



SPACEJET DEPARTS

Mitsubishi poured billions of dollars into its regional jet. Delays, cost overruns and a pandemic have pushed it to near extinction.

The Mitsubishi SpaceJet, as seen inside the Moses Lake Flight Test Center, encountered years of delays before the program's U.S. operations were shut down.

ANTHONY BOLANTE | PSBJ

By [Andrew McIntosh](#)

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Hundreds of Mitsubishi Aircraft USA employees in Washington awaited the news as the Memorial Day weekend approached.

They were summoned to the company's headquarters in Renton and at its Moses Lake complex at 7 p.m. on May 21 to watch a video from Mitsubishi Aircraft President Takaoki Niwa back in Japan.

The 10-minute message in Japanese with English subtitles went beyond even their worst fears. Mitsubishi Aircraft USA's year-old Renton headquarters and its Moses Lake Flight Testing Center, where an international crew of 438 people worked, would be shuttered.

Its four regional jet test aircraft would be wrapped and put into storage. All SpaceJet activities in the U.S. and Canada would stop immediately and be consolidated in Nagoya, Japan.

Staff were sent home and told to take Friday off. After the holiday weekend, many returned to work Tuesday morning only to turn in their company laptops.

"I think it was a very knee-jerk, disorganized event. They had to get it done fast and dirty, and they hurt a lot of people," said one of the Moses Lake SpaceJet workers, speaking on condition they weren't identified.

The turbulence encountered by the once-promising SpaceJet program is an economic blow to the burgeoning aerospace hub in Moses Lake. It also underscores widespread troubles faced by regional jet makers during the pandemic.

"It was like a bomb was dropped out here and you didn't hear it coming," said [Rich Mueller](#), the director of the Grant County International Airport at Moses Lake, where the SpaceJet's North American flight testing

center is located. “We have more than 400 members of our community here trying to figure out what to do. Right now, they’re trying to figure out what’s next. You don’t want to lose them. They’re part of Team Moses Lake. “

Building for some time

Two weeks before the announcement, Mitsubishi Heavy Industries (MHI) said the 2020 budget for the SpaceJet, their long-delayed and over-budget regional aircraft, would be slashed 46% — more than \$1 billion — over the next year after MHI reported its first financial losses in 20 years amid the pandemic downturn.

Many SpaceJet aerospace engineers from the U.S., Canada, the U.K. and Australia were contractors, and were left in the lurch, denied notice or any severance.

Reached in Moses Lake on a mobile phone, Mitsubishi Aircraft USA President Itoshi “Hank” Iwasa declined to talk about the job cuts in Renton or Moses Lake or how they were implemented.

“I’m very sorry. I’m strictly prohibited from talking to media members,” Iwasa said.

Hundreds of Japanese employees at Moses Lake and their families are making plans to return home, too. Though big Japanese companies have traditionally avoided layoffs in favor of e-assignments, engineers based here told their North American colleagues they aren't sure they'll have jobs when they get home, too.

"These cost control measures will affect a significant number of our employees throughout the entire company, including our operations in Japan," SpaceJet spokesman [Jeff Dronen](#) said, declining further comment.

Mueller said the departures are and will be a blow to Moses Lake, a tightly knit community of 24,000 with a similar number living in neighboring towns.

The 200 departing workers will also trigger local economic pain. They'll be returning their company-leased vehicles to Bud Clary Toyota of Moses Lake, general sales manager Jason Johnson confirmed, saying the dealership is working on plans to handle the influx.

Years of delays

The dramatic, abrupt cuts are the latest chapter in an aerospace drama that has spanned 12 years and two continents.

Mitsubishi, which has been a Boeing supplier for years, has pumped \$5.49 billion into the new jet over the past 12 years, formerly called the MRJ until it was rebranded the SpaceJet last summer. It is taking straight aim at a regional jet market dominated by Brazil's Embraer and one being developed by a new entrant, China.

Every twist and turn of the SpaceJet's development — and delays — have been closely followed like a TV soap opera. [The SpaceJet program even has its own museum](#) in Nagoya.

Mitsubishi executives hoped SpaceJet would soar above the now-delayed 2020 Tokyo Summer Olympics Games, giving Japan and Mitsubishi elevated stature on a global stage. At one point, it had almost 350 orders for the jet.

Now, the program seems to have been put in a state of suspended animation.

Mitsubishi is only keeping a small team at Moses Lake, and Dronen said they'll "focus on maintaining and preserving the aircraft" in a rented hangar. Former workers believe that avionics work that doesn't require test flights may also be done.

Worse, however, is that development of the SpaceJet M100 model, a 76-seater designed to meet U.S regional airline pilot regulations and requirements, was also shelved "indefinitely" after it was only unveiled in March.

What happens next

Nicolas Jouan, an aerospace and defense analyst at GlobalData, a London-based company, said Mitsubishi is simply being cautious by "freezing" the SpaceJet program. Two of its regional jet market competitors have hit turbulence, Jouan noted.

Airbus has seen 16 cancellations for its small A220 jet so far in 2020, a higher number than in prior years. [Boeing also terminated its regional jet joint-venture with Embraer](#), which recently reported lower deliveries.

Still, the moves triggered immediate speculation among analysts that the SpaceJet's days were numbered.

Veteran aerospace analysts, like Leeham's [Scott Hamilton](#) and AirInsight's Richard Schuurman, wondered if the SpaceJet will soon be scrapped altogether as airlines reduce, not grow, their fleet of airplanes because of the Covid-19 pandemic and a collapse in air travel worldwide.

Hamilton hopes the Japanese jet maker doesn't abandon it.


"The people who are close to the program and the executives at Mitsubishi Heavy Industries are as baffled as the rest of us," Hamilton said. "The M100 jet for the U.S. is a once-in-a-lifetime opportunity for Japan and Mitsubishi to become a major player in commercial aircraft. Buying the former Bombardier CRJ assets for \$500 million was seen as part of that."


Noting that China is developing its own regional jet, the ARJ21, Hamilton added: "Does Japan Inc. really want to play second fiddle to China?"

Schuurman said in a note for his firm's clients that the decision to shelve the SpaceJet M100, the 46%

program budget cut, the closure of all non-Japanese offices, and even staff cuts in Nagoya all add up to one thing: MHI has “lost its patience with the SpaceJet” effort.

“Maybe the program will just go on the back burner and MHI will buy time to restart it when market conditions improve, but this will always be a very costly solution. So is killing the program and writing off all the investments that have been done since the Mitsubishi Regional Jet was conceived around 2005,” Schuurman said. “For now, it seems MHI’s management board has opted for the former scenario, but the latter isn’t far way off.”

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