HOUSE OF COMMONS

Northern Ireland Affairs Committee

Oral evidence: Bombardier, HC 533

Thursday 30 November 2017, Stormont

Ordered by the House of Commons to be published on 30 November 2017.

Watch the meeting

Members present: Dr Andrew Murrison (Chair); John Grogan; Lady Hermon; Jack Lopresti; Nigel Mills; Ian Paisley; Jim Shannon.

Questions 64-144

Witnesses

I: Eugene Rooney, Director, Skills and Business Development Group, Department for the Economy; Jeremy Fitch, Executive Director, Business and Sector Development, Invest NI; Michael Polson, Client Manager, Advanced Materials, Invest NI.

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Examination of witnesses

Witnesses: Eugene Rooney, Director, Skills and Business Development Group, Department for the Economy; Jeremy Fitch, Executive Director, Business and Sector Development, Invest NI; Michael Polson, Client Manager, Advanced Materials, Invest NI

Q64 **Chair:** Good morning, everybody. It is a great pleasure to see you gentlemen. Thank you for sparing the time to give evidence to us today. As you are aware, we are very much exercised by Bombardier, given its centrality to the economy of Northern Ireland. We are looking at the current situation, the fix that is being engineered, and the long-term future for the sector here in Northern Ireland, trying to ensure it goes from strength to strength against a sector that is expanding all the while. Today is a day for optimism, looking forward, and I hope you will be able to bring us some sunshine on our deliberations today. Eugene, if I can hand over to you to give us a few minutes on where you think we are now.

Eugene Rooney: Thank you, Chair, and thank you to the Committee for the opportunity to present this morning on the inquiry that you are holding into Bombardier.

I have with me my colleagues Jeremy Fitch, who is from Business and Sector Development in Invest Northern Ireland, and Michael Polson, who is in Aerospace and Advanced Materials in Invest NI. Jeremy will say a few words at the end of my remarks on the role of Invest NI, if the Committee would find that helpful.

We provided a written submission, which gives some background and detail on the range of activities and significance of Bombardier to Northern Ireland. Invest NI is our economic development agency for the economy here. Jeremy and his colleagues have long-established working relationships with Bombardier across the company's range of activities, as I outlined in our briefing.

Bombardier employs around 4,200 people, accounting for over 5% of manufacturing jobs in Northern Ireland. It is far and away our largest manufacturer. It has an estimated supply chain across the UK and Ireland of some 800 companies, with over 300 located across Northern Ireland. It generates around 10% of Northern Ireland's manufacturing exports and contributed strongly to a robust local export performance over the past year. Bombardier contributes almost £300 million value-added annually to the local economy. The company spends approximately £4.8 million on business expenditure and research and development, which is almost 10% of Northern Ireland's total expenditure on research and development. The expenditure supported Northern Ireland's increased spend in 2015 and, although Northern Ireland remains the lowest UK region for research and development expenditure, Northern Ireland has a smaller private sector relative to the rest of the UK and is more reliant on large businesses within it. Only 0.3% of businesses in Northern Ireland employ 250 staff or more, but these companies account for around 30% of turnover. Bombardier is Northern Ireland's largest manufacturer. It makes the biggest economic contribution of any private sector business in the province.

The UK Government and Invest NI have provided a total of almost £135 million towards the C Series programme, with around £114 million in renewable launch investment and £21 million from Invest NI in grant. The UK Government and Northern Ireland Executive joint support for the C Series was not only because of the contribution the project would make to the development of the UK aerospace sector, but also because of its strategic importance for the future of the Bombardier Northern Ireland operation and, by 2021, the C Series was projected to increase significantly in terms of turnover at the Belfast site.

With regard to the petition lodged by Boeing with the United States Department of Commerce against Bombardier and the Canadian and UK Governments on the C Series passenger aircraft, the Department of Commerce's preliminary findings in its countervailing duties and antidumping investigations resulted in the imposition of almost 300% tariffs on the imports of C Series aircraft from Canada into the United States. The technology that Bombardier has developed in Northern Ireland is a tremendous innovation in the world of aerospace. The Department and Invest NI have been working jointly with the Department in the UK Government in defending the UK's provision of financial assistance, which we believe to be fully compliant with EU state aid and World Trade Organization rules.

We have provided detailed information to the US Department of Commerce on the support that has been provided to the company from the Northern Ireland Executive. We have been supporting the UK Government's efforts to get the issues resolved and the petition withdrawn. In addition to the defence of the UK's decision to provide funding for the programme, we note that the Governments of Canada, Quebec, the European Commission and major customers in the US have also written to the Department of Commerce in support of Bombardier.

On 16 October, Bombardier and Airbus announced a partnership for the C Series, which would potentially add significant commercial opportunities for the programme. Airbus plans to acquire a majority stake in the C Series Aircraft Limited partnership, the entity that was created at the time the Quebec Government invested USD 1 billion in the programme. The programme should benefit from Airbus's global reach and scale, along with Bombardier's US technologically advanced aircraft. The two companies plan to introduce a second final-assembly line in Alabama to service US customers, to counter a potential imposition of US import tariffs. The agreement between Airbus and Bombardier remains subject to regulatory approvals and is expected to be completed in the second half of 2018.

Under the direction of the company's headquarters, Bombardier has also been working to implement a turnaround plan designed to improve competitiveness and performance and reduce costs across the corporation as a whole. This has included a number of measures to improve operating margins. Invest Northern Ireland, working in conjunction with the Department for the Economy in Northern Ireland and the Department for Business, Energy & Industrial Strategy in London remains closely engaged with Bombardier in Montreal and in Belfast. We continue to seek opportunities to work in partnership with the company to strengthen the company's presence in Northern Ireland through the introduction of new investment, technology and skills that can contribute to a sustainable future.

As the Committee will appreciate, we are fairly sensitive to current legal proceedings in the US. The Airbus partnership is subject to a process of approvals next year, and we want to be careful to avoid speculating on potential outcomes and scenarios affecting Bombardier at this stage of proceedings until there is greater clarity on the position. I just wanted to mention that, Chair.

Maybe Jeremy can outline the role of Invest Northern Ireland here, both with Bombardier and more generally with businesses here.

Chair: Yes. Thank you.

Jeremy Fitch: Invest Northern Ireland is the regional economic development agency. We are a non-departmental public body. We get our funding from the Department for the Economy, as part of the devolved Administration. The budget that we have in programme expenditure is about £135 million a year. Our role is to help grow the economy. The way that we do that is that we work with businesses. We identify those businesses that we think have the greatest growth potential. We then seek to have a trusted business partner relationship with those businesses that we are involved with, from a strategic perspective, to identify the opportunities for growth and identify the impediments to that growth, and then, with the products and services that we offer, offer them a solution to achieve that growth.

Some economic development agencies structure themselves according to whether you are internationally owned or locally owned; some on whether you are large or small. We organise ourselves on a sectoral basis. Bombardier is within the advanced manufacturing and engineering division. We have a number of other sectors that we also look after, right across the economy. We also seek to identify new foreign direct investment into Northern Ireland. We also identify the companies that are new starts that show growth potential.

