar programme series on Business Continuity Management, to provide guidance to members, especially to smaller companies. On the first day of CB on 7 April, AAIS conducted its first-ever webinar, on “Leadership for Business Continuity in the Covid-19 Pandemic” presented by Richard Wong, AAIS Vice President and General Manager

FEATURE

of Pratt & Whitney Turbine Overhaul Services. Two days later, Robin hosted a second webinar on “Ensuring Business Continuity in Operations” with Maxwell Davis, Enterprise Risk Manager Asia-Pacific & Data Protection Officer at Rolls-Royce Singapore.

The speakers shared the BCM planning process in their organisations, demonstrating the layers of crisis management. Emphasis was placed on the fundamental structure for decision-making, to enable companies to implement calibrated responses to situations as they arose and evolved. They stressed pragmatism and agility, with Wong noting, “This is going to be a marathon so whatever we do, it must be sustainable”. In safeguarding operational continuity, Davis encouraged companies to “consider key processes that are important and hard to replace” and to “identify and assess which are the critical staff who must be physically present, and the tools and systems required (to continue operations).”

Both Wong and Davis also agreed on the value of scenario planning to better anticipate and handle further

disruptions. Such plans were aimed at ensuring a stable supply chain, the availability of essential materials and assets, and the ability to quickly respond to external changes and the escalation of the pandemic.

Robin smiled to himself as he recalled something Wong said in that early April session that turned out to be prescient. Wong had said, “Based on our ground sensing and reports in the media, the government is now not discouraging the use of masks. This indicates the potential or an inclination of movement towards a requirement to wear masks daily. Therefore, we have elevated our inventory in preparation to have employees wear masks. We must ensure that we have the stockpile to support this.” Indeed, less than two weeks later, the government announced that mask wearing would be mandatory in Singapore, in all public places including workplace premises.

ACT 4: INTERNATIONAL LOCKDOWNS

New measures were announced by the Singapore government on 21 April to further curb community spreading,

including an extension of the circuit breaker period till 1 June 2020.

Meanwhile, the Covid-19 pandemic was worsening elsewhere in the world, with an explosion of cases in the US, Latin America, and India, among others. The global death toll surpassed 200,000 and some 2.8 million

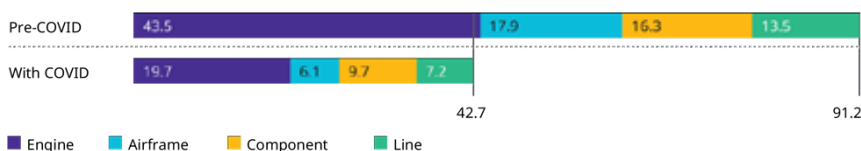
infections were recorded worldwide. Lockdowns were implemented in many countries across continents. The International Monetary Fund predicted the world economy would contract by 3 percent in 2020, and face its worst downturn since the Great Depression.

The Monetary Authority of Singapore soon announced that the country would be entering into a recession, forecasting an economic contraction of 1 to 4 percent. It added, “(T)here remains significant uncertainty over the severity of the downturn, as well as the eventual recovery. The materialisation of downside risks, that largely depend on the course taken by the pandemic and efficacy of policy responses around the world, could tip the growth outcome in Singapore below the forecast range.” In another AAIS webinar, Ms Sian Fenner from Oxford Economics delivered a sobering prediction of the impact of lockdowns on the Singapore economy. Her forecasts showed a more significant GDP contraction for Singapore in 2020 of between 5.1 to 11 percent, depending on the length of the lockdown.

Things were looking even bleaker for the aerospace sector. The usually bustling Changi Airport had been in a deep lull since Singapore officially closed its border on 23 March. Robin was concerned to learn that passenger movements in April and May had plummeted to only 0.5 percent of the previous year, with only 25,200 passengers passing through in April 2020 compared to some 5.6 million passengers. In April 2019, Singapore Airlines announced the grounding of 138 SIA and SilkAir aircraft, out of a total fleet of 147. Its low-cost unit Scoot also suspended most of its network, resulting in the grounding of 47 of its fleet of 49 aircraft. In a statement to media, the company described the situation as “the greatest challenge



Exhibit 3: 2020 MRO spend will drop more than 50 percent from what was expected
US\$ billions



Note: With COVID forecast updated as of April 28, 2020, Pre-COVID forecast was published February 11, 2020
Source: Oliver Wyman analysis

that the SIA Group has faced in its existence.”

Maintenance, Repair and Overhaul (MRO) which constitutes 85 percent of Singapore’s aerospace output, also took a direct hit. Through the AAIS COVID-19 Business Impact Survey and industry sharing sessions, Robin heard first-hand, how local MRO companies were experiencing a severe reduction of business by between 30 to 95 percent. Analysts were predicting recovery to take 3 to 4 years. Robin and many in the community realised that left on their own, many aerospace and MRO companies would not survive the crisis.

ACT 5: SOLIDARITY & FORTITUDE

It was time for AAIS to step up the actions of the Taskforce as the crisis deepened.

Over the Good Friday long weekend in April, AAIS, with the support of the Management Committee and other senior executives from the industry, put together an appeal letter to seek government support to sustain the Singapore aerospace industry through the pandemic. Addressed to the Deputy Prime Minister and Minister for Finance, the letter proposed various support measures for the industry, including wage, training and rental support. Another crucial proposal was a joint study between AAIS and the Singapore

Economic Development Board on positioning the industry for the future recovery. In parallel, an open letter of solidarity was released by the Singapore aerospace community addressed to the nation, underlining the industry’s solidarity and support of measures to tackle the pandemic.

On 26 May 2020, DPM Heng announced the “Fortitude” Budget with a strong focus on jobs. The fourth budget announcement since February, this followed a revised GDP growth forecast of between -4% and -7% and included support measures that would bring the total Budget to almost S\$93 billion set aside to fight the pandemic.

The aerospace community was deeply appreciative of the recognition by the government on the importance of the industry and delighted with its decision to provide a 75% level of support under the Jobs Support Scheme. This support was timely and significant, and for now would help to blunt the impact of the crisis on the Singapore aerospace industry.

Despite the crisis at hand, Robin noted a hearteningly consistent theme across companies large and small. They were all placing priority on ensuring their employees’ stability, well-being and job security. While there was no certainty on the time horizon for recovery, there was plenty of mutual support amongst companies and colleagues.

ACT 6: A NEW NORM

The Circuit Breaker ended on a cautious note with the Phase 1 re-opening of businesses from 2 June 2020. It subsequently also decided that a Phase 2 opening would take place from 19 June 2020. Safe-distancing measures were implemented including the use of the Safe-Entry app by all businesses to register entry into premises. Notwithstanding

the re-opening, the workforce continued to be advised to work from home unless required in the workplace for particular purposes.

With greater clarity now that the pandemic would be with us for one or more years and that air travel would not recover in the near term, companies were beginning more detailed planning on managing excess manpower.

