

Northern Ireland Affairs Committee

Oral evidence: [Bombardier](#), HC 533

Wednesday 13 December 2017

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Members present: Dr Andrew Murrison (Chair); Mr Gregory Campbell; John Grogan; Mr Stephen Hepburn; Lady Hermon; Kate Hoey; Jack Lopresti; Nigel Mills; Ian Paisley; Jim Shannon.

Questions 195 - 378

Witnesses

I: Sir Michael Arthur, President Boeing Europe and Managing Director UK and Ireland, Boeing; Steven Gillard, Head of Government Affairs, UK and Ireland, Boeing; Matthew Knowles, Communications Director, UK and Ireland, Boeing.

Written evidence from witnesses:

– [Boeing](#)

Examination of witnesses

Witnesses: Sir Michael Arthur, Steven Gillard and Matthew Knowles.

Q195 **Chair:** Sir Michael, gentlemen, good morning. It is very good to see you here. Thank you so much for coming to talk to us. Thank you also for your written evidence, which the members have read and inwardly digested. I would like to hand the floor over to you for a quick summary of where we are currently standing from a Boeing perspective.

Sir Michael Arthur: Thank you very much, Chairman. Perhaps I could also introduce, on my right, Matt Knowles, our director of communications; and, on my left, Steven Gillard, who is our director of government affairs.

I thank you, Chairman, for inviting us to help you with your inquiry, and we look forward to this session. Can I make two broad points by way of introduction? First, I would like to set the scene for Boeing in the UK. We have had an 80-year partnership here. We employ 2,200 people, which is twice the number five years ago. We spend over £2 billion a year in our tier-1 supply chain. That has trebled in the last five years and that sustains about 16,500 jobs, which, again, has doubled in the last five years. There is a picture of very steady growth there.

A year ago, with the British Government, we agreed, because we both have the same aspiration, that we would try to grow that footprint even more, so we have committed to double again over the coming years and to try to increase the number of UK suppliers who get on to Boeing platforms. I can tell you more about that, if you are interested, as we go forward.

This year, you may have noticed that we broke ground on our first ever European factory in Sheffield, which comes on stream next year. Our people are with the Armed Forces when they deploy at home and abroad, keeping the aeroplanes flying, so we are very integrated into the whole defence effort here. That just leaves me to conclude that we see ourselves very much as a British company, part of a global company, which, of course, has deep US roots. That is the first general point of background.

Second, what brings us together today is absolutely, straight down the middle, a legal problem in the United States. We were faced with a company wanting to sell into the United States in violation, as we believe, of a trade law. Because we compete directly on the products in question, we took appropriate action with the US authorities: the quasi-judicial authority of the International Trade Commission. As you know, it is sitting at the moment and its preliminary ruling has been that our case has been an accurate one and that there has been damage done. That will go forward in the coming weeks.



HOUSE OF COMMONS

The substance of this was that Bombardier had a sale pricing in the United States that was massively below both the cost price and the price that they sold in other markets, which is a classic case of “dumping” under international trade law. We, as a company, and I believe this Parliament and the UK Government, believe in a level playing field, the rule of law and trade law, and compliance with that. That is what this is all about. It is very much a legal rather than political process that is running forth in the United States.

I just have a final word on that. A third country, Brazil, has also picked up the same issue and challenged the Canadians and others in the WTO case. We see this as a trade issue in the United States where we have not done any wrong because we were the victim of a dumped sale that we had to challenge in the interests of a level playing field. We actually like competition; it makes us better, but we like it to be fair competition. I will stop there, Chairman.

Q196 **Chair:** Thank you. Canada stands accused of acting illegally. Justin Trudeau has taken great exception to that and has said that it will not buy any more F-18s while it stands accused by Boeing of acting illegally. However, the UK Government also stands accused of acting illegally. That is quite a serious matter. Are you surprised that mild-mannered Ministers like Michael Fallon and Greg Clark should have reacted so severely to this? Does that worry you about the prospects for the future in the UK of Boeing? How would you respond to Unite the Union, which is the UK-wide trade union serving your employees right across the country, which, when giving evidence to us a little while ago, felt that the UK Government should be taking more action, by which it meant stopping off future orders, for example, for the P-8 Poseidon and the Apache helicopter?