Northern Ireland has 1.8 million people in its population, so it is a very small indigenous market and therefore, if we want to grow the economy for the businesses, we need to be looking at markets outside Northern Ireland. Therefore we need to have companies that can compete in those markets, so we focus a lot on innovation and export markets as well. Earlier this year we released our "Business Strategy 2017-2021" set in the context of the draft industrial strategy and the draft programme for government. The key targets within that are also set within the outcomes-based targets that we have within the draft "Programme for Government". What we try to do is work with businesses, understand where they are at, what opportunities they have for growth, and then provide a range of products and services, whether that is research and development, whether it is skills, whether it is employment support, whether it is trade support, whether it is engineering advice, right across the board. There is a range of products and services that we offer to our clients.

Q65 **Chair:** Marvellous. Thank you very much indeed. If I may start with my question, it has to do with the absence of an Executive and the extent to which you feel that the absence of a Minister for the Economy is impacting upon our response—that is to say, Government's response generically to the Bombardier situation.

Eugene Rooney: Clearly, the Department and other Northern Ireland Departments are working closely with their UK counterparts. In the case of Bombardier, we have been working very closely with the Departments in London, particularly Business, Energy & Industrial Strategy, but it is a more challenging situation for officials to be working in the absence of Ministers, absolutely, and that is—

Q66 **Chair:** Are you involving London more than you would do?

Eugene Rooney: Because the Boeing petition is involving the UK Government, and because the funding that was provided is both from the UK Government and from the Northern Ireland Executive, we are jointly working for those very reasons because we have both been providing evidence to the US Department of Commerce. We are liaising closely on the issues that are impacting on this particular case. With Ministers locally, we would be advising Ministers and we expect Ministers would be engaging, fully and directly, with their counterparts in London and elsewhere.

The local political parties have been involved in the issues with Bombardier. They are supportive of the issues that have been raised in regard to challenging the case that has been brought against the company. They are very supportive of the company locally and, indeed, of the measures that need to be taken to sustain jobs in the local economy, so yes.

Q67 **Chair:** Perhaps I can press you just a little bit further on that. To what extent do you think that Greg Clarke has been more intimately involved with this situation than he would have been had the Executive been up and running?

Eugene Rooney: I honestly could not answer that, Chair, because Greg Clarke's Department is closely involved in this anyway and would be.

In regard to aerospace projects, the Department for Business, Energy & Industrial Strategy does liaise closely within Invest NI and has done for many years. I would have expected that the Secretary of State for Business would have been involved significantly anyway, from my knowledge of the role of that Department. As to whether it would be more or less, I honestly could not answer that.

Chair: Fair enough. Thank you.

Q68 **Lady Hermon:** Thank you, all of you, so much for coming. We do have to hear Michael's voice, as we have not had an opportunity yet, but I am not directing this particular question to you. I was very interested in all that you have said to date. May I just seek a little bit of clarification? You have made it quite clear that Invest NI and the Department for the Economy are working jointly, closely, in opposing the complaint that has been lodged by Boeing with the US Department of Commerce. You indicated that submissions had been made jointly. Are those in the public domain? Is the Committee able to see the objections that have been lodged jointly by the Department and Invest NI?

Eugene Rooney: Invest NI's work on it has mainly been with legal teams.

Q69 **Lady Hermon:** All right. So the Department has not had as much?

Eugene Rooney: It has had some involvement but, because the funding has mainly been with Invest NI, the legal case has mainly been from the Northern Ireland perspective. Obviously the UK Government have been involved in this, but—

Q70 **Lady Hermon:** To make it absolutely clear, the Department for the Economy here in Northern Ireland, even in the absence of a Minister, has made a formal objection about the legal proceeding?

Eugene Rooney: No. The US Department of Commerce lawyers have been engaged in seeking information from the UK Government about the funding that they have been providing, so it is a legal process that has—

Q71 **Lady Hermon:** Sorry to interrupt you; I do apologise. It is so interesting. Presumably those lawyers have also been seeking evidence from the Department for the Economy to see what support, if any, has been given to Bombardier over the years. Have the lawyers not been in touch with the Department?

Eugene Rooney: The lawyers have been in touch with the Department through Invest Northern Ireland, because it is Invest NI's funding that they were primarily interested in and it is Invest NI funding that is included within the UK Government funding that the US Department of Commerce has been looking at. We have been liaising with Invest NI about the material that it has provided but it is a legal process, so it is lawyers who are going through, collecting the evidence to submit to the US Department of Commerce, to inform their views about the petition that has been brought by Boeing.

Q72 **Lady Hermon:** Let me just repeat the question. Has the Department for Economy itself lodged an opposition?

Eugene Rooney: No, not directly, no. These submissions are in response to requests from the US Department of Commerce lawyers for information on the financial assistance that was provided. That has gone to the UK Government. The UK Government have been the main link back into providing the responses. Invest NI has been contributing to that through the material that has been sought for the legal process.

Jeremy Fitch: Maybe I can pick up there.

Lady Hermon: Yes, please, Jeremy.

Jeremy Fitch: Because it was a legal process, the Department of Commerce has asked for evidence. As Eugene said, the Department of Business in London has taken the lead on that. We have fed into them. There are three levels of lawyers. There is Steptoe's in the States. There is Linklaters in London. Then there is Tughans here, who are helping us prepare our case to respond to the Department of Commerce. That case was submitted in July and it is not in the public domain.

Q73 **Lady Hermon:** It is not in the public domain?

Jeremy Fitch: That is our evidence to the Department of Commerce. The Department of Commerce themselves then visited us, in October I think it was.

Q74 **Lady Hermon:** How many visited? These are US officials, from the Department of Commerce; they visited Invest NI and/or the Department?

Eugene Rooney: They were in the Department briefly, because they were interested in one very specific aspect of funding that the Department is directly responsible for, which is apprentices, but most of the funding is from the assistance that Invest NI has provided. They were also in London, with the UK Department for Business.

Jeremy Fitch: With Bombardier, as well.

Q75 **Lady Hermon:** How long were they here and how many were there?

Jeremy Fitch: They were only with Invest NI for a day, and there was just a few of them. It was not a mass army. There were a handful of people, just going through. What they were really looking for—and it was quite an onerous task—was all of the assistance that Invest NI had provided to Bombardier over the last 10 years. We had to provide evidence of every payment that had been made over the last 10 years.

Q76 **Lady Hermon:** It is a paper trail that they were looking at?

Jeremy Fitch: Yes, absolutely.

Q77 **Lady Hermon:** Why is 10 years the cut off?

Jeremy Fitch: That was the period of time that they chose.

Q78 **Lady Hermon:** But you were fully co-operative?

Jeremy Fitch: Absolutely. We have done everything that we can to help in that process. Also, to help answer your question, that was our response to the legal case that the Department of Commerce is investigating. In reference maybe to the Chairman's earlier question, there has also been a lobbying plan, which has been done involving a lot of different participants. It has been led and co-ordinated by the Department for Business in London, to make sure that anyone that we can is made aware of the importance of Bombardier to Northern Ireland and to the UK economy, particularly within the aerospace sector.

Q79 **Lady Hermon:** When we took evidence from trade union representatives, they did express some disappointment—let me put it no stronger than that. Certainly, listening to their evidence, there was disappointment that senior politicians—and I do mean the leader of the DUP, Arleen Foster, and indeed Michelle O'Neil, the leader of Sinn Féin here in Northern Ireland—had not been out to Washington to lobby over Bombardier. If there is a lobbying strategy, how did we miss out on two of the most senior influential politicians from Northern Ireland who should be going together, if I may say so?

Jeremy Fitch: I don't think it is for us to comment on that particular aspect of it.

