



PRESS RELEASE

23 February 2022

Communication to the Senate Finance Committee

GOVERNMENT SUPPORT FOR THE AERONAUTICS SECTOR Efficient emergency aid, a transformation to be accelerated

The French aeronautics industry was the second largest in the world behind the US'one in 2019, and was thus a strategic sector for the national economy. It was a large-scale exporter (€64 billion in foreign sales in 2019) and was enjoying a dynamic period in terms of job creation and building revenue. The Covid crisis affected it severely, which prompted a massive and rapid reaction from the Government. At the request of the Senate Finance Committee, the Court of Accounts has investigated the support measures put in place in response to the crisis. Within the framework of this investigation carried out with three Regional and Territorial Chambers of Accounts (in Nouvelle-Aquitaine, Pays de la Loire and Occitanie, with the Court itself directly examining the situation in Île-de-France), the national, regional and European aspects of the public policies put in place to protect and revive the sector were audited. While the industry has not yet emerged from the Covid crisis, the Court formulates three recommendations aimed at meeting the requirements of the sector's structural transformation, i.e. to promote the consolidation of companies in the sector, to support the long-term changes in professional skills, and to accelerate the decarbonisation of aeronautics.

A sector of excellence in French industry, growing before the Covid crisis albeit not free of weaknesses

Aeronautics is a strategic industry for France, both because of its impact on the economy, in terms of job creation, export sales and innovation, and because of its sovereignty dimension - particularly for its military aspect. Its dynamism is facilitated by its vertical organisation, led by a few major contractors (first and foremost Airbus), bringing together a group of equipment manufacturers and subcontractors. A degree of regional geographical specialisation is a feature of French aeronautics, with the regions of Occitanie, Île-de-France, Nouvelle-Aquitaine, Provence-Alpes-Côte d'Azur and Pays de la Loire in the forefront. To maintain the competitiveness and excellence of the sector, significant state support has been consistently provided, including in governance, funding for industrial development and innovation, and export support. Although the industry was growing strongly until 2019, it did experience some weaknesses before the crisis. Thus, certain segments (in particular civilian helicopters and long-haul aircraft) showed a degree of sluggishness combined with some scattering of companies in the sector and tensions over recruitment.

A strong and sudden crisis, followed by the rapid establishment of public support

The health crisis resulted in an abrupt halt to air travel, which had an immediate impact on the aviation industry. The fact the sector has two main activities has partly cushioned those stakeholders that are positioned in both civilian and defense aeronautics, as the effects of the crisis have been more limited in defence aviation. The impact was harder for SMEs, which figure less in the military segment and were



more financially fragile. Government intervention was quick and huge. It has proved largely effective in limiting the impact on jobs from the decline in revenue. In addition to cross-sectoral measures - including furlough schemes and state-backed loans - the crisis support targeted at aeronautics (in particular the easing of export credit insurance terms and bringing forward the placing of orders) enabled the companies concerned to withstand the crisis. In total, of the €8.1 billion announced in June 2020 under the “aeronautics plan”, some €7.2 billion was committed by the end of 2021, including €2 billion in direct aid. Regional governments have also intervened, either in terms of general support for companies or more specifically for the aeronautics sector. The Court estimates that the amount of regional contributions in addition to central government’s funds is just over €110 million.

Structural transformation imperatives

While the French and European aeronautics industry has not yet left the crisis fully behind, it is facing the need to project itself further into the future, which calls for rapid transformations. The quest for better industrial and economic performance is becoming even more crucial with the arrival of emerging competitors (including Chinese manufacturers). The challenge of attracting talent and adapting skills to the aviation of the future becomes even more decisive. Finally, the transformation of air transport to meet the challenges of climate change is crucial for the industry, which must provide trailblazing solutions. The Covid crisis was an opportunity for the State to intervene in favour of the competitiveness and decarbonisation of aeronautics, through specific measures which also made it possible to support the industry with increased help for research into decarbonised aviation, and the setting up of a modernisation fund accompanied by a consolidation fund. For the Court, this joint commitment of private and public stakeholders must continue in view of the importance of the technological, economic and financial challenges posed, and must include a European and international dimension, to allow the advent of this new aviation in a fair competitive framework.

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