

Who pays, who wins - trends in government funding of aerospace

A new survey from

Counterpoint Market Intelligence Limited

Why buy this survey? - We look at technology leadership positions, and at policies, trends, programmes, mechanisms and beneficiaries in the 20 major aerospace nations and conclude that;

- **There is correlation between the pecking order of national aerospace industries and the level of government support that they receive. Governments can create significant aerospace capabilities from small beginnings e.g. Spain's new capabilities in composite aerostructures, and on a larger scale e.g. Embraer as a major world player in regional aircraft.**
- **Largely as a result of state (mostly defence) funding, the US leads in defence fixed wing, UAVs/UCAVs, commercial airliner fuselages, airborne radar and EW, forgings and castings. The US must continue to dominate military aerospace technology because of the scale of its R&D spend. The US remains a very attractive place to invest both for locally and foreign owned firms due to the level of government support available and a policy of relatively open access.**
- **The EU is second in importance in terms of size of funding and has been effectively challenging the US. Europe leads in civil helicopters, and is level pegging as technology leaders in commercial airliner wings, civil and military aeroengines, composites, undercarriages and military integrated cockpits. Repayable Launch Investment (RLI) has helped bring about the success of Airbus which may have received up to \$15bn of funding in this form.**
- **Canada must be regarded as one of the success stories for the state funding of aerospace. Partly as a result, it claims to have created the world's fourth largest aerospace industry, after the US, UK and France.**
- **As a result of the current US/EU WTO dispute, it seems probable that the emphasis of aerospace funding will move away from Refundable Launch Investment (RLI) towards funding for pre-competitive R&D.**
- **However, no one country can afford to abandon state support; it's not possible to compete unilaterally without it. For the future, investment mechanisms may evolve, but this looks like an industry unlikely to kick the habit of dependence.**
- **How secure is Western domination of aerospace? All reason would suggest very much so, but production of components is progressively moving towards lower cost countries.**

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Why Counterpoint Market Intelligence?

Counterpoint Market Intelligence Limited was formed by George Burton and Richard Apps in 2004 to offer original, independent and rigorous research into aerospace markets. Between them, George and Richard have 37 years of experience in senior positions in aerostructures, engine components, and aerospace equipment. Counterpoint now has an international business, with 70% of sales outside the UK. Sales of research reports have led to consultancy projects, mainly M&A-related. Two thirds of sales are to the aerospace industry – aircraft and engine prime contractors and first and second tier suppliers. Other clients are private equity funds, investment banks and government organisations.

In addition to this report the following reports are available from Counterpoint Market Intelligence Limited:

- Aero-engine and IGT Components 2007
- Aerostructures 2007 – *Profitable for some*
- Aerospace Actuation 2006 - *Key issues over the next 5 years*
- European military aircraft and equipment MRO 2006 - *What this €13billion market looks like now, how it's changing and how companies identify and win business*

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- Evaluation of strategic options

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