Chair: I think it is a point well made. It is a point well made, but it is unfair for officials to comment on such a proposition. The absence of an Executive and the effects of the absence of an Executive, are very clear and apparent and do have a Bombardier manifestation, which, Lady Hermon, you have extremely well exemplified.

Ian Paisley: Can I come in at that point?

Lady Hermon: Of course, Ian.

Ian Paisley: Of course, the issue is that there has not been a First and Deputy First Minister in Northern Ireland for the last nine months.

Lady Hermon: I was very careful not to refer to the First and Deputy First Minister.

Ian Paisley: That is disappointing, to say the least. I think we all regret that. I believe, like you, Sylvia—and I am sure our colleagues at the top would agree—if there was a normally functioning Executive, they would be on the first plane out of Aldergrove Airport to New York. They would be down to Washington and they would be lobbying very hard, carrying the Northern Ireland flag and championing the case, and that is noticed by its absence.

Q80 **Lady Hermon:** I am not too sure about the flag. Perhaps we could go back to the lobbying issue instead of the politicians, the senior ones, who should be representing Northern Ireland and should have the Executive up and running. Who did the lobbying that was involved, if not senior politicians from Northern Ireland? Who is involved in lobbying?

Jeremy Fitch: Again, I am not sure if it is appropriate for me to comment on all of the detail of that lobbying plan.

Q81 **Lady Hermon:** Why would that not be appropriate? Why would it not be appropriate for the people of Northern Ireland to know? It is the largest employer. That was the presentation we had. We all know it is the largest employer. It would be nice for the employees, and their families, and those supply companies, to know who is lobbying on our behalf if it is not senior politicians from Northern Ireland.

Eugene Rooney: The lead role in engaging with the Department of Commerce and the US Administration is the UK Government. It is the UK Government who have been brought into the petition on subsidies and dumping that Boeing has lodged. The UK Government are certainly in the lead on this.

Q82 **Lady Hermon:** That is the Prime Minister?

Eugene Rooney: It is primarily the relevant Departments, but particularly—as the Chair has mentioned—the Department for Business, Energy & Industrial Strategy. They are responding to the challenge that the petition has presented. We are liaising with them in terms of providing them with information on Bombardier. We are liaising with Bombardier. They also deal directly with Bombardier because some of the funding has come from the UK Department for Business, Energy & Industrial Strategy. The lobbying at the UK level has been led from the relevant UK Departments and—

Lady Hermon: Also hopefully, the Prime Minister.

Eugene Rooney: I think the Prime Minister has been involved, yes. We are making sure that we are keeping in good contact with the company locally and that we are providing any information that the UK Departments need from us to help in the work that they are doing, but those engagements are being led from London.

Q83 **Chair:** Do you think, if we move to a position of direct rule early in the New Year, the situation with regard to what is going on with Bombardier at the moment will be affected and, if so, how do you think it might be affected?

Eugene Rooney: I would not want to speculate on devolution or direct rule.

Q84 **Chair:** What it would have the effect of doing is putting the Secretary of State for Northern Ireland in the place of the Executive. What I am asking is—I am not asking you to comment on the politics of it—mechanically, how do you think your business would be affected by such a thing? I imagine you have given this some thought, since it is a very real possibility.

Eugene Rooney: I know the Northern Ireland Office has been closely involved in this issue, as one of the UK Departments that has been liaising with us. All that work of the Northern Ireland Office, the Northern Ireland Executive Departments and the Department for Business, Energy & Industrial Strategy, has been happening anyway. There is a shared interest between local political representatives and Ministers in Whitehall. Everyone has been working on the same basis, so I would have thought that the Secretary of State for Northern Ireland, his colleagues and local representatives would continue to work together, irrespective of the situation.

Clearly, local Ministers would be much more locally involved on these issues, because they are closer to the day-to-day issues that arise with the company, but we are trying to make sure that our contacts with those UK Departments are good. They have a key interest because they have been brought into it by the Boeing petition. The importance of aerospace in the UK economy, the role of the sector itself, means that those good working relationships will continue. They would be happening if we had an Executive at the moment, and they would continue to happen with an Executive or with a Secretary of State under direct rule. As far as the company is concerned, and our role, we will make sure that our contacts are as good as they have been in the past and they will continue to be maintained.

Q85 **Jim Shannon:** Gentlemen, thank you very much for what you have said so far. Hopefully the rest of the meeting will be equally productive.

The supply base of those who are part of Bombardier but not directly is something that is very close to the heart of us all—companies who work in supplying Bombardier. The effect of what happens in Bombardier does not stop at the door of their premises; it stops in Newtownards, in Bangor, in Ballymena, and elsewhere.

First, what contact have you had with that supply base, to assure them, because if we help Bombardier, we help them as well? Unfortunately, if Bombardier is affected in any way with jobs or orders, then it is going to very quickly escalate down towards all the small companies and ultimately affect them as well. I know your answers will be very positive, but I am keen to see what reassurance, what help, you have been able to give the smaller companies, because obviously small and medium businesses, as some of them are, employing 20 to 50, perhaps 100 people, are something we have to consider as well. There are a couple of questions there.

Michael Polson: We have been working with the supply chain for about the last 10 years. If you go back 10 years, probably the sector was 90% dependent on Bombardier. That figure now is under 25%.

To answer the question specifically, we have been trying to get them away from that dependency. We have been going to all the major events, for example Farnborough in 2016 with 19 companies. We were at the Paris Air Show: I am just back with the group. We had six companies out in Munich a few weeks ago. It is about getting them out into the international market and that is where our focus has been—to get them away from Bombardier, and the supply chain initiative, which we had been working on with Bombardier, which Bombardier has been a sponsor of, gives us a world class reputation. That means that we can demonstrate the metrics to these large international companies, and that we have the SMEs that can supply into them. Yes, something happened, there is a change, but we were aware of that. The companies are well aware of that. They know the struggles around C Series, but they are focused on trying to diversify into other areas and into other companies.

Q86 **Jim Shannon:** That is most encouraging that the figure is 25%. Obviously we want to ensure that 25% are still part of that formula, but the hard work you have been doing is obviously paying dividends.

The other question I want to ask is in relation to Airbus. There are many, perhaps going back a long time—long before we had the problems we have now—who would have liked to have had that closer relationship between Bombardier and Airbus, because what they would have looked upon was a long-term vision for Bombardier, for them to be with someone else, to enable them to progress. First, is that something that Invest NI is aware of? What I am really coming to is: I wonder how big a surprise it was that Airbus stepped into the breach. Would that be an opinion? What are your thoughts?

Michael Polson: Bombardier and Airbus work on a number of R&D projects together, so they do have very strong links. They both sit on the council of the ADS, the sector trade body, so there are a lot of relationships between Bombardier Belfast and Airbus UK.

Q87 **Jim Shannon:** What I am coming to is Airbus has a 50.01% share now. Many people wanted to see that happening a long time ago because that secures the company and where they go. How has the workforce taken that, because that is something that the workforce is a bit hesitant about, perhaps? Have you had any discussions with the unions, UNITE, GMB? Are you aware of their opinion?

Jeremy Fitch: Again, I am not sure it is appropriate for us to comment on that particular opinion, so apologies. We are restricted in some of this.

Q88 **Jim Shannon:** You cannot speak for them but have they expressed to you, as a Department, the good news about the Airbus Bombardier takeover, or controlling interest? Or have they expressed some concerns that jobs may move out, across from here to perhaps the States or elsewhere, ever mindful, of course, that Bombardier has other plants across the world?

