balances have served to make programs technically and commercially better than might otherwise have been accomplished.

Financial

The partners fund AI's routine payments for overhead expenses and procurement of engines (and in some cases nacelles) based on a budget proposed by AI management and approved by the Supervisory Board. Non recurring development costs and production funding are borne by the partners in their roles as subcontractors who retain complete autonomy for all aspects of their work share including procurement. In turn, the partners have sought this money from their respective national governments (and more recently from private sources) usually in the form of loans on attractive terms to be repaid with the revenues from aircraft sales.

The creation of the Airbus Finance Corporation (AFC), incorporated under the laws of the Irish Republic and owned jointly by the AI partners, was announced in December 1994 to ease some of the financial exposure from the balance sheets of the Airbus partners associated with GIE unlimited liability. This entity consolidated AI's existing portfolio of leased aircraft and aims to achieve an A+ credit rating to support the future issuance of bonds backed by aircraft within its portfolio. AFC and AI achieved a vote of confidence from the international financial community by successfully securing access to US$2.4 billion through the issuance of investment bonds in key international markets.

Suppliers assume the credit exposure of the specific partner with whom they are contractually engaged - not AI or the remaining partners. Payments are usually processed between 30 and 90 days, depending on the partner.

Airbus Corporate Structure

The Organizational structure of AI today is largely shaped by the efforts of the "four wise men" commissioned by the governments of AI supporting states during the summer of 1987 to conduct a review of the consortium's administrative structure.

Their report tabled in April 1988 criticized AI for having an overly large administrative body which handicapped the timeliness and effectiveness of decision making, for lacking financial information on the results of the consortium's entire operations, and for the lack of an effective link between marketing and production therefore precluding effective cost control. They recommended that, in the long run, AI should strive to become a fully integrated independent European civil aerospace company. To streamline decision making, the five member Supervisory Board, traditionally chaired by a German, has become the main instrument of overall policy as opposed to being simply the ratifier of major decisions made at the state or partner levels (Exhibit 2). A seven member executive board, traditionally chaired by