

STATEMENT OF SYLVAIN LEVESQUE
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100- to 150-Seat Large Civil Aircraft from Canada
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My name is Sylvain Levesque, and I am Vice President of Corporate Strategy at Bombardier. In this position, which I have held since 2010, I lead the strategic planning process and key strategic initiatives. I have worked at Bombardier for 19 years and held many other positions. In 2004, when I was Vice-President of Strategy at Bombardier Aerospace, I played a key role in developing the strategy for the C Series.

Today I will first address the origins of Bombardier's recently announced C Series partnership with Airbus. I was on the corporate team at Bombardier that developed the strategy for approaching Airbus. It is important to understand that when we contacted Airbus earlier this year, we were not starting discussions from scratch. Bombardier had realized for years that the greatest value for the C Series program would come only through a partnership. Over the past decade, we conducted outreach to Boeing, Airbus, and others. Bombardier and Airbus engaged in serious talks lasting more than six months in 2015, long before Boeing filed the Petition in this case. I led those negotiations, which were eventually derailed in part because they became public. When discussions resumed this year, both sides picked up where we left off. The basic commercial logic behind the proposed combination was the same this year as in 2015.

For Bombardier, the advantages of a partnership are obvious. Bombardier is a smaller player and a new entrant in the market for large civil aircraft. As my colleague Rob Dewar explained, we have made slower than anticipated progress along the learning curve for C Series production, and faced a number of supplier difficulties. As a result, we have not met our

projected production numbers, and many deliveries have been delayed. With Airbus, we will have additional manufacturing resources and supply chain synergies. We thus expect the new partnership to generate significant production cost savings for the C Series. It will also extend our production footprint to the United States, where Airbus is already located. Airbus also brings additional marketing expertise, a global network of potential customers, and extensive experience with ongoing product support. We knew that access to such resources would help instill confidence in the C Series program among potential purchasers. The bottom line is that from Bombardier's perspective, the Airbus deal further validates the program and will unlock the full value of the C Series.

On the Airbus side, the commercial advantages are equally clear. As my colleagues have explained, the C Series is an innovative, clean sheet design that uses the most advanced technology. The C Series also complements the existing A320 family in terms of seating capacity. Through this partnership, Airbus will be able to serve the entire growing single-aisle market from 100 seats to 240 seats. The acquisition is well timed for Airbus because Bombardier's development spending on the C Series is nearly complete. Airbus is thus acquiring a cutting-edge technology in a program whose performance is now demonstrated.

In summary, this combination is an ideal fit for both companies, independent of this case. It will have significant advantages not only for the partners, but also for their customers and the flying public. The reaction has been overwhelmingly positive.

There is another big winner from this combination: the U.S. aerospace industry. While the existing assembly line will remain in Québec, Bombardier and Airbus will make a significant U.S. investment to build a new final assembly line — or FAL — for the C Series at the existing Airbus facility in Alabama. The plan is to build a full-scale, high-tech manufacturing facility.

The production process in Alabama will replicate the production steps that Bombardier performs in Québec, which Rob Dewar described earlier.

We estimate that an investment of approximately \$300 million will be required to establish the U.S. FAL. The impact on U.S. jobs will also be substantial. The C Series facility in Québec is already expected to support more than 22,700 U.S. jobs, based on \$30 billion in business with U.S. suppliers, when it reaches full capacity. The new facility in Alabama will only increase the program's employment effects in the United States. We estimate that the U.S. FAL will contribute more than 2,000 permanent new jobs in the United States. In addition, when construction and other activities are considered, we expect that another 6,000 person year jobs will be created.

The new U.S. FAL will also have significant positive effects on other U.S. aerospace companies. At the existing C Series production line in Québec, more than half of the total supplier spend already goes to U.S. suppliers. The overall U.S. content will only increase at the new FAL in Alabama. In addition to U.S. labor, industry analysts have emphasized that once the partnership is finalized, more U.S. companies in the aerospace industry will have opportunities to contribute to the C Series at the new assembly line.

Through this partnership, Bombardier is excited to be adding to its already substantial presence in the United States. As Ross Mitchell explained, our plan is to supply our U.S. customers from the new U.S. FAL, while continuing to supply customers outside the United States from the Québec facility. Bombardier expects the long-term value of the C Series program to more than double as a result of this partnership. The existing production line in Québec does not have the capacity to meet the existing projections for long-term demand, let alone the increase in demand resulting from the partnership itself. With Airbus, the new U.S.

FAL meets both sources of expected demand. It is thus an integral part of our long-term plans for the C Series. Co-location of the Airbus and C Series production lines also creates synergies and opportunities for learning, while adding a second production location reduces risk. The fact that many C Series suppliers are U.S.-based is an additional advantage.

Boeing is completely wrong when it claims the U.S. FAL will not be built unless the Commission makes an affirmative decision. To the contrary, the U.S. FAL will be built regardless of what the Commission decides, for the reasons my colleagues and I have explained. We are moving ahead with planning steps as permitted under antitrust law — including, for example, planning for the volume and timing of deliveries, the necessary production equipment, the organizational structure, the tasks to be executed, local permitting, and budgeting. To facilitate this planning, site visits have already occurred.

I would be glad to answer any questions. Thank you.