Jeremy Fitch: The challenge that we face in this particular meeting—and I apologise—is that, from a Department of Commerce point of view, there is a legal case ongoing. From Airbus's point of view, the acquisition still needs to be ratified. That is still not finalised, and Boeing are still taking their case, so they will probably be listening to everything that we say to you and we don't want necessarily to give them any advantage in anything that gets disclosed in this meeting. We appreciate the Committee's desire to be helpful and we thank you for that. It is frustrating from our point of view that we cannot share more that we would like to be able to share.

Sticking to the facts: when we saw the complaint that Boeing were making against Bombardier that put the C Series in a very bleak position. Certainly the Airbus announcement has put it in a better position. From where we sit, there is no doubt about that. It is difficult for us to speculate on the workings of it but certainly what the proposal is, with the financial strength of Airbus, their market position, where the C Series complements their existing aircraft, the supply chain and the procurement benefits that Airbus can bring, there is the potential—and this has been stated publicly—that it could be a better outcome for the C Series overall. That could place Belfast in a better position overall and we took encouragement from that particular position.

Q89 **Jim Shannon:** I would echo what you have just said there, because that is certainly the feedback I am getting as well, that it will hopefully facilitate something stronger.

I was a bit concerned about a move to Alabama to perhaps bypass the tariff, if that was possible, by doing some manufacturing in the States. It is a fact, by the way—I have used the word "fact"—that it is being discussed and could happen. On the basis of it being fact, you might be able to give me some thoughts upon what your feelings are about that. I think it is a good idea if it secures the C Series and enables it to move forward, so, factually, what are your thoughts?

Jeremy Fitch: The challenge with Boeing's complaint is that it potentially reduces the market that Bombardier can sell the C Series into: so, up to 30% to 50% that Bombardier can sell the C Series into the US market. If the Alabama site allows Airbus and Bombardier to sell the C Series into the US market, then the fact is that it opens that market again. In the discussion with the unions, what has often been raised is: will Boeing adjust their complaint to say it is going to be components or parts of aircrafts that would be sold into the US? We don't know the answer to that particular part of the question. That is where there is uncertainty.

Q90 **Jim Shannon:** A last point. It could perhaps be that they hopefully secure the Delta contract and, if they do that, then in a way we move forward.

Jeremy Fitch: Again, it is impossible for me to comment on that particular point. If we stick to the facts, it is interesting to look at how many C Series announcements there were for deals, from the time that Boeing made their complaint, to whenever Airbus made their announcement about the acquisition of part of the C Series. Since the Airbus announcement has been made, there have been a number of announcements made again. It just demonstrated the impact—even by making the complaint—that Boeing had on the C Series.

Jim Shannon: Mr Chairman, I wish to thank officials from the Department, and Invest NI as well, for their endeavours on behalf of Bombardier and, indeed, of others. Thank you.

Q91 **Chair:** There has been some good news, really, since the Airbus announcement, in terms of orders and options taken on aircraft in an unspecified European country, and Egypt. You are attributing, presumably, those orders to the Airbus announcement since, without it, presumably those countries would have been less willing to commit to this C Series.

Jeremy Fitch: It is impossible for me to attribute; I am just making the observation, which I thought was an interesting observation.

Q92 **Chair:** We note your observation. We must draw our own conclusions from that. However, I would have thought it is axiomatic that a favourable announcement by a major aerospace player is likely to strengthen the position of a mid-range aircraft line that might be of interest to European and North African countries in the way that it has. I think that is a reasonable conclusion.

Jeremy Fitch: There is no doubt, in the sense that when we heard about the Airbus interest that was good news from our perspective.

Q93 **Ian Paisley:** Thank you, Eugene, Michael and Jeremy, so far, for your evidence. Can I ask a couple of general questions, first of all? There is a lot of misinformed, and I think unfair, comment about Northern Ireland's strategy about getting jobs into Northern Ireland. I want to give you a platform to tell us a little bit about what is the Northern Ireland manufacturing strategy, because others have suggested to us that there isn't one and it would be nice to hear, actually, what you do for manufacturing strategy, given that that is the background of this particular issue.

Jeremy Fitch: I will start off more generally and maybe Michael can speak specifically about the aerospace strategy. Invest Northern Ireland is organised on a sectoral basis. Manufacturing is essentially made up of a number of sectors. You will have aerospace, automotive, engineering, agri-food, the food processors. You will have companies in life sciences, so Randox, Almac and Norbrook, so there are a number of sectors within the broader umbrella of manufacturing. The criticism has been lodged at us to say there is no manufacturing strategy, where the reality is we do have strategies for each of these sectors because the issues that are within each of those sectors are quite different. For example, the issues that the aerospace companies are facing will be very different from the issues that the food processors are facing.

The way that we are organised within Invest Northern Ireland is to have sector teams, and those sector teams then manage the companies within those sectors. Then we draw together the common issues that they are facing. Within our business strategy, we have identified the specific sectors that we are going to focus on. Those are the sectors where we believe Northern Ireland has world-class strengths, the sectors where we believe there are global opportunities for growth. Certainly, we see that manufacturing is one of those.

What we are trying to do, overall, is that we want to grow the economy. We have an indigenous market of 1.8 million people. If we want to grow those businesses, we need to grow in external markets. If we want to grow in external markets, we need to be competitive.

Q94 **Ian Paisley:** But any suggestion that Invest NI, or the Government—a more generic term—has given up on a manufacturing strategy, that is wrong. I assume that is what you are really telling us.

Jeremy Fitch: Yes.

Q95 **Ian Paisley:** There are common themes across each of those sectors, like energy costs affect each and every one of those sectors, also productivity efficiencies, and training and education. Is there a general thread through the entire sector that says this is our manufacturing strategy?

Jeremy Fitch: Could I pick up just on that point about Invest NI being reported on as giving up on the possibility of manufacturing? It was FDI, I think, that it was specifically related to.

Ian Paisley: Yes.

Jeremy Fitch: I was not aware of that accusation being made before and, just to reiterate, it is absolutely not the case. In the last five years, Invest NI has made 284 offers, which total nearly £100 million, to internationally-owned manufacturing companies in Northern Ireland, leveraging nearly £800 million of investment. That is foreign direct investment, so we are leveraging that new internationally owned investment in the manufacturing sector into Northern Ireland. In addition, in the last five years or so, as part of that, Invest NI has made 19 offers to internationally owned companies to leverage first-time, or new functions, or new sites, in Northern Ireland for manufacturing projects.

The crosscutting themes that you are talking about, in my mind, fall into probably four areas. One is skills. Do we have the right skills? What are the demands for skills? Do we have the supply for skills? That will vary according to the types of skills and the way to provide a pipeline of skills according to each sector that we are talking about. There will be different requirements in the food processors than there would be in aerospace. So we have skills as one.

If we want to compete globally, we need to innovate, so Invest Northern Ireland focuses very specifically on how we help those companies become more competitive through innovation and research and development.

The third part is leadership and ambition, and that is identifying the companies that have a desire to grow. We want to work as a partner with the businesses that have that aspiration and desire to grow.

The fourth part is looking to international markets and putting representation around the world where we think those opportunities would be.

Q96 **Ian Paisley:** Research and development is obviously a significant part of tech and skills development, job creation. You mentioned that 10% of Invest Northern Ireland's overall package, or R&D silo of money, goes to Bombardier, if I picked that up right. The rest of that R&D development, does that principally go into manufacturing companies to develop their tech? What sort of percentage, ballpark, of the £100 million that you have for R&D—or £50 million, or whatever it is—do you have for it?