Sir Michael Arthur: Let me give an initial answer to that, and perhaps I will invite Steve or Matt to come in. First, on the UK launch aid, that was a repayable launch investment that the UK Government did. That has been used as a tool in other cases in the past where we challenged before the WTO and the WTO has ruled against that. There is masses of documentation there and I would be very happy to supply the Committee with some material from that, if you like. We see that as outside the approved framework of WTO subsidies and therefore illegal, for want of a better word. That is not the way that the WTO has approved subsidies. That is why we challenged the UK Government on that.

On the wider effect on Boeing business in the UK, as I said just now, we are growing very fast, not just in the defence sector but in the non-defence sector as well. Our partnership with the Ministry of Defence has long been a very close one and I hope, going forward, that the British Government will choose what they decide is the best value for money and fit-for-purpose equipment and services for the Armed Forces. We are neutral on that as long as they choose what they feel is best for the country.



HOUSE OF COMMONS

Steven Gillard: On the defence side, our perspective would be that this is a commercial legal case involving civil aerospace. We do not see a linkage with the defence business because we do not see a linkage between the commercial activity and national security. Why do the UK Armed Forces choose our equipment? It is because it has proven to be battle-winning, life-saving and value for money. That calculation has not changed. Denying Boeing equipment to the Armed Forces would not be in the interests of national security. We would draw a line between national security interests and the commercial legal case.

Q197 **Chair:** The C Series and the Embraer E2 are both certified to land at London City Airport while the 737 is not. Can you tell me why that is?

Sir Michael Arthur: It is a question of the weight of the aircraft, as I understand it. Matt Knowles might be able to give you a bit more detail.

Matthew Knowles: Yes. I would like to verify and to get back to you in order to be sure, but my understanding is that the maximum take-off weight of the aircraft is heavier than the other two, given the short runway at the airport.

Q198 **Chair:** The truth is that it is just too big, isn't it?

Sir Michael Arthur: The difference in size between the planes in this configuration is marginal in the sense that they are still competing together. There is a difference of less than 10 seats between the 737-7 and the C Series.

Q199 **Chair:** Do you mean the CS100? To be clear, which C Series do you mean?

Matthew Knowles: It is the C Series 300. There is less than 10 seats difference between the 737-700 and the C Series 300.

Steven Gillard: The question really relates to whether the CS100 is a competitor. The question that you are trying to get to is whether the CS100 competes directly with the 737 MAX 7 or the 737-700. With regards to that, it does and it has. The CS100 competed directly against the 737-700 for a contract with United Airlines. When we look at Bombardier's own marketing material, which I am sure that Matt will talk about later, it shows clearly that the two aircraft are direct competitors.

Q200 **Chair:** Your chief executive officer recently said that Boeing has sold about 740 737s more than it can produce and has produced. In other words, you are grossly oversold. Is it not the case that, even if Delta had wanted 737s, which it does not appear to want, you could not deliver them and that is why you did not bid for the Delta contract?

Sir Michael Arthur: We have a very long backlog, as do other airline companies, of orders. Exactly when in that sequence the customer gets the plane is a matter for negotiation with the customers. Matt, do you want to give your figures on the total order book for 737s and 320s?



HOUSE OF COMMONS

Matthew Knowles: On the particular competition that you have raised, the original competition was one that Boeing was taking part in with used regional jets, which was the request of the customer. The nature of the competition changed when Bombardier offered its larger jets at a dumped price, and that was the moment that Boeing chose to withdraw from the competition.

Q201 **Chair:** You have changed the subject ever so slightly and I am glad you have done so. Are you seriously saying that the customer wants some second-hand aircraft, which are clearly dirtier than a new airframe? Are you really saying that that is what customers want?

Matthew Knowles: That was the original request.

Chair: I find that very strange.

Matthew Knowles: An aircraft that lasts 25 to 30 years will change hands a number of times between airlines during the course of its lifetime.

Q202 **Chair:** At what part of the tender process did you object to what was going on, that is to say the Bombardier bid, which you claim was priced at an absurdly low price point?

