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ANALYSIS: How the CRJ could save the MRJ



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An acquisition by Mitsubishi Heavy Industries of Bombardier's CRJ could inject new life into the MRJ programme, potentially helping Mitsubishi Aircraft establish a firmer global footing and secure more orders from the largest regional airlines.

Such a deal, which the companies are reportedly discussing, could also give Bombardier a graceful exit from the commercial aircraft sector – a win-win for both parties, observers say.

"There are definitely synergies between what Bombardier can do for Mitsubishi and what Mitsubishi can do for Bombardier," says Michel Merluzeau, director at aerospace research and consulting company Air Insight Research.

A CRJ purchase "solves a lot of Mitsubishi's problems – if they can find a price that works," says Richard Aboulafia, vice-president at consultancy Teal Group.

Analysts agree: Mitsubishi does not envy the CRJ itself, but rather the global structure accompanying it, everything from engineering and certification expertise to customer relationships and support. They note airlines shy from buying aircraft from smaller airframers that lack global support, citing Sukhoi Superjet 100 maintenance struggles as a cautionary example.

"[Mitsubishi] wants the customer base around the world, the support network," says Addison Schonland, partner at consultancy AirInsight Group. "[They] need certification people, engineering and production people."

Mitsubishi might also see a chance to open an MRJ production site – possibly for the smaller MRJ70 – in Canada, giving it close access to US regional airlines, its top MRJ sales prospects.

"They can market it, produce it, certify it" in Montreal, Schonland says of the MRJ70. "Where are you going to find better experience?"

"It may also give Mitsubishi the facilities to build the MRJ in North America itself," says Chris Seymour, head of market analysis at consultancy Ascend by Cirium, a FlightGlobal affiliate.



Mitsubishi aims to begin MRJ90 deliveries in 2020, years later than originally planned

Mitsubishi Aircraft

NEGOTIATIONS ONGOING

Bombardier and Mitsubishi, parent of MRJ development company Mitsubishi Aircraft, confirmed 5 June they are negotiating a CRJ deal.

"It is true that we are in discussions relating to a possible transaction involving Bombardier's regional jet programme," the Japanese industrial giant says, adding no decision has been made.

"Bombardier believes it is prudent to advise stakeholders that it is in discussions with Mitsubishi Heavy Industries... with respect to its CRJ programme," says Bombardier. "There can be no assurance that any such discussions will ultimately lead to an agreement."

Such a deal would continue consolidation that swept the aerospace industry in recent years and seems likely to further divide Mitsubishi Aircraft and its ostensible MRJ marketing partner Boeing.

In 2011, the companies signed a deal under which Boeing is to provide MRJ customers with a range of services. Mitsubishi Aircraft has also established itself in Boeing Country, performing MRJ flight testing in partnership with AeroTec in Washington State and in May moving its US headquarters to Renton.

But analysts suspect Boeing-Mitsubishi Aircraft ties rest on thin ice, calling the marketing agreement incongruent with Boeing's pending acquisition Embraer's commercial division – Mitsubishi Aircraft's primary competitor.

"With the Boeing/Embraer tie up, their agreement for Boeing to provide support will obviously have to change," says Seymour.

Bombardier has made no secret it intends to sell the CRJ, with chief executive Alain Bellemare saying repeatedly in recent months the company is pursuing "strategic options" for the programme.

Bombardier holds outstanding orders for 44 CRJ900s, enough to keep production running through 2020. It also supports about 1,400 in-service CRJs.

Most observers doubt CRJ production will survive significantly longer unless Bombardier (or a buyer) updates the aircraft, which they view as unlikely.

"There seems to be very limited prospects of boosting CRJ sales. Indeed, it makes little sense to run two similar-sized programmes together, especially when the MRJ is the newer generation," says Seymour.



Bombardier has struggled to gain new CRJ customers, having only 44 CRJ900s in its backlog

Bombardier

Bombardier's shift away from commercial aviation began with its mid-2018 divestiture of CSeries – now the A220 – to Airbus.

Days ago it sold the Dash 8 programme to Canada's Longview Aviation Capital, owner of Viking Air, for \$300 million. That deal included the in-production Q400, property related to earlier Dash 8 models and global support for about 950 in-service aircraft.

'NON LIQUID AS IT GETS'

Estimating the CRJ programme's worth proves difficult for observers, who note most value lies in Bombardier's engineering and production prowess, and global support and services. The price also depends on how badly Mitsubishi wants the CRJ.

In a 5 June report, Canadian financial institution Desjardins pegs the CRJ's value at \$500 million to \$1 billion, saying a sale would "solidify" Bombardier's balance sheet and "simplify its business".

"It's a very hard to value," says Aboulafia. "There's one buyer for the CRJ and its Mitsubishi. And there's only one party selling something Mitsubishi badly needs – that's Bombardier... It's about as non-liquid as it gets."

Aboulafia and others see the CRJ potentially giving Mitsubishi Aircraft an "interim product" to sell while it develops the MRJ, and ongoing revenue from CRJ support.

DEVELOPMENT TROUBLES

Mitsubishi Aircraft has struggled with development and certification of its Pratt & Whitney PW1200G-powered MRJ, a programme launched in 2008.

The first variant – the larger, 76-92-seat MRJ90 – remains in flight testing, with Mitsubishi Aircraft now pegging first deliveries for mid-2020, seven years later than the 2013 entry-into-service target Mitsubishi set in 2008.

More uncertainty surrounds the smaller MRJ70, to be developed following the MRJ90's completion.

US regional airlines largely cannot operate MRJ90s due to clauses in major airlines' pilot contracts that limit regional partners from operating aircraft with maximum takeoff weights (MTOW) more than 86,000lb (39,010kg). The MRJ90's MTOW exceeds the threshold.

Though the MRJ70's MTOW falls under the cap, it carries just 69 seats in two classes, eroding its competitiveness against the E175 and CRJ900, which can carry 76 seats.

Mitsubishi Aircraft may be close to addressing the seat-disparity, with reports suggesting it may unveil at the Paris air show a 76-seat variant weighing less than 86,000lb.

But certification struggles remain, as does a federal lawsuit filed by Bombardier alleging that Mitsubishi Aircraft and AeroTec stole certification-related trade secrets as part of a campaign to poach former Bombardier staff to join the MRJ programme.

Mitsubishi Aircraft denies the allegations.

"Any deal could also mean a resolution to the current trade secrets lawsuit," says Seymour.

PATH FORWARD

Observers can envision Mitsubishi Aircraft using the CRJ programme to establish a North American MRJ production site, placing MRJs at the doorstep of the world's largest customers.

Some think Mitsubishi Aircraft ultimately needs a US MRJ production site; others think Montreal makes sense.

As CRJ production (currently housed in the same building where A220s are produced) wraps up, Mitsubishi Aircraft could transfer CRJ staff to a new, nearby facility, Schonland says.

Bombardier and the Quebec government would likely welcome such a move, which would support jobs and carry the CRJ's legacy forward, and Airbus would gain more A220 production space, he adds. "Montreal doesn't lose. Mitsubishi doesn't lose. Bombardier doesn't lose."

Though many variables remain, analysts see a remarkable, albeit uncertain, path forward for Mitsubishi Aircraft.

If it launches a 76-seat MRJ that US regional airlines can actually fly, if it establishes a North America site and if it gains global product support – if all that happens the MRJ could be the only clean-sheet, modern-engined scope-clause-compliant regional jet available anywhere, observers say.

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