Jeremy Fitch: Give me one moment. I will see if I can find that.

Eugene Rooney: While Jeremy is doing that, maybe I could say—just on our manufacturing strategy—at the start of this year, the Minister for the Economy at the time published a draft industrial strategy, which highlights the significance of manufacturing to the Northern Ireland economy. It set out a range of measures to help support the sector, and Jeremy has covered those, including skills, infrastructure, supporting an environment for innovation. Invest NI has a number of sector strategies and the Department for the Economy, working with other Departments in the Northern Ireland Executive, had a draft industrial strategy. If we had an Executive, in fact there would be a strategy. It went out for consultation and the process after that would be would be brought to Executive Ministers for endorsement. That, in turn, would support the overall Executive's programme for Government, and the draft programme for Government highlights the role of the economy as a key theme for Executive Ministers, as well. We have a draft programme for Government at the moment, and a draft industrial strategy that highlights manufacturing and the measures that would be taken to support manufacturing as a sector.

Q97 **Lady Hermon:** No Ministers to take decisions.

Eugene Rooney: At the present, they are in draft, they are published—

Ian Paisley: But the common thread as well.

Eugene Rooney: Yes.

Ian Paisley: I know, Jeremy, you are looking for it but if don't have it, if you write to us—

Jeremy Fitch: I do have it.

Q98 **Ian Paisley:** You do have it. Okay.

Jeremy Fitch: From the period of our last corporate plan, from 2012 to 2017, for investment in manufacturing, for R&D, we offered £108 million, which levered £434 million of planned investment. That was in manufacturing. It was £108 million offered, to lever £434 million of investment. Then for services—that is the other side—we offered £52 million. It is less than half; there is twice as much being offered to manufacturing in R&D than there is in services. It levered £165 million of R&D investment.

Q99 **Ian Paisley:** That was principally in the high-tech manufacturing elements, yes?

Jeremy Fitch: Yes. If we are going to invest in research and development it is technology that we are investing in. There are a couple of other elements, if I could add. Part of our business strategy talks about how we can get better at attracting mobile foreign direct investment into Northern Ireland in manufacturing. Corporation tax is always one strand of that. If we were able to get the corporation tax that would help the manufacturing.

Ian Paisley: I fully support that.

Jeremy Fitch: The other element, if I could just add, specifically for aerospace—given that we are talking about Bombardier—Michael was in charge of the aerospace strategy within Invest Northern Ireland.

Michael Polson: In 2014 the UK launched its national aerospace strategy through the Aerospace Growth Partnership, and we were totally aligned to the goals of the Aerospace Growth Partnership. We called ours Partnering for Growth to keep the partnership line. That set two key goals: that we were going to double revenue from 2014 to 2024 from £1 billion to £2 billion, and increase employment from 8,000 to 12,000. When we looked at it last year, when we looked at the figures, the revenue is £1.3 billion and the employment is 10,000. We are well down that road.

There are six key strategic themes that align to what we have been talking about. Skills are at the top of that, because obviously we need skilled people if we are going to generate that. Supply chain excellence—I think to answer your comment again about Airbus and Airbus UK, Airbus UK use Northern Ireland as a regional example of what can be done. They send their teams and some of their customers to see how we have developed the supply chain and supply chain excellence in Northern Ireland. For R&D, and sales, and export marketing, the structure of our sector here is very much that we have one key prime, which would be Bombardier, and if you take the seating side, we have Rockwell Collins.

Then most of our companies are tier 3 or tier 4 raw materials, and very, very good, high-end machining shops, and into composites as well. We are struggling in tier 2 and tier 1 to move up that value chain. That is our strategy: to get the companies up that chain. The gap is tier 1, which is that system-integrator type model that the electronics comes into. That is where our focus on FDI is. That is why we are out trying to target some of the big players.

Q100 **Ian Paisley:** It has been very useful to get that background because I think sometimes you are given a very unfair pitch to play on. "Look at that; they are doing nothing". That is what you hear from people. We know how difficult it is to get that. I welcome the fact that you have been able to get that on to the record.

Can I ask you a very specific question about the Boeing complaint? It has been characterised in many ways. To me it looks clearly like a commercial war between one company wanting to take over, or block, another company. Airbus has stepped in. You have described Airbus as putting Bombardier in a better position. That is good. I see that as a life-saving story. But the Boeing complaint still arose, even though 52% of the C Series is built in the United States of America and even though there were 23,000 Americans working on the C Series in the United States of America. What will be different if Airbus has a plant employing something of a similar number working on the C Series in the United States of America? What will ultimately be different? Is this just a matter where Boeing has to be forced to step back from this complaint?

Jeremy Fitch: It is a difficult one for us to comment on because that is the decision that the Department of Commerce is taking. Where I have taken some comfort in this is—and I am not sure if the Committee has seen it, but we are happy to share copies. We must try to find who the independent commentators here are—those who don't have an axe to grind on either side—and to see what they are saying to get an objective view. There are a couple that I would refer the Committee to. One is the European Union letter. I am not sure if you are familiar with this. The European Union wrote to the Department of Commerce earlier this month, on 15 November, setting out why they feel that the DOC should not uphold the complaint.

Q101 **Lady Hermon:** It is from the European Commission?

Jeremy Fitch: This is from the European Commission.

Q102 **Lady Hermon:** That was a very helpful letter from the European Commission?

Jeremy Fitch: Absolutely.

Lady Hermon: Thank goodness for that.

Q103 **Ian Paisley:** Do you know who signed that? Was it a commissioner? Was it—

Jeremy Fitch: A senior legal adviser is the person who has signed it. There are copies if people want to look at it.

Lady Hermon: I think that would be very helpful.

Q104 **Ian Paisley:** That would be useful. Though ultimately, even though it was helpful, they ignored it as well.

Jeremy Fitch: It has just been sent. It has only been sent a couple of weeks ago under the final deliberation. Another couple that we found that we took a lot of comfort in were from two airlines in the States, from JetBlue and then from Spirit. We will copy those letters around the Committee so that you can see them. They were writing to the Department of Commerce, from an independent point of view, to say, "What does this do to competition? What does this do even to the US consumer", in the sense of damaging what their choice is or damaging the options that they have to fly. From an Invest NI perspective, in looking at the case and saying, "Yes, of course we have this investment" Bombardier is a fantastic business for Northern Ireland. It adds so much value. It is the company that adds the most value from a GVA perspective in Northern Ireland.

Q105 **Ian Paisley:** Mr Chairman, sorry for stringing this out, but there was one other question we want to put to you, Jeremy, and you are starting to go on to it. We are going to be visiting Bombardier and seeing the manufacturing process. You have talked about this, this unique thing. What is it that Belfast offers that is the unique selling point, the cutting edge that we should be looking for today when we are at Bombardier?

Jeremy Fitch: Are you seeing around the C Series factory?

Ian Paisley: Yes.

Jeremy Fitch: It is mind blowing. What the team at Bombardier have achieved is fantastic in the time that they achieved it, with the expertise in developing a composite wing. The engineering excellence that they have delivered is just superb.

Q106 **Lady Hermon:** It is unique to Bombardier and Northern Ireland technology?

Jeremy Fitch: Other companies have tried to do this and they have failed. What they have done—they have delivered and they have delivered on time. The pressure that they were under to deliver it and the timeframes they were under to get that factory up and built—I think is a fantastic testimony for Northern Ireland and what the team at Shorts have done.