Matthew Knowles: We had probably better check to be 100% sure on that, rather than take a guess.

Q203 **Chair:** That is quite important, because these things are fairly iterative. I would be very surprised if, during the tendering process, there was not a discussion about need, which you say evolved, and that you were not then able to inject your airframe, the 737, into the mix. It would only become an impossibility for you at the point at which you understand the price to be uncompetitive.

Sir Michael Arthur: This will be in some of the detail that is before the ITC as it weighs up the issues that we have put forward to it. We have to leave that in the hands of the ITC to publish all that once it has come to its conclusions.

Q204 **Chair:** Are you telling me that you would not be prepared to share that particular piece of information in advance of the ITC hearing?

Sir Michael Arthur: No. I am sure we can find the answer to your question on the exact point at which we decided not to bid further and why.

Q205 **Chair:** That is really what I am driving at. We are trying to establish, as is clear from my line of argument, whether the 737 is a competitor to the C Series, which is a very important part of this discussion, and when exactly you decided to introduce your 737, or not, into this particular Delta mix. That is important in better understanding your thinking on this matter.



HOUSE OF COMMONS

Matthew Knowles: There are two points to consider on that. Steve raised the fact that the aircraft have completed and we have Bombardier's materials here that we can share with you.

Q206 **Chair:** That is not in this particular competition.

Matthew Knowles: No, not in this particular competition. That is correct.

Q207 **Ian Paisley:** Sir Michael, I wanted to pick up on something that you said to our Chairman in an answer there. I think I am quoting you accurately, and I am sure the transcript will reflect this. You said you compete directly on the products in question: that the C Series directly competes with your products. That is not the case.

Sir Michael Arthur: This is a discussion that we have been having. If you look at the material that Bombardier put out, it says that the C Series competes directly with both the 737 and the A320. That is out in the public domain.

Q208 **Ian Paisley:** I am asking you that. You do not compete directly with Bombardier.

Matthew Knowles: May I?

Sir Michael Arthur: Yes, please.

Ian Paisley: No, excuse me, Matthew. I asked Sir Michael because the words came out of Sir Michael's mouth.

Matthew Knowles: My apologies.

Sir Michael Arthur: The fact is that they have started this competition. You heard on United that we have already had one head-to-head competition with them. The Delta issue is one that we will come back to the Chairman on, as to at exactly what point we ceased the competition. It seems, for those two existing examples, that there has been a competition. Going forward, we would expect that to happen again because of their publicity.

Q209 **Ian Paisley:** There seems to be and you would expect but there actually is not commercial competition between you in this.

Sir Michael Arthur: The plane is quite new.

Q210 **Ian Paisley:** The Chairman asked a question of you about what the CEO of your company said. The 737 has practically sold out. You have no capacity to build more 737s, according to your CEO. You have a backlog of 4,400 737s and you cannot meet demand. You are complaining about lost sales that you cannot fulfil. For the ordinary punter on the street in the United Kingdom who is employed by Bombardier, that looks spiteful, does it not? It is not commercial; it is spiteful.

Sir Michael Arthur: All the big airline companies have long order books stretching forward several years. Airbus is exactly the same as us. The



HOUSE OF COMMONS

numbers are not identical but they are very similar. We are ramping up our production as fast as we can. I can give you the numbers of how many per month we are making, rising to 57. For example, on the 737 we are talking about, the winglets are made in the Isle of Wight so more stuff is done on the Isle of Wight to help make those planes. We are growing the production very quickly.

Q211 **Ian Paisley:** Sir Michael, you cannot at the present time commercially sell your planes against the C Series because of the way the market stands and what your CEO has said. You have opposed Bombardier from even entering the market. That looks spiteful.

Sir Michael Arthur: In any competition and with any customer, part of the negotiation is about when the planes will be delivered. Some like them sooner; some like them later, and we adjust our delivery times.

Q212 **Ian Paisley:** Is it not spiteful? Your opposition is purely that the UK that has acted illegally.

Sir Michael Arthur: It is not the UK; Bombardier has acted illegally.

Q213 **Ian Paisley:** Your contention is that the UK has violated US and international law.

