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## Boeing's complaint against Bombardier an 'assault' on Quebec's economy, minister says



Quebec Economy, Science and Innovation Minister Dominique Anglade, shown in this 2016 file photo, said Thursday, "We will do everything we can to support our industry. And this complaint is a frontal assault on our economy. We can't accept it."

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MONTREAL

Boeing Co.'s trade complaint against Bombardier Inc. and its C Series airliner is a "frontal assault" on Quebec's economy, a senior minister in the Couillard government said as analysts weigh the ramifications of potential negative rulings going against the Canadian plane maker.

"What's important to us is that we sell C Series," Dominique Anglade, Quebec's Minister of Economy, Science and Innovation, said in an interview Sept. 7 in Montreal. "We will do everything we can to support our industry. And this complaint is a frontal assault on our economy. We can't accept it."

Ms. Anglade acknowledged that Quebec is home to a number of aerospace companies, many of which do business with Chicago-based Boeing. But she said her government is unequivocal that

it stands with Bombardier because it is the anchor of the sector. Quebec invested \$1-billion (U.S.) for a 49.5-per-cent stake in the C Series program in 2016, an equity injection that helped the company steer through a cash crunch that might have threatened its future.

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The comments underscore what's at stake for Canada's second largest province as its economy roars back to life after years of slow growth. Planes and other aerospace equipment are among Quebec's top exports and C Series shipments are expected to help fuel a 7-per-cent increase in the province's exports next year, according to Export Development Canada.

The dispute also has ramifications for other industries, said Riyaz Dattu, a lawyer with Osler, Hoskin & Harcourt LLP in Toronto. Bolstered by the aggressive position taken by the White House on trade issues with Canada, other U.S. companies in other sectors could follow Boeing's lead and launch similar petitions, he said.

"A decision favouring Boeing would precipitate trade lawyers south of the border to counsel their clients to bring cases that in the past ... would have been more difficult" to win, Mr. Dattu said. "It will embolden other U.S. companies."

Canada is locked in a bitter trade feud with the United States over Bombardier's C Series aircraft, a new 100- to 150-seat plane lauded as the first clean-sheet design of a single-aisle airliner in nearly 30 years. The issue has escalated in recent weeks as Ottawa threatens to scrap plans to buy 18 fighter jets from Boeing in retaliation and Boeing officials express concerns that Canada will "kick Boeing out." What actions Quebec may be taking behind the scenes to support Bombardier aren't immediately clear.

The U.S. Department of Commerce is investigating accusations by Boeing that Bombardier sold 75 CS100 models to Delta Air Lines Inc. at "absurdly low prices" while it benefited from unfair subsidies from the Canadian and Quebec governments. It has asked the U.S. government to impose anti-dumping and countervailing duties of about 79 per cent on C Series planes imported into the United States.

Commerce is scheduled to release its preliminary findings on whether to impose countervailing duties on Sept. 25.

A ruling against Bombardier is likely to slow the sales momentum of the C Series into the U.S. market, said **Dan Fong**, an analyst with **Veritas Investment Research**. But that doesn't mean all is lost for the program.

**Mr. Fong** said interest by non-U.S. customers may offset any lost U.S. orders, particularly now that there are 18 C Series jets in service with a strong track record of performance. Even in the United States, a workaround could exist whereby a non-U.S. aircraft leasing company buys the C Series free of U.S. tariffs and then leases them to a U.S. carrier, **Mr. Fong** said.

In its petition, Boeing recounts how European consortium Airbus Group SE used state aid to enter the U.S. market and subsidize sales that led to the demise of U.S. plane maker McDonnell Douglas Corp. and forced Lockheed Martin Corp. to abandon the market. It suggests that failing to stop Bombardier could lead to the same outcome for the U.S. industry.

Many experts have countered that Boeing's petition is pure hypocrisy because the company has benefited from billions in support from various levels of U.S. government. Boeing is upset about the C Series because it does not have an aircraft that can compete with it, airline analyst Darryl

Jenkins has said. "It is trying to capitalize on current trade skepticism in a bid to undermine Bombardier, perhaps to allow it time to get back into a market it chose to abandon."

Bombardier maintains it has done nothing wrong and that its financing arrangements with governments adhere to international trade regulations. U.S. trade laws were not really designed to address complex and highly engineered products such as aircraft, making it hard to predict rulings on this case in the preliminary stages, company spokesman Bryan Tucker said. He said Bombardier is focused on the final-stage rulings.

"At the end of the process, and given that the C Series will contribute billions of dollars to the U.S. economy and lower travel costs for the American public, we're confident the ITC will reach the right conclusion," Mr. Tucker said.

Two U.S. carriers, Spirit Airlines Inc. and Sun Country Airlines, are backing Bombardier's right to sell into the United States. Neither carrier currently operates Bombardier-made planes but, in separate letters to Commerce and the ITC, they argued that imposing duties on C Series aircraft would ultimately hurt American travellers and urged decision makers to reject the complaint.