



## **U.S. slaps duties on Bombardier jets after Boeing subsidy complaint**

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The U.S. Commerce Department on Tuesday slapped preliminary anti-subsidy duties on Bombardier Inc's (BBDb.TO) CSeries jets after rival Boeing Co (BA.N) accused Canada of unfairly subsidizing the aircraft, a move likely to strain trade relations between the neighbors.

The department said it imposed a steep 219.63 percent countervailing duty on Bombardier's new commercial jets after it made a preliminary finding of subsidization. Boeing has complained the 110-to-130 seat aircraft were dumped below cost in the U.S. market last year while benefiting from unfair subsidies.

An April 2016 order for 75 CSeries jets from Delta Air Lines (DAL.N) stemmed from the same harmful sales practices European rival Airbus SE (AIR.PA) employed to win business in the 1990s, according to Boeing.©

The Commerce Department's penalty against Bombardier will only take effect if the U.S. International Trade Commission (ITC) rules in Boeing's favor in a final decision expected in 2018.

"We strongly disagree with the Commerce Department's preliminary decision," Bombardier said in a statement, calling the magnitude of the proposed U.S. duty "absurd."

Commerce's announcement and accompanying fact sheet on the preliminary duty order did not provide any rationale or methodology for how it calculated the 220 percent duty.

There are not that many Commerce countervailing orders that are this high, but it is lower than the 256 percent final duties slapped on Chinese cold-rolled steel last year.

The CSeries starts at \$79.5 million, according to list prices, but carriers usually receive discounts of about 50 percent.

Subsidy-related duties would add considerably to the cost of the jets within the U.S. market and prices could rise even further if Commerce announces additional anti-dumping duties in a ruling expected early next month.

Boeing said in a statement: "This dispute has nothing to do with limiting innovation or competition, which we welcome. Rather, it has everything to do with maintaining a level playing field and ensuring that aerospace companies abide by trade agreements."

Bombardier's was unwilling to swallow the extra cost for airlines if the United States slaps duties on its CSeries jet, Reuters reported on Tuesday, citing people familiar with the matter.

Canada's foreign affairs minister Chrystia Freeland said Canada strongly disagrees with the anti-dumping and countervailing duty investigations into imports of Canadian large civil aircraft.

"This is clearly aimed at eliminating Bombardier's C Series aircraft from the U.S. market," Freeland said.

Duties could chill U.S. sales of the fuel-efficient CSeries, raising concerns over future orders and jobs in Canada and the United Kingdom. Bombardier is the largest manufacturing employer in Northern Ireland.

Canadian Prime Minister Justin Trudeau had put his government's planned purchase of Boeing Super Hornet fighter jets on hold because of the trade dispute, saying it could not "do business with a company that's busy trying to sue us and put our aerospace workers out of business."

Boeing has argued that the military sale to the Canadian government and its petition against Bombardier are not linked. But the U.S. jetmaker has said the CSeries would not exist without hundreds of millions of dollars in launch aid from the governments of Canada and Britain, or a \$2.5 billion equity infusion from the province of Quebec and its largest pension fund in 2015.

To win its case before the ITC, Boeing must prove it was harmed by Bombardier's sales practices, despite not using one of its own jets to compete for the Delta order, Dan Pearson, a senior fellow at the libertarian Cato Institute think tank in Washington, said before Tuesday's announcement.

"This (ITC case) cannot be a slam dunk," said Pearson, a former ITC chairman. "I'm having a hard time figuring out how Boeing was harmed by this."

Canada has pushed to settle the dispute. But one industry source said Boeing, which could gain some leverage with the Commerce Department's initial decision in its favor, sees the possible CSeries dumping as a long-term threat to its civilian airliner business.