Sir Michael Arthur: There are two elements to this. There is the question of the subsidies, which we deem to be illegal, for how the plane has been constructed. Then there is the element of the dumping in this case, which is also using illegal subsidies. That is what the ITC is testing.

Q214 **Ian Paisley:** Can I ask you about the settlements discussion? The best way for this to be resolved would be some kind of arbitration between the actual companies. Has Boeing walked away from arbitration in Canada?

Sir Michael Arthur: The way we would see for this to be settled, once we have a ruling from the courts, is for Bombardier to comply with it, and that is the end of the story. It can then carry on competing.

Q215 **Ian Paisley:** I did not ask you about the courts. I asked you whether you have walked away from discussions in Canada about settlement.

Sir Michael Arthur: We have had lots of conversations with the Canadian Government.

Q216 **Ian Paisley:** When was the last discussion you had?

Sir Michael Arthur: I am not sure I can tell you the exact date of that but I can come back to you.

Q217 **Ian Paisley:** Was it in June or July?

Sir Michael Arthur: I am afraid I cannot give you an exact date but we are in constant touch.

Q218 **Ian Paisley:** Was it in the last few weeks? You do not need to give the exact date.



HOUSE OF COMMONS

Sir Michael Arthur: Does anybody have more detail on that?

Steven Gillard: We would have to write back.

Ian Paisley: It was possibly months ago.

Steven Gillard: We would not want to speculate.

Chair: Would you like to write back?

Steven Gillard: Yes, we will write back to you. It would not be right to speculate.

Q219 **Ian Paisley:** The only point that I want to try to find out from you, Sir Michael, is this. If you were in serious discussions, you would be able to tell us that you were in discussions with the Canadian Government. You have effectively walked away from arbitration with Bombardier and with Canada. It does not appear that you want to settle this deal.

Sir Michael Arthur: We would be very happy for this to be settled in accordance with the law. We have had very good faith discussions, so I would not like to accept the implications of what you are saying, Mr Paisley. We have been trying to get through this but we have come out where we are.

Q220 **Ian Paisley:** You have been trying to get through it by walking away from talks.

Sir Michael Arthur: Why would we have an interest in not finding a solution? We want to find a solution to this.

Q221 **Ian Paisley:** No, you want to punish Bombardier.

Sir Michael Arthur: I do not accept that. We would like to find a level playing field.

Q222 **Ian Paisley:** A 300% increase in the tariff is punishment, isn't it?

Sir Michael Arthur: That would be for the courts to determine.

Q223 **Ian Paisley:** That is what you want to see. It is your contention that that should happen.

Sir Michael Arthur: It is based on our assessment of the cost of the damage done through the dumping. It is for the courts to adjudicate what that is.

Steven Gillard: On that 300%, it is really important to understand that that is a US ITC and Department of Commerce calculation based upon a long-established formula. It is nothing to do with Boeing. It is very important that we understand how that mechanism works.

Q224 **Ian Paisley:** You brought the action in the full knowledge that that is how the action works and that that would be the punishment enforced. You did not decide to go to arbitration and say, "Can we sort this out as two companies, and as two companies that employ thousands of people



HOUSE OF COMMONS

in the United Kingdom?" You flew the flag this morning. You waved the Union Jack better than any Ulsterman I have seen this morning, saying you are a great British company.

Sir Michael Arthur: That is true.

Q225 **Ian Paisley:** Bombardier employs more people directly in the United Kingdom than your company, sir.

Sir Michael Arthur: We do our best to grow our employment here, as I said to you before.

Q226 **Ian Paisley:** You have attacked another British employer, effectively.

Matthew Knowles: The important point that we might return to more than once is that Bombardier is in the dock here for violating trade law. Some of these questions need to be asked of Bombardier. Its management chose to launch a product that the market has not warmed to and it chose to violate trade law in the United States. Those are questions for Bombardier. We are simply asking for the law to be enforced for a level playing field.

Ian Paisley: I thought that your product was so good that you could sell it anywhere, that you could take on Bombardier, or any company, nose by nose.

Matthew Knowles: On a level playing field, yes.

Ian Paisley: You could have taken them on but you are not competing with this jet.

Matthew Knowles: In what way, sir?