Q107 **Ian Paisley:** Am I right to think that that is such a cutting edge that that is also its strength and that that cannot be moved quickly or easily by a competitor? That gives Belfast a little bit more breathing space than maybe some commentators are prepared to understand?

Jeremy Fitch: Yes. You would talk about "sticky" investments. A sticky investment is one that is not easy to move. Obviously over time anything can change, but the fact that this is difficult, and they have delivered, and it is a huge investment in that particular location, all help its position.

Q108 **John Grogan:** I was going to begin by following on with what Lady

Hermon was saying about the state aid at the beginning, and so on. Just to clarify, when the American officials came over is it primarily this repayable launch investment funding that they are talking about, and is that Invest Northern Ireland? Or you hinted that it was something else as well, possible apprenticeships directly from it. Have they identified precisely what they are talking about?

Jeremy Fitch: They looked at everything. They looked at absolutely every penny that we had provided to Bombardier, some of it very small. If you look through the DOC determination of where the levies are attributable to, they are attributed to each particular programme. You can see how much they say each programme has impacted the 220 and the 80% that they came up with. What they went through was basically what we had provided in the last 10 years, and then they were saying what their view of that was. That is where I feel the European Commission letter is quite helpful because it tries to counter, from a World Trade Organisation point of view, some of the legalities of that. If I could read a bit, if that was okay, if I can find it.

Eugene Rooney: There was an original request for all the information, both from the UK Government and from us. The repayable launch investment is a large component of the amount. That was all sent to the US Department of Commerce. In October they sent people over to validate the information. They went to Northern Ireland and they went to London to do so. Then all the various representations and submissions that have been provided, those are going into their process, which we are expecting to be concluded in around mid-December, where the US Department of Commerce will take a view in regard to all the evidence that it has collated. That is the next stage.

We are not expecting reactions as submissions are made, but we will no doubt see how they view the overall evidence that they have collated and representations they perceived next month. As Jeremy said, they did break down every component of the financial assistance that was provided across the UK, and then worked out what they felt were the duties relating to that. That is in a published position from them.

Jeremy Fitch: Just to go over what the investment was that was made on behalf of the UK Government and the Northern Ireland Executive into the C Series. There was the repayable launch investment, which is about £114 million. The funding for that £114 million was £46 million from the Department of Business, and then the Northern Ireland Executive put another £68 million to make up the £114 million. In addition to the £114 million, there was £21 million from what we call Selective Financial Assistance, and that was from Invest NI. In total there was £135 million, and then £89 million of that has come from the Northern Ireland Executive. The repayable launch investment had to go to Europe for approval, but it was legal state aid and it was not a subsidy. That took over a year.

Q109 **John Grogan:** Who led all that, just as a matter of interest?

Jeremy Fitch: We would have done that through the Department of Business and UKRep and all of those people in Europe. Then for the Selective Financial Assistance, we have European state aid approval for that particular programme, and they check that. In relation to the repayable launch investment, the Department of Commerce is saying, "Is this a subsidy?"

I will just read this. It is a paragraph of what the European Commissioner is saying, "Moreover, the repayable launch investment cannot be considered as an interest-free loan. The RLI actually takes the form of a loan that is repayable to the UK Government via a levy linked to future aircraft deliveries to the final customer. Repayment of the loan over forecasted deliveries foresees a return to the UK Government consistent with what would be required by a market lender. Like a market lender, the UK Government demands not just repayment of the principal but also the payment of interest in the form of a return that properly compensates it for the risks involved".

There are a number of us in Invest Northern Ireland. We have been involved in this for over 10 years, pretty much. At the time that that was being negotiated that was the key point: what was that "interest rate", and was it a market rate? We had to demonstrate that it was a market rate to allow us to put that money in.

Q110 **John Grogan:** That is very helpful indeed. Can I follow that up with the timeline? You mentioned you were expecting in mid-December the final determination of the US Department of Commerce. Could they throw it out altogether there? What are their options? Then does it go to the International Trade Commission? Is that the next step, or what happens after that?

Eugene Rooney: That is our understanding, yes. Our understanding of the process is that the Department of Commerce will take their final determination, but that is then referred to the International Trade Commission. Our understanding is they are due to give their view in mid-February. I think they look at whether there was any injury caused to the petitioner. We don't have the information on how their internal processes work. Those are the key milestones we expect in the next stages.

Q111 **John Grogan:** Would you expect to have to give direct evidence to the International Trade Commission, or is that to be determined?

Eugene Rooney: I am not sure how they work and whether they seek direct evidence or not. That remains to be seen.

Q112 **John Grogan:** One other question on the Airbus situation: have you had direct contact with Airbus about their plan, discussions and so on?

Eugene Rooney: No, not us directly. No.

Jeremy Fitch: It would be fair to say that the Permanent Secretary was at a number of meetings that Airbus was at in Montreal when that announcement was being made. There was a presence at some of those meetings.

Q113 **John Grogan:** Following on from that, I hear what you say about speculation, and so I am not asking you speculate about direct impact and so on, but my understanding of the timeline is that that deal is not yet completely over the line, is it? Isn't the expectation that it will run into next year before the Airbus deal is done, is that your understanding?

Jeremy Fitch: That is correct. Yes. It needs to be ratified by the necessary authorities, and it will take a number of months for that to happen.

Q114 **Nigel Mills:** While we are on the US process—and I think some people have suggested it is some kind of kangaroo court designed to inhibit imports into the US completely—in your experience of what they have asked you for and how they conducted themselves over here, do you think it looks like a reasonable and professional process that is being undertaken?

Eugene Rooney: We have no visibility on how the process works. What we have done is provided material for the US Department of Commerce and responded to all its requests for information. As Jeremy has said, there are a number of applications that have been made where there are key bits of information that need to be considered as to whether you would call them support subsidies or a fit description of antidumping. We don't have any information as to how that process is managed internally.

Jeremy Fitch: If I could just add to that point. Whenever it was raised, initially our view was—and still is—that everything that we have done is state aid compliant. It is compliant with what the World Trade Organisation wants. Initially, given that it had taken so long for the European Union to approve the repayable launch investment—it took over a year—they had had a very thorough look at that. There had been complaints by others. Embraer had made a complaint that had gone to the European court, even. There have been a number of complaints raised, so we felt in a strong position that from a state aid compliance point of view we had not done anything wrong. To answer your question, what has surprised me is just a different interpretation.

Q115 **Nigel Mills:** What I was trying to ask was: the questions you have been asked, the information they have been asking for, does that suggest they are at least doing some kind of proper investigation into what was paid, and why, and how it does or does not comply with the rules?

Jeremy Fitch: They have certainly been very thorough in what they have been asking for. As Eugene said, what surprised us was the way that they interpreted some of those payments as subsidies. What we would not have seen as a subsidy, for example, is the piece that I have just read out under repayable launch investment. That it is at market rates. It is a risk investment. They have interpreted it in a different way.

Therefore, what we would hope is: can the UK even be excluded from their final determination?

Q116 **Nigel Mills:** There is at least some hope that this final decision is not just a formality of upholding the original determination. There is a proper investigation taking place, from what we can see. They are at least trying?

Jeremy Fitch: That is the part we do not know the answer to.

Eugene Rooney: This is a process where, if a company comes to them with a petition, they are obliged to investigate it. They clearly requested a lot of information from Bombardier, from us, and from the UK Government, to input into that analysis that they do. As I say, from the information that we have provided we feel it is all state aid compliant. We have followed all the rules and it has all been approved but we have no visibility on how the internal processes work there.

