

# Transport Briefing

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## The changing face of Coface's support for the French aviation industry

**As a result of fresh changes to French law, export credit agency Coface can now issue 100% guarantees not only for Airbus jets but also for other French-manufactured or French-content aircraft such as ATR turboprops, Dassault and Sukhoi jets and Eurocopter helicopters and can also now issue such guarantees in the context of the financing of such aircraft on the bond markets.**

Coface acts for the account of the French State in supporting various sectors of French industry, including the aviation industry. Its ability to support the French aviation industry with the guarantee of the French State is regulated by particular provisions of the French Insurance Code<sup>1</sup>.

Preliminary legislation introducing these welcome changes to the French Insurance Code was passed in December 2012<sup>2</sup>. The entry into force of an implementation decree on 27 May 2013<sup>3</sup> has completed the legislative process for these particular changes.

These are the latest in a series of changes to the Coface-specific provisions of the French Insurance Code in recent years, changes that reflect the French government's and Coface's willingness to adapt and refresh their support for the French aviation industry, leveling the international playing field for French exporters and those that finance such exports in the face of innovation and competition in the global aircraft finance market<sup>4</sup>.

Other changes may be expected to follow, notably an implementation decree permitting Coface to issue residual value currency exchange guarantees in respect of French-manufactured or French-content aircraft financed in euros.

### 100% guarantees now available for a broader range of aircraft

Coface has since 2002 been able to issue 100% guarantees for large aircraft

<sup>1</sup> See, in particular, Articles L. 432-1 *et seq.* and R. 442-1 *et seq.* of the French Insurance Code  
<sup>2</sup> See, in particular, Article 84 of the French Law No. 2012-1510 of 29 December 2012 amending the French Finance Law for 2012.  
<sup>3</sup> French Decree No. 2013-425 of 24 May 2013, published in the JORF on 26 May 2013.  
<sup>4</sup> Note that Coface supports the financing of Franco-Italian manufactured ATR turboprops together with Italian export credit agency SACE and that it supports the financing of Sukhoi Superjets together with SACE and Russian international development bank Vnosheconombank (VEB).

(*gros porteurs*) such as Airbus jets pursuant to the first demand, pure, unconditional guarantee (*garantie pure et inconditionnelle*) for Airbus jets (GPIA). However, it could until recently only issue 95% insurance policies in respect of other French-manufactured or French-content aircraft.

The recent changes now allow Coface to issue 100% guarantees in respect of the financing of "civil aircraft of more than 10 tonnes at take-off" including (still) Airbus's range of jets and also ATR's range of fuel-efficient regional turboprops, Dassault's range of Falcon jets and Sukhoi's Superjets<sup>5</sup> and of "civil helicopters of more than 1 tonne at take-off" such as Eurocopter's current range of civil helicopters<sup>6</sup>.

Compared to the 95% insurance policy, the 100% guarantee is more supportive of those financing the export of French-manufactured or French-content aircraft, notably because (a) it covers 100% of the financed amount at risk (rather than just 95%), (b) there are considerably fewer conditions attached to the making of a demand for payment under the 100% guarantee, (c) the period between demand and payment is significantly shorter under the 100% guarantee and (d) the 100% guarantee covers a broader range of risks (such as tax risk and documentation risk).

Lenders offering finance for the export of this broader range of aircraft will now, if they benefit from a 100% Coface guarantee, be able to offer more competitive financing terms than before, helping French exporters to compete in the face of export credit agency products available to lenders financing their global competitors.

The precise form (or forms) of Coface's new 100% guarantee and of its published conditions for the issuance of such guarantees for this broader range of aircraft have not yet been unveiled but they are likely to be adaptations of the existing published form of the GPIA and of the existing published conditions in respect of Airbus jets<sup>7</sup>.

### **Coface support for the financing of aircraft on the bond markets**

The second significant change introduced by the recent changes is that Coface may now, with the guarantee of the French State, issue 100% guarantees (a) directly in favour of companies that have issued bonds for the financing of French-manufactured or French-content aircraft or (b) for the account of holders of notes issued for the financing of such aircraft or in respect of amounts due under such notes in the event of breach by the issuer of such notes.

This second change best illustrates the French government's and Coface's willingness to adapt and refresh the ways in which they support the French aviation industry in the face of innovation and competition in the global aircraft finance market, notably in the face of recent liquidity shortages in the traditional bank debt markets and in the face of "Ex-Im bond" issuances, supported by Export-Import Bank of the United States, for the financing of Boeing aircraft.

### **Welcome boost**

The changes described above will prove a welcome boost for customers of ATR, Dassault, Sukhoi and Eurocopter seeking ECA financing and for those seeking to finance Airbus and other French-manufactured or French-content aircraft through the issuance of "Coface bonds" on the bond markets.

5 Noting the role played by Thales and Safran in the development and construction of Sukhoi Superjets.

6 Notwithstanding these fresh changes, Coface will continue to be able to issue 95% insurance policies for French-manufactured or French-content aircraft.

7 Both the existing published form of GPIA and conditions for the issuance of a GPIA refer just to Airbus jets. They are available on Coface's website, [www.coface.fr](http://www.coface.fr).

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