Ian Paisley: Your CEO said that you cannot even sell the stuff, didn't he? You are at maximum capacity. You have order books that are full right the way and you cannot meet demand. You are complaining about lost sales that you could never fulfil.

Matthew Knowles: No, sir, we are increasing capacity to meet that demand. We have gone from 42 aeroplanes a month to 47 on the 737 line. We will go to 52 and then 57 to meet the demand. This all goes back to a level playing field and following the law. That is all we are asking for.

Q227 **Chair:** You have 4,400 aircraft in backlog, according to your CEO. Is that correct?

Sir Michael Arthur: Yes.

Q228 **Chair:** That is a huge number of aircraft.

Sir Michael Arthur: It is, which, incidentally, is very good news for the UK economy.

Chair: Of course it is. The point that Ian Paisley and I have been making



HOUSE OF COMMONS

is that you simply cannot satisfy demand. You certainly could not satisfy Delta's demand during the tendering process that has just passed.

Sir Michael Arthur: Chairman, customers are buying our aeroplanes every day. That is because, as part of that negotiation, we work out when they will get their planes and when they want them. We can supply them and we have been ramping up our production, as we have both been saying, to much higher rates—historically high rates—to meet that demand.

Q229 **Lady Hermon:** Thank you very much indeed for coming before us this morning. It is very good to have you here representing Boeing. Sir Michael, you say that Boeing, and I am quoting here, sees itself as a British company.

Sir Michael Arthur: Boeing UK sees itself as a British company.

Lady Hermon: Right, Boeing UK sees itself as a British company. That being the case, does it not worry you or concern you about the potential damage that Boeing's actions will have for the economy in Northern Ireland, the potential of making thousands of people in Northern Ireland unemployed?

Sir Michael Arthur: No one wants to see job losses. I completely agree. That is why we are trying to do the opposite, which is to create more jobs across the United Kingdom.

Q230 **Lady Hermon:** How is that going to felt by those in Belfast?

Sir Michael Arthur: Those jobs are at risk because of Bombardier's management taking certain decisions that put those jobs at risk. The criticism, if I may, Lady Hermon, should be directed not at us but at Bombardier. Let me give you some figures. One of your other witnesses mentioned that, several years ago, there were 10,500 jobs there, then it went down to 7,000 jobs and we are now at 4,000 jobs. On the C Series, we are talking about 800 jobs at the maximum of production. My worry is that Boeing has been used as a scapegoat for that reduction in Northern Ireland jobs, which we all regret, but it pre-dates the issue that brings us together today. We feel that we are being a bit of a scapegoat for this.

Q231 **Lady Hermon:** I am not making you a scapegoat at all, Sir Michael. I just want you to answer the question: does Boeing UK care about the potential for thousands of job losses in Bombardier in Northern Ireland? Do you care?

Sir Michael Arthur: We all care about job losses wherever they are and, as I said before, we are trying very hard to grow. We are growing our business by at least a job a day across the United Kingdom. We have been doing that steadily for several years and will carry on. We do mind a lot about employment in the UK and are trying our best to help.

Q232 **Lady Hermon:** How many jobs has Boeing grown in Northern Ireland in



HOUSE OF COMMONS

the recent year, two years, three years or 20 years?

Sir Michael Arthur: We would have to go back into the supply chain to give you an accurate figure on that. We can try to do that. It would take a bit of research. If we may, we will come back to you on that.

Q233 **Lady Hermon:** Yes. Can I ascertain exactly what precipitated this complaint by Boeing in America? The reason I ask is because the timing seems very odd. We get a new President, President Trump, in January, and then, within a short period of time, Boeing has lodged a complaint. Is there a connection between the two?

Sir Michael Arthur: Not at all. This is a purely commercial decision made by us as a company, for the reasons that we have explored already, because of prices in a dumping situation that are just not acceptable to us if we are going to compete globally on a level playing field. The timing with US politics is nothing to do with us.

Lady Hermon: You are claiming, Sir Michael, that it has nothing to do with President Trump coming into the White House.

Steven Gillard: First, this is a legal process, not a political process. Secondly, our case was lodged in April of this year. The Brazilian case before the WTO was lodged in February of this year. The timing is driven by Bombardier's behaviour, not by politics. It is really important to be clear about that.

