

## **DS316 Q&A – FOR PUBLIC RELEASE**

### **PANEL REPORT ANSWERS TO THE WTO DISPUTE'S KEY QUESTIONS ABOUT AIRBUS SUBSIDIES**

#### **1. How did launch aid enable Airbus to launch, develop and market each of its Large Civil Aircraft (LCA)?**

“LA/MSF [Launch Aid/Member State Financing] functions as a risk transferring device which significantly alters the economics of a decision to launch any given program.” Para 7.1935, p. 947

“All of the challenged LA/MSF contracts may be characterized as unsecured loans granted to Airbus on back-loaded and success dependent repayment terms, at below-market interest rates.” Para 7.526, p. 446

“In all cases ... LA/MSF will increase potential profits and limit potential losses. By limiting potential losses, LA/MSF transfers risk from Airbus to the governments ... thereby rendering it more likely, in any given case, that an LCA programme will be undertaken.” Para 7.1899, p. 934

“[B]ut for the provision of LA/MSF, Airbus would not have been able to launch any of its existing range of LCA, that is, the A300, A320, A330/340, A340-500/600 and A380, as and when it did.” Para 9.1921, p. 942.

#### **2. Was all launch aid a subsidy?**

“[W]e conclude that the United States has established that each of the challenged LA/MSF measures constitutes a specific subsidy.” Para 8.1, p. 1038

#### **3. Were any of the subsidies per se prohibited subsidies?**

“German, Spanish and UK A380 contracts amount to prohibited export subsidies ...”. Para 7.690, p. 517

#### **4. Would Airbus have succeeded in taking the market share it has without subsidies?**

“[I]t would not have been possible for Airbus to have launched all of these models, as originally designed and at the times it did, without LA/MSF. Even assuming this were a possibility, and that Airbus had actually been able to launch these aircraft relying on only market financing, the increase in the level of debt Airbus would have accumulated over the years would have been massive.” Para 7.1949, pp. 953-954

“It follows that even in the unlikely event that Airbus would have been able to enter the LCA market as a non-subsidized competitor, we are confident that it would not have achieved the market presence it did...” Para 7.1985, p. 968

“Had Airbus successfully entered the LCA industry without subsidies, it would be a much different, and we believe, a much weaker LCA manufacturer ...” Para 7.1994, p. 970

## **5. Is launch aid the only subsidy Airbus enjoyed?**

“RT&D subsidies enabled Airbus to develop features and aspects of its LCA on a schedule that it would otherwise have been unable to accomplish (...) [and] complemented and supplemented the impact of LA/MSF.” Para 7.1960, p. 957

“[W]e conclude ... that grants under the Second, Third, Fourth, Fifth and Sixth EC Framework Programmes ... are specific subsidies”. Para 8.1, pp. 1038-1039

“Infrastructure subsidies similarly provided essential support to the development and production of Airbus LCA.” Para 7.1959, p. 957

“[W]e conclude ... that the provision of the Mühlenberger Loch site constitutes a specific subsidy”. Para 8.1, p. 1038

“It is clear ... that the price paid by Airbus for land in the ZAC Aeroconstellation, and the lease for the EIG facilities, does not provide a market rate of return on the investment by the French authorities ... Therefore, ... the provision of the ZAC Aeroconstellation, including the EIG facilities, constitutes a subsidy”. Para 7.1191, p. 683

## **6. Did these subsidies injure Boeing and the US aerospace industry?**

“[T]he European Communities and the governments of France, Germany, Spain, and the United Kingdom have, through the use of specific subsidies, caused serious prejudice to the United States’ interests”. Para 7.2026, p. 980

“[I]t is clear that [Airbus’] LCA have displaced Boeing LCA from the relevant markets and caused lost sales”. Para 7.1987, p. 969

“[T]he specific subsidies... caused displacement of [Boeing aircraft] from the EC market and ... the markets of certain third countries”. Para 7.2026, p. 980

“[T]he United States has demonstrated that Boeing suffered substantial lost sales during the period 2001-2006.” Para 7.1986, p. 968

## **7. What does the ruling obligate the EC and the governments of France, Germany, Spain and the United Kingdom to do?**

“[T]aking into account the nature of the prohibited subsidies we have found in this dispute, we recommend that the subsidizing Member ... withdraw [them] without delay and specify that is to be done within 90 days.” Para 8.6, p. 1041

“We recommend that ... the [EC and the governments of France, Germany, Spain and the United Kingdom] granting each subsidy found to have resulted in such adverse effects ‘take appropriate steps to remove the adverse effects or ... withdraw the subsidy’.” Para 8.7, p. 1042

**8. Should the A350 be able to receive launch aid?**

**In EADS’ own words:** “[T]he outcome of the formal WTO proceedings, may limit access by EADS to risk-sharing-funds for large projects ... or may theoretically cause the European Commission and the involved governments to analyze possibilities for a change in the commercial terms of funds already advanced to EADS. ... [N]o assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above.” EADS 2010 Annual Meeting, Report of the Board of Directors 2009 of June 1, 2010, p. 46 (<http://www.eads.com/eads/int/en/investor-relations/events-reports/annual-general-Meeting/2010.html>).

**9. Was the A330 -- the EADS offering for the tanker – subsidized?**

“LA/MSF was necessary for Airbus to have launched the A330/A340 in 1987, with LA/MSF covering between 60 and 90 percent of its development costs.” Para 7.1940, pp. 949-950

“[W]e consider that the economic viability and, indeed, the very existence of the A330-200, is dependent on the aircraft which preceded it, including in particular the original A330 aircraft from which it was derived. ... [W]e conclude that the LA/MSF was necessary to the launch of the A330-200, as without the grant of LA/MSF for the development of the original model (and all models preceding that model), the A330-200 could not have been launched when it was without significantly higher costs.” Para 7.1941, pp. 950-951

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