Q117 **Nigel Mills:** Is Embraer a Brazilian airline? Am I right that it made a reference to the WTO on a similar case? Have you had requests from the WTO for this information as well, or is it the American process?

Jeremy Fitch: It has been the American process, but it was Embraer that made the original complaint to Europe about the C Series.

Q118 **Nigel Mills:** That was about the repayable launch funding. That was not about the other funding that Invest NI gave?

Jeremy Fitch: I cannot remember off the top of my head. I think it was primarily about the RLI, yes.

Q119 **Nigel Mills:** The other funding that Invest NI gave, was that subject to state aid approval?

Jeremy Fitch: Absolutely. Yes. It is a programme called Selective Financial Assistance. Europe has determined under that programme what the eligible costs are that we can support. We have to demonstrate an incentive effect and that we are making something happen. We have to demonstrate then that there will be a return to the economy as a result of our investment. First, is UK Government money required to make something? What difference is the UK Government money making and, whatever money we put in, is the UK economy getting a positive return for that investment?

Q120 **Nigel Mills:** Is it that scheme that gets state aid approval, or is it the individual funding you provide?

Jeremy Fitch: The scheme is state aid approved. If it goes above a particular amount of money then it needs to be approved in Europe as well.

Q121 **Nigel Mills:** The funding you gave Bombardier on top of the launch funding loan, was that individually approved, or was it as part of the scheme?

Jeremy Fitch: I am trying to remember off the top of my head. I think the whole package went together, but I would need to check that. Let me check that and come back to you.

Q122 **Nigel Mills:** That would probably be useful information for us to have. Have you seen the evidence that Boeing sent us and have you had a chance to read the written evidence they sent us? Have you any comment you would like to make on it? I see you disagree with it.

Jeremy Fitch: Yes. I think it is difficult to comment on it. I am just going to refer to it.

Lady Hermon: A press release from Invest NI.

Eugene Rooney: It is clearly that company's view on why they have launched these proceedings. Our role has to be to make sure that we have provided all the information that we have in regard to that investigation. In due course we will see how the information is used and what conclusions are made on it. It is difficult for us to comment on it because there is this live process that is still happening involving the two companies.

Jeremy Fitch: It was presented in a particular way. Let me read one sentence. It says, "The media often reports that Boeing does not have an aircraft that competes with the C Series." They say this is not true and that the 737-700 and the 737 MAX 7 are direct competitors that have gone head-to-head with the C Series in previous competitions. The question is: do they have anything that competes directly with the CS100? That is a question.

Q123 **Lady Hermon:** You need to follow through because, if someone is not an expert on planes—it would be helpful to identify and explain on the record why that particular model of the C Series is such a niche market. I think that would be helpful.

Jeremy Fitch: It is the number of seats. The CS100 is a 110 to 130-seat plane, and Boeing does not make one. Is that correct?

Michael Polson: Yes. The 737 could come down to that, but it would not be efficient. That is the whole thing about fuel efficiency, aerodynamics and everything.

Q124 **Lady Hermon:** Reducing big planes to being smaller is not efficient?

Michael Polson: It is not efficient.

Jeremy Fitch: That is why the C Series is so good. The interesting thing is that Boeing has given the C Series the greatest backhanded compliment by taking this action, because they see it as a threat. The way that Airbus and Boeing have dealt with it, so far, is by either taking a particular plane that they have and reducing the fuselage or increasing the length of the fuselage to compete. By doing that the proportions are not as efficient as they would be if you have a plane that is built from scratch for that particular market segment.

That is what Bombardier did right at the outset. They saw there was a segment that was not being met by Boeing and Airbus at the time, that is growing from a regional aircraft and a regional flight point of view, and that is what they aimed for. Interestingly enough, when you look at Airbus's press releases, they are showing how the C Series complements their existing fleet because they did not have anything in that particular niche area.

Nigel Mills: I cannot remember where I was going.

Q125 **Chair:** While Nigel collects his thoughts on this, could I ask whether you think large corporations respond significantly to political atmospherics. I am thinking of banner headlines like, "Greenest Government ever", "Governing for the many and not the few" in the UK, and of course in a Boeing context I am referring to, "America first", and whether corporations might have their behaviour affected by what they see as an open door or otherwise on the part of Administrations.

Eugene Rooney: I suppose that is for individual companies to answer.

Q126 **Chair:** You are experienced in dealing with large corporations and the way they think. You must be, because you need to play your cards according to the strengths or weaknesses of those organisations. You presumably have a view on the extent to which these companies are influenced by the prevailing political atmospherics in those countries that they operate in.

Jeremy Fitch: Are you asking: if "America first" had not been the policy of the time would Boeing have taken this—

Chair: Pretty much.

Jeremy Fitch: That is Boeing's call, but it is interesting that they have taken—

Chair: I might say that but you could not possibly comment.

Ian Paisley: I don't get how America-first policy helps a company in America that employs 23,000 people whenever it is by damaging that product. That is where it just does not align for me. If there were no Bombardier jobs in the United States of America and 52% of the plane was not being made in the United States of America, it is an America-first win. Those figures show that this just does not add up. It is a commercial war, as I described earlier. They wanted to put a company out of existence. We have seen it before in our history in aerospace. We saw Concord destroyed by a similar policy of another company, and we are seeing an attempt to destroy a brilliant, innovative jet. It is more than just a political label.

Lady Hermon: You will have to raise it with your friend again in the—

Chair: Yes. I think I was chancing my luck putting the point that I did, so I think we will leave it at that and hand back to Nigel.

Q127 **Nigel Mills:** I have remembered where I was going. Mr Fitch, you referred to the schedule the US authorities have published that lists all the alleged subsidies and the tariffs that relate to them. How much of the 300% proposed tariff relates to UK or Northern Ireland alleged subsidies and how much relates to Canadian and other? Can you remember? Is it mostly Canadian, or is the UK a significant part of it?

Jeremy Fitch: I am trying to remember off the top of my head. I would probably prefer to come back to you on that one. Let me come back to you because there is a specific break down. But it is mainly Canadian. The largest part of the UK is the RLI aspect, and then the other elements that Invest NI put in are very, very small.

Q128 **Nigel Mills:** I wonder whether the issues we are talking about here, with the support the UK has given, are material to this 300% tariff or whether, even if we are completely innocent, we still have a huge problem here. It sounds like it may all come down to the Canadian tariff.

Jeremy Fitch: The Canadian element made up the largest part by a long way but, yes, there is part of it that is still attributable to the UK. I think the argument there is going back to some of those arguments that have been put forward in that European Commission.

Q129 **Nigel Mills:** This is my last theme. Earlier I think you mentioned the potential importance of the US market to the C Series plane—you said it was something around 50% of the market?

Jeremy Fitch: The figures that have been quoted to us have been 30% for direct sales, but then, if Bombardier were to sell to a particular airline and then they wanted to sell second-hand into the US market, if you take the second-hand and the leasing sales in addition they would be up to 50%. The challenge is if the US market is not open to the C Series then will people who were going to buy the plane the first time, knowing that they cannot sell it into the US market second-hand, be put off buying it? That is why there is that range of 30% to 50%.

Q130 **Nigel Mills:** Everyone is very clear that the US market is fundamental to this. Being locked out of that would be catastrophic.