Q234 **Lady Hermon:** I am not so interested in Brazil. If we want to hear from those who are representing Brazil, we will ask them to come before us as witnesses. We have representatives from Boeing here today. This is a really serious issue, and I ask you to understand and appreciate the potential damage to Northern Ireland by Boeing's actions. This is a company that is claiming that it is a British company. It just seems a bit perverse. May I just say that?

Steven, if I may call you that, or Mr Gillard, you have repeated on a number of occasions already—and you have just repeated to me—that this is a “commercial legal case”. However, that is actually not how it is being perceived at all. It is perceived as a dispute, a very unpleasant and unnecessary dispute, between the British Government—the Prime Minister, Theresa May, has been dragged into this—and the American Administration. This is our special relationship between the UK and America. How are you going to resolve that? The damage is enormous to that relationship if jobs are lost at Bombardier in Northern Ireland. Do you appreciate that?

Steven Gillard: We understand the political sensitivity.

Q235 **Lady Hermon:** Do you?

Steven Gillard: We do, but it is not our place to comment on behalf of the British Government or on behalf of the United States Government. This is being handled through an independent quasi-judicial agency of the



HOUSE OF COMMONS

United States Federal Government, the International Trade Commission, and the commissioners who are looking at this case were political appointees of previous Administrations, not the current Administration. This is an independent legal process that is being followed.

Q236 **Lady Hermon:** This is an independent legal process that is being followed. Is it correct to say that Boeing could withdraw the complaint at any stage?

Steven Gillard: I would have to look to Matt for that point.

Sir Michael Arthur: Why would we withdraw a case when we feel in a commercial context that there has been a dumping for which there are courts there to adjudicate? This goes back to my point about us being a scapegoat. This was a pure commercial challenge for a sale that we felt was unfair.

Q237 **Lady Hermon:** Can I just repeat the question again? Is it not correct that Boeing could withdraw its complaint at any stage?

Matthew Knowles: Yes.

Lady Hermon: Thank you.

Matthew Knowles: It is equally correct that Bombardier could comply with the law.

Lady Hermon: Of course, we have taken evidence that Bombardier has at every stage complied with the law and that, in fact, there have been no illegal state aids given to Bombardier.

Matthew Knowles: That is what the ITC will determine.

Lady Hermon: You have confirmed that Boeing is capable and is competent to withdraw this complaint at any stage.

Sir Michael Arthur: Technically.

Matthew Knowles: Our commitment to a level playing field in the aerospace market has been demonstrated through this action, so I believe that the case continues.

Q238 **Lady Hermon:** How would you describe the relationship between senior management at Boeing and President Trump?

Sir Michael Arthur: As with any major company with a global presence, we have relationships with the Governments in question. The United States Government are one of our partners, as are the British Government and many others.

Q239 **Lady Hermon:** Let me rephrase the question. Is it a close relationship? Would you describe it as a close relationship between senior management at Boeing and President Trump?



HOUSE OF COMMONS

Sir Michael Arthur: It is not quite right to be commenting here on another Government. We, as a commercial company in the United States, work with the US authorities.

Chair: It is a fair question. You say in your written evidence that you have a relationship with the UK Government geared at improving your footprint in the UK. It is perfectly reasonable to ask a large corporation, which you are, what sort of relationship you have with the Administration in the US.

Sir Michael Arthur: Of course we have commitments to try to grow the business in the United States, as well as to try to grow the business here. As a global company, we believe very strongly that, as we grow overseas and grow the company, that helps grow the business in the United States. The 737 is a classic example; as we sell the 737, the Isle of Wight makes more winglets and Seattle makes more of the other things. We grow in both countries and both Governments welcome that.

Q240 **Chair:** I just asked you whether you think it is credible that a large corporation like Boeing does not respond to the political mood music, and that a department like the Department of Commerce will not be influenced in some way in its thinking by, for example, "America first" and the protectionism that that implies.

Sir Michael Arthur: As Steve has just said, the commissioners adjudicating on this have not been appointed by the current US Administration. That is a fact.

