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BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION
100- to 150-Seat Large Civil Aircraft from Canada
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My name is Ross Mitchell, and I am Vice President, Commercial Operations of Bombardier's Commercial Aircraft division. In this position, which I have held since 2014, I run the overall commercial aircraft sales and marketing team for the C Series, regional jets, and turboprops. As I will explain, Boeing's depiction of the aircraft industry is very different from my experience.

I. Market Definition and C Series' Competition

First, Boeing has presented a distorted view of the market and the C Series' competition. Boeing's narrow focus on aircraft with 100- to 150-seats and a minimum range of 2,900 nautical miles accomplishes two things. One, it allows Boeing to say that its competing aircraft are the 737-700 and MAX 7, which are far and away the least successful models in the 737 family. Two, it makes Embraer magically disappear from this proceeding.

Boeing argues that there is a recognized "100- to 150-seat" aircraft market. There isn't. I know this because I made up the concept of a "100- to 150-seat" segment — for marketing purposes. The phrase did not exist in the industry before then, and it is not how the rest of the industry defines segments in the single aisle market. Every manufacturer and every airline has its own cut-offs at different places in the seat continuum. Embraer used to say that they serve a 70- to 130-seat segment, but now they call it the "70 plus-seat" space. When it chose the CS100, Delta was looking to acquire aircraft in the 100- to 110-seat segment. Boeing generally describes three LCA markets: a single-aisle market served by its 737 family, a twin-aisle market served by its 777 and 787 families, and the "middle of the market" between the two. The bottom line is that Boeing presents its 737 family as serving one single aisle market, not several. As Boeing says: "One airplane, four sizes."

It is also absurd for Boeing to limit the scope of this proceeding to aircraft with a minimum range of 2,900 nautical miles. That range limit is completely artificial. It conveniently takes Embraer out of the picture, when Embraer was the primary competition for the C Series in the sales campaigns at United and Delta. In sales campaigns,the CS100 may compete against Embraer's 190 and 190-E2, among other aircraft. The CS300 may compete against the 195 and 195-E2, among other aircraft. Some airlines initially benchmark aircraft from all four major OEMs because they have not yet defined their aircraft needs. Aircraft are eliminated in early rounds based on performance criteria and operating economics. By the time an airline has focused on the need for an efficient small LCA, the MAX 7 is not under consideration, because it is not a suitable product for that segment. And serious price discussions don't start until after that point.

Frankly, Boeing has never positioned itself as competing with the C Series. Its eye has always been on Airbus. It designed the MAX 7 and MAX 8 to compete with the Airbus A320. When Boeing's vice president of marketing said that the enlarged 138-seat MAX 7 and the 160-seat MAX 8 pairing "brackets our competition quite well, and I like that part," he was referring to the A320, not the C Series. Meanwhile, Boeing has consistently denied that it is interested in the C Series market. When Boeing's vice chairman said that "we aren't competing with *those* with the MAX" — he was referring to the C Series.

II. Prior Sales Campaigns of United and Delta

That quote is telling for my second topic: what really happened in the United and Delta sales campaigns. Boeing's accounts of these campaigns don't square with my experience. But this is not a situation where you have to decide which side to believe. Everything I am telling you is fully consistent with public reports about United and with Delta's account.

In the United sales campaign, Boeing had not been on anyone's radar. Bombardier's competition from the start was Embraer. We have said this before, but it seems worth repeating given Boeing's continued mischaracterizations. United told us the CS100 was too ***big*** for its needs. In response, we offered a smaller version, the CS100 Lite. Embraer offered new 195s. The customer told us we were competing with Embraer. Boeing was nowhere in sight. We believed we were in the lead and would be selected. Then out of nowhere, we heard that Boeing swooped in and offered United a deal too good to refuse on 737-700s, an older plane far too large to satisfy United's request for a 100-seater. Why did this happen? A Boeing executive explained that it was "very important" to Boeing that United not provide "validation of this C Series in the marketplace." United never wanted the 737-700. Within months it took its sweetheart deal and converted the entire order to larger Boeing aircraft. United met a different fleet need at a bargain price, and Boeing headed off a C Series sale to a marquee U.S. airline.

In the Delta sales campaign, Boeing was never part of the competition, simply because it could not offer an aircraft that met Delta's needs. Delta was seeking aircraft in the 100- to 110-seat segment. Boeing offered Delta used Embraer 190s — the only aircraft, new or used, that Boeing could offer in the right size. If Delta had not chosen the CS100, it would have likely purchased used Embraer 190s. Given that a new Boeing aircraft was not in the mix, there was not and could not have been any "lost sale" to Delta -- PERIOD.

Boeing also claims the Delta price will push down Boeing's future prices through a so-called "lighthouse effect." This description of pricing dynamics defies logic. First, Delta was a launch customer, so all other airlines know they will not get the same price as Delta in future sales. When Delta agreed to buy the CS100, it had not been certified by the FAA and had not entered service anywhere. A major airline that buys a new aircraft in quantity is taking a large risk on an unproven product. In fact, the bigger the technological leap, the bigger the risk, and the bigger the discount that is expected. It is widely understood in the industry that aircraft prices go up as entry into service risks go down. Boeing knows this. Most recently, they used launch pricing for the 787, and reports indicate they raised the price over time.

It is also a stretch for Boeing to claim that airlines will insist on getting the same price as Delta in order to compete for passengers. What matters to airlines is the long-term operating cost of an airplane over its lifetime. Boeing itself says the purchase price is only 20% of direct operating costs. A *difference* in purchase price is thus a very small component of the economic assessment that matters.

III. Recent Developments

Finally, an update on the C Series in the marketplace since the staff conference in May. After our sale to Delta, we have not had any more orders from U.S. customers. Boeing's petition created tremendous uncertainty for our potential customers, who made clear to us that they would not proceed with an order until there was no risk of tariffs. When we sell an aircraft, the airline is the importer, not Bombardier. No airline wants to take the risk of paying antidumping or countervailing duties. Even if Boeing loses this case, the risk of duties would remain. With long lead times between order and delivery, Boeing could file a new petition as soon as there is a new U.S. order. No airline wants to take the risk of a future case either. That means the only way for us to reassure potential U.S. customers is to make the C Series in the United States. Now, with the news of the Airbus deal, a few U.S. airlines are excited to talk to us about planes that will be made at the new U.S. Final Assembly Line, or the “FAL”. For many business reasons, as my colleague Sylvain Levesque will explain, we are committed to producing at the U.S. FAL as soon as possible. Thank you.