Jeremy Fitch: Absolutely. That is the challenge. This action calls into question the viability of the whole programme. Before the Airbus option came along, could Bombardier have achieved enough sales outside of the US market to make it viable? That was the question.

Q131 **Nigel Mills:** If you look at the orders to date there are around 350, of which I think only the Delta one is US. The rest are all spread across the globe. That does not suggest the plane could be viable without the US market? Absolutely the US market is key?

Jeremy Fitch: Because it is so significant it is very, very important.

Q132 **Lady Hermon:** "The US market is very, very important"—I think you said the "very" twice. Let us look at the other markets. Michael was in charge within this; you explained that in fact the set up within Invest NI is there are sectoral teams. Where globally is Bombardier looking? Where are the markets for the C Series outside of America? Let us just park that problem at the moment. Where is Invest NI looking to assist Bombardier with the C Series, if you are allowed to say?

Michael Polson: It is obviously very much commercial and confidential. Where are their main markets? Taking the global picture where are aircraft are being sold? The largest—

Q133 **Lady Hermon:** Yes. It has to be China.

Michael Polson: Asia-Pacific is the largest market.

Q134 **Lady Hermon:** China and India?

Michael Polson: Again they are looking for very large aircraft, because of their populations, to even move the people from city to city. Look at the number of airports that are being built in India and China. China is developing its own indigenous aircraft that compete directly with the C Series, the 919.

Q135 **Lady Hermon:** They could not possibly be as efficient as the C Series produced in Belfast. It could not be? You are nodding. You are agreeing?

Michael Polson: They are building a brand-new aircraft with no experience of building a regional jet. It will be difficult for them, but they have enough of an internal market to make the 919 a successful aircraft. The Chinese do not need the global market at this moment in time because of the Government funding and their aircraft programme.

Q136 **Lady Hermon:** Is Invest NI assisting Bombardier with their C Series global markets; finding other markets?

Jeremy Fitch: The way that we would work, our marketing support to businesses will vary according to the size and sophistication of that particular business. If it is a very small business, if it is a family business and they are going to an export market, with our teams around the world we might be able to find the potential sales and provide the introduction. A company the size of Bombardier has its own sales force, which is probably far more sophisticated, and detailed, and far bigger than Invest NI would ever have itself. Then the role that we play is slightly different.

It may be at a senior level or even a political level that we might have introductions to help out in getting some of those sales. To get into the detail of where we do that is difficult for us to say. That would be generally the strategy that we would play. If they are saying, "We are trying to get into this particular person and we have been struggling. Can you, Invest NI, help out?" then we will do all we can. Either it is Invest NI through our own office network or through the UK Government, through the embassies and consulates around the world. We will work in very close partnership in those situations with the UK Government to do that.

Michael Polson: The Chair also asked a question about Government intervention in the aerospace sector. Governments still play a key role, because most regions or countries have a national airspace strategy, so they are actively promoting that. Government has a key role within all the regions. That is why the networks that the UK Government can bring would help Bombardier if there is a sales mission in whatever region, or country, or with an airline. That is where the UK Government and Invest NI can help.

Jeremy Fitch: Michael, it might be just helpful to talk about the global market.

Michael Polson: Yes.

Q137 **Lady Hermon:** This is the global market of?

Jeremy Fitch: For aircraft.

Michael Polson: For aircraft.

Lady Hermon: We particularly want to hear, obviously, about the C Series and Bombardier.

Michael Polson: Yes. For commercial aircraft there are 38,000 new aircraft required up to 2034. At the current rates of building aircraft, Airbus and Boeing have nine years of work with their current orders. If they do not sell another aircraft they still have nine years of business. It is an incredible industry to think that most people see backlog as a bad thing. Aerospace say it is a good thing. We all travel more. There is a 5% per year increase. Again, that is the comment from the US airlines because they want an efficient aircraft that is able to fly between point to point. The C Series was very much focused on that niche 100 to 130-seat market, and that is a sub-sector within that. That is where the big players want you to fly from London to Dallas, and Dallas becomes the hub, and then you get on the smaller aircraft and you fly to Los Angeles, or wherever.

Q138 **Lady Hermon:** Invest NI have opened new offices. Are those new offices, may I ask, in China and India?

Michael Polson: They are where the emerging economies are, yes.

Q139 **Lady Hermon:** So there is a potential to look at marketing the C Series abroad? Sorry, Michael, I am just going to direct this to you. You talked about the priorities in response to Ian's question about R&D, and the priorities are obviously in skills. You said skills are number one. Skills being number one, why on earth has the apprenticeship scheme stopped within Bombardier? Sorry, it may not have. I am looking at the Chairman. We were told in evidence that the apprenticeship scheme had closed within Bombardier. I find that an unusual contradiction to the evidence you have given.

Jeremy Fitch: Why that has happened is a question you would need to direct to Bombardier. What we can also say—and I think it has been explained to the Committee before—is that they are going through restructuring and re-rationalisation to help them become more competitive. We would see it as a temporary situation.

Eugene Rooney: Bombardier tends to take on apprentices each year.

Q140 **Lady Hermon:** They had a terrific scheme. I wanted to compliment them on the fact that they were so helpful to apprentices, so I was surprised to find—

Ian Paisley: Is this not to do with the apprenticeship levy and the fact that they are paying millions on—

Lady Hermon: I did not think it was.

Eugene Rooney: I don't think so. Each year they would bring on apprentices. I think they have a number of apprentices at the moment in the company.

Q141 **Lady Hermon:** They do have apprentices?

Michael Polson: Yes.

Q142 **Lady Hermon:** So the evidence that we have been given earlier is not correct?

Eugene Rooney: No. I think what you had asked was: why has the scheme closed? They may have stopped bringing in apprentices, new ones, for the time being, but they have a very good track record of employing apprentices. As Jeremy says, it is probably specifically for the company and what it is thinking in terms of where that goes. But there are apprentices there at present. There have been in previous years and I think that it may be some issues in terms of just looking at the plan for the future. I don't know.

Jeremy Fitch: Our understanding is that it is not permanent, but they need to assess how long that is for.

Q143 **Lady Hermon:** From Eugene, it seemed to indicate that in fact they did have apprentices, and, Chairman, you are indicating that in fact there is a temporary cessation of apprentices.

Eugene Rooney: In bringing in new ones.

Jeremy Fitch: Yes. They do have apprentices at the moment, and it is what they do for recruiting new ones at this particular moment in time and how long that that continues.

Q144 **Lady Hermon:** Right. They have stopped taking on apprentices?

Jeremy Fitch: I have not heard directly on the situation.

Lady Hermon: When we are in Bombardier we will clarify the situation. We will come back and tell the two of you for a change, instead of you giving us information.

Chair: I think that is a suitable place to stop because we have, perhaps, exhausted our ability to plumb this particular issue. We will continue it this afternoon at Short Brothers. Gentlemen, thank you ever so much for coming here today. You have done a good job because I appreciate, in sessions of this sort and times like this, you were very much skating on thin ice because of the sensitivities involved. You have done that brilliantly well. You have not fallen through into the chilly waters beneath—I can assure you of that—and yet you have been as free and frank with us as you possibly can be. For that we are extremely grateful. Your evidence will certainly increase the quality of our report when it is produced shortly. Thank you ever so much.

Jeremy Fitch: Chair, I have copies of those things I referred to. Do you want me to leave them or do you want me to send them through electronically?

Chair: Leave them with Margaret, if you would, and we will arrange for them to be distributed. Thank you.