and French unwillingness to accept German leadership through its planned development of the FA-X-100, the successor to the Fokker 100. Airbus Industrie is unlikely to become involved in this part of the market until after European consolidation.

Research initiatives arise from within the Airbus organization or at the partner level, through feedback and requests from customers, and from direct proposals from suppliers with innovative ideas to improve product performance and safety. Suppliers selected or engaged in research projects are often selected as suppliers on programs subject to the relationship established at this early stage and to commercial considerations. Firms requiring technical information to develop products or systems for secondary markets should pose requests directly to the Engineering departments of the partner with the relevant level 1 work share responsibility and concurrently to Airbus Engineering. To legitimize such requests, suppliers must provide up front assurances for the protection of proprietary property and the proposal should be accompanied by a firm order or request from an Airbus customer.

<u>Aerospatiale (France)</u> (Appendix 2)

Aerospatiale is the premier state controlled aerospace company of France. 62.16% of its shares are owned directly by the government of France, 17.82% are owned indirectly through another state company, Societe de Gestion de Participations Aeronautiques, and 20% by Credit Lyonnais. Aerospatiale was formed in the early 70's as a merger between Sud-Aviation and Nord-Aviation following a pattern of mergers rationalizing the state-owned sector.

The company is organized into four autonomous divisions including Eurocopter (60% Aerospatiale, 40% Daimler Benz Aerospace), Space and Defense, Missiles, and Aeronautics. Aerospatiale's 37.9% interest in the AI GIE is managed within the Airbus operational centre of the Aeronautics division where it operates along side six other operational centres including AIR (regional aircraft - formerly ATR, with the accession of British Aerospace Aerospatiale's interest now amounts to 33.3% of the GIE), Systems & Services (through Atec, which is engaged in automated flight warning systems and ground test equipment), Sogerma Socea (engaged in maintenance and overhaul activities), Socata (business jets), Sextant Avionique (30% Aerospatiale and 70% Thomson-CSF, involved in avionics systems and flight training equipment) and Aerostructures (created early in 95 to support other operational centres and also to deal with external industrial relationships including Bombardier on the Global Express program).

Aerospatiale experienced significant losses in 1992 leading to a recapitalization by the French state. Losses in 1993 and 1994 have been reducing in view of internal restructuring and rationalization. The president of Aerospatiale, Mr. Louis Gallois, recently expressed a willingness to recapitalize the group with FF 10 billion in