Defence Industries

France is continuing to restructure its defence industries, with equipment budgets reduced to $25 billion (down 18%) in 1996. Its exports account for about 6% of total world deliveries, or over $10 billion. The industries' results are obtained thanks to government support: the government defence effort represented 3.4% of GDP in 1994. The government is insisting on extensive reforms with a view to cutting costs by 30%, placing the emphasis on purchasing equipment or technology off the shelf. Major expenditures are planned in the space industry on a new generation of satellites, military telecommunications and the launching of a radar observation satellite. However, the new programs will require strict control of costs, an annual productivity increase of 2% and contractual fixed cost commitments by the industry partners. The present climate of strong competition, together with currency fluctuations, is leading to a policy of support for exports and a strengthening of international co-operation. This is the reason for the European projects for observation satellites and missiles, the FLA (Future Large Aircraft) military transport aircraft and the air defence frigate Horizon.

A. Opportunities

Canadian aircraft equipment exports to France were nearly $300 million in 1995, and the outlook is for deliveries to remain at that level for the next three years. Industrial and commercial offset agreements conditional on the sale of amphibious and regional transport aircraft are generating major value-added benefits

Promising Sectors

Amphibious and regional transport aircraft, the Airbus consortium, and the Canada-France Eryx anti-tank missile program.

for Canadian partner suppliers. Currently, Air Littoral is operating seven Regional Jets in Air InterEurope livery, and Brit' Air has just acquired nine Regional Jets. The Global Express program has formed alliances with equipment makers Intertechnique, Sextant Avionics and Liebherr Aerospace on the basis of risk sharing. Also, the co-operative development of a new regional transport jet will offer Canadian pattern makers the opportunity to demonstrate their abilities as subcontractors. These trends show clearly that there is significant growth in the development of regional air links, and the impact in terms of fleet requirements will create new niches for the most competitive Canadian products. Furthermore, the grouping of airlines is leading to reductions in operating costs, so that Canadian equipment suppliers can engage in more open competition. A number of Canadian firms are already referenced at Airbus for landing-gear parts, A330/340 wing attachments (largest non-European supplier), engine gear parts, and sensors. It should also be mentioned that the development in Europe of super-hub airport platforms, which can accommodate very large long-range aircraft, will make it possible to validate the existing super-jumbo 600-seat projects of the A3XX type, in which Canada's aeronautics industry may have an interest. Other developments