Q241 **Chair:** Clearly, the European Commission does not take the view that there is anything amiss here. It has very strict rules on state aid.

Sir Michael Arthur: The WTO has looked at that. This is a separate trade dispute but there have been repeated appeals and adjudications by the WTO, which are coming to a head in the next few months, which have ruled against the European Commission on that point. This is a WTO ruling, not an American ruling.

Q242 **Lady Hermon:** As a former diplomat, Sir Michael, does it not cause you embarrassment to find that the Prime Minister, Theresa May, has to phone the White House over the dispute between Boeing and Bombardier? It was not just once; I understand she has had several contacts. Does that not embarrass you?

Sir Michael Arthur: The press and others have made a lot of headlines about this issue. This goes back to the point that I made to you just now that, to an extent, we feel we have become a scapegoat for other, wider issues. We are just trying to keep this on a completely legal and commercial basis. It is not for us to do politics; it is for us to make aeroplanes.

Q243 **Lady Hermon:** Let me just repeat that question, because I did not mention the word "scapegoat"; you have referred to being a scapegoat



HOUSE OF COMMONS

on a number of occasions. I have asked you, as a former British diplomat in senior positions, whether it causes you embarrassment that the Prime Minister of this country has to phone the White House in relation to this dispute. This dispute is unnecessary, spiteful and could be withdrawn. You have confirmed today that it could be withdrawn at any time by Boeing. Are you embarrassed?

Sir Michael Arthur: I was 30 years or so as a diplomat, as you kindly note, but the issues between companies and the issues between Governments often get mixed up. I have a long experience of seeing that happen. The Boeing position on this is a purely commercial and legal position that we are in, in the middle of a court hearing, which is a difficult point to go into more detail on.

Q244 **Lady Hermon:** I take it that you do not feel any embarrassment.

Sir Michael Arthur: That is not the right word. These are different parts of the forest and they interlink.

Lady Hermon: One can understand why you were a diplomat. Thank you so much.

Q245 **Kate Hoey:** As Lady Hermon has just said, you were a former British diplomat for a number of years, our ambassador to Germany and our High Commissioner to India. Presumably, you have some diplomatic skills, having been our ambassador.

Sir Michael Arthur: Probably not.

Kate Hoey: I really want to go back to what Ian Paisley was talking about in terms of the settlement discussions. I am amazed that you are so unclear about when you last met in Canada and what went on. What was being offered by you as a compromise solution in trying to negotiate a settlement?

Sir Michael Arthur: The discussions that we have primarily been having are with Bombardier because they are the people that are behind this. We tried to avoid having to go to court on this. As we said to the Chairman, we will come back to you with exact dates on when we did meet them.

Q246 **Kate Hoey:** Yes, but it is December now. Are you saying that you cannot remember whether the last time there was any kind of talks was a couple of weeks ago, three weeks ago or, as we probably think it may well have been, over the summer, and whether you walked out of the talks?

Sir Michael Arthur: It is certainly not the case that we walked out of the talks. I would not want to give that impression. The exact nature of the talks is confidential between the Government and us. We will come back to you with more detail on when. It does not change the substance of the fact that we found that we had to go to court.

Q247 **Kate Hoey:** Were you willing at any time to offer any kind of compromise



HOUSE OF COMMONS

rather than going on to court? Had you anything in mind?

Sir Michael Arthur: Of course we are looking to find solutions but they were not found.

Q248 **Kate Hoey:** Do we have any? Can you tell us any of them so that we can judge?

Matthew Knowles: I do not think we would talk about the conversations that we had in private. Our counterparts in the US and Canada would have had those conversations with the Governments there, and it is important for us that we get you the accurate picture of that. We will go away and do that for you.

Q249 **Kate Hoey:** Are you proud of the way that Boeing has handled this?

Sir Michael Arthur: I do not think issues of pride come into it. This is a question of a material fact that has been challenged in the courts and we are awaiting the decision of the courts. It is a factual matter.

Q250 **Kate Hoey:** Who could make the decision within Boeing to withdraw the court action?

Sir Michael Arthur: Boeing speaks with one voice. The Boeing company is a legal entity so, if any actions were taken to launch or not to launch, that would be the Boeing company.

