



Silver lining seen for Montreal if Bombardier sells CRJ program to Mitsubishi

Bombardier said Wednesday it's in discussions with Mitsubishi over a potential deal for the CRJ program.

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Bombardier Inc.'s possible exit from commercial aviation may carry a silver lining for Montreal: fresh investment from a new manufacturer.

Barely two days after completing the sale of its turboprop business, Bombardier said Wednesday it's in discussions with Mitsubishi Heavy Industries Ltd. of Japan over a potential deal for the CRJ program. A transaction would mark the end of Bombardier's commercial jetliner ambitions, less than a year after European behemoth Airbus SE took over the plane formerly known as the C Series.

"It's a big moment for Bombardier," Addison Schonland, a partner at aviation consulting firm AirInsight in Baltimore, said in a telephone interview. "They created a blockbuster program with the CRJ years ago, and now they are going to be leaving commercial aircraft. Thankfully, they have industry-leading business jets to rely on."

A sale of the CRJ would not only cement Bombardier's focus on trains and private planes such as the cutting-edge Global 7500, it would also reshape Montreal's industrial landscape and give Mitsubishi an opportunity to add engineering talent as it tries to develop its own regional jet of fewer than 100 seats.

In Quebec City, Economic Development Minister Pierre Fitzgibbon did not seem worried about the possible transaction between Bombardier and Mitsubshi.

"Bombardier is in the midst of very significant restructuring," Fitzgibbon told reporters. "And I think we need to leave the management to determine which sectors it feels will still be good."

Recent [media reports have Mitsubishi working on a 76-seat jet](#) that would comply with so-called scope clauses in the U.S. A planned 90-seat plane, which is years behind schedule, is too heavy to be allowed to fly on regional routes in the U.S. That essentially freezes Mitsubishi out of the world's largest air travel market.



A deal for the CRJ could be as good for Montreal as the arrival of Airbus was."

"If I were Mitsubishi, I would want to build a greenfield factory in Quebec and get access to the CRJ customer base," Schonland said. "I would want to have the talent pool that's part of the CRJ program. So a deal for the CRJ could be as good for Montreal as the arrival of Airbus was."

Production of the CRJ currently involves two Montreal-area plants, in St-Laurent and Mirabel. About 750 Bombardier employees in the region work on the program, spokesperson Nathalie Scott said Wednesday.

There's "no assurance" that the negotiations with Mitsubishi will result in an agreement, Bombardier said in a statement confirming the talks. [Mitsubishi also confirmed the existence of discussions](#) about the CRJ, adding that no decision has been made.

Mitsubishi didn't immediately respond on Wednesday to an email message seeking comment about the company's plans for production facilities in Canada.

A sale of the CRJ would bring to an end Bombardier's foray in commercial aviation, begun in 1986 with the acquisition of Canadair. Its first CRJ, a derivative of Canadair's Challenger business jet, began flying in the U.S. in the early 1990s. Today, more than 1,300 of the jets are still in operation around the world, according to Bombardier.

Once central to Bombardier's revenue, regional jets have become marginalized over the years as sales slowed and the company lost market share to newer models from Brazilian rival Embraer SA. Bombardier also shied away from making major investments on the CRJ to pour billions of dollars into the C Series as part of a push to break the Airbus-Boeing duopoly on narrowbody jetliners.

Chief executive officer Alain Bellemare has been saying for months that Bombardier was looking at "strategic options" for the CRJ while focusing on cost reductions.

The program "may be better held in other hands that can use the talent already at Bombardier," Chris Murray, an analyst at AltaCorp Capital in Toronto, said in a telephone

interview. "Anything for Bombardier is better than continued losses in commercial aviation. They have not been putting a lot of capital in that space."

In recent years, Bombardier has sought to make incremental improvements to the CRJ — such as a new cabin — rather than embark on a redesign of the plane, complete with a new engine, which would have probably cost upward of US\$1 billion.



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As of the end of 2018, Bombardier had 45 firm orders for CRJs in its backlog. The program generates about US\$1 billion annually in revenue, and roughly breaks even on a pre-tax basis, according to Walter Spracklin, an analyst at RBC Capital Markets in Toronto.

Bombardier shipped 20 regional jets last year, down from 26 the year before. That's a far cry from the hundreds of CRJs the company delivered annually in the early 2000s.

Earlier this week, Bombardier closed the sale of its turboprop business to Canada's Longview Aviation, raising about \$250 million. A sale of the CRJ program may yield similar proceeds, according to Murray at AltaCorp.

In an interesting twist, Bombardier and Mitsubishi have been suing each other in the U.S. for several months. Bombardier has accused Mitsubishi of stealing trade secrets for its MRJ program, while the Japanese conglomerate countered by accusing its Canadian rival of trying to limit competition in the market for jets with fewer than 100 seats.

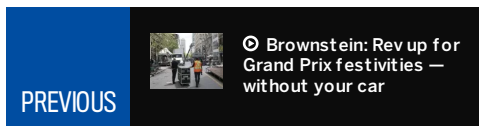
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