Q251 **Kate Hoey:** I am sorry—perhaps I should know—but are you the top man?

Sir Michael Arthur: No, these things go up to the top of the company.

Q252 **Kate Hoey:** You could not make the decision to withdraw.

Sir Michael Arthur: I could not.

Q253 **Kate Hoey:** Could you suggest it?

Sir Michael Arthur: The Boeing company acts as a whole and is very open inside itself, but it acts as a legal entity.

Q254 **Kate Hoey:** So we are clear and the public are clear, your written evidence said that Bombardier was leveraging illegal state subsidies. Are you suggesting that Bombardier acted illegally?

Sir Michael Arthur: Within the terms of the rules of trade set out by the WTO, yes.

Q255 **Kate Hoey:** Are you also suggesting therefore that the British Government acted illegally?

Sir Michael Arthur: We are saying that Bombardier, when it came to the sale, offered the plane at prices that are deemed to be dumping prices. We, as a country, quite often challenge other people on dumping. It is a fairly familiar term. We believe that these planes were dumped using subsidies that would not be approved by the WTO.



HOUSE OF COMMONS

Q256 **Kate Hoey:** Are you saying that the British Government acted illegally?

Sir Michael Arthur: We are saying that the way they put their aid in is outwith the rulings of the WTO.

Matthew Knowles: We have laid that out in the case to the ITC and it will make the decision.

Q257 **Kate Hoey:** In simple layman terms, are you saying that the British Government acted illegally?

Sir Michael Arthur: We say that they did not act in accordance with the WTO, which has ruled many times on this issue.

Q258 **Chair:** Delta, JetBlue, Air Canada and Spirit have all said that your aircraft, the Boeing 737, is not a competitor to the C Series. Who is right?

Matthew Knowles: May I distribute some material, Chairman?

Sir Michael Arthur: This is Bombardier's own publicity about whether it competes with us. Clearly it does.

Chair: I am advised by the clerk that we would be very happy to have it after the evidence session.

Sir Michael Arthur: That is Bombardier's own publicity about how it is competing with the 737s. It has a little chart that shows the C Series and the 737 directly head-to-head.

Q259 **Chair:** I am rather confused by this. As I tried to illustrate in my initial remarks, and as I have now said with these companies—your customers, potentially—there seems to be a real difference of opinion between you, who believe that the C Series and the 737 go head-to-head, and practically everybody else, who says that they do not.

Sir Michael Arthur: Bombardier says they do and Airbus says they do. When Airbus talked about its arrangement with Bombardier recently, Mr Brégier made exactly the same point.

Q260 **Chair:** Sorry, who did?

Sir Michael Arthur: The COO of Airbus said, "Now we have a partnership with Bombardier, we are competing with the 737". That is not verbatim but that is the point he was making. The sources we have indicate that they are competing head-to-head, and that is one of the issues that we have lodged with the courts.

Q261 **Ian Paisley:** I have a very specific point, Sir Michael. I find this really strange. At your 2016 investor conference, Ray Conner of Boeing spoke about the C Series publicly and he said these words: "We are not competing with those C Series and the 737 Max". Your public position right up to now has been that this is not a competitor jet. You did that in public in 2016.



HOUSE OF COMMONS

Sir Michael Arthur: The context of what Ray was saying was that we were not competing in any particular campaign against that. However, when we have the evidence that Matt has—

Ian Paisley: That is marketing guff.

Matthew Knowles: It is Bombardier's own material.

Sir Michael Arthur:

Ian Paisley: It is marketing material. Come on. That is glossy brochure material. You know that. You are even smiling yourself. It is guff. You said in 2016, "We do not compete against this plane. It is not a competitor of ours. We do not even take it under our notice", and then you do this.

Matthew Knowles: We have the contribution of four airlines that the Chairman has mentioned. There are a number of competitions that have not gone into the public domain where they have gone up against each other. We come back to the United Airlines competition, which was a direct competition between the 737 and the CS100, not the CS300, and Boeing won that competition at United. They do compete. Bombardier says they compete and so do other airlines. We could have this discussion all day but there are two sides to every story.

Q262 **Chair:** Could you say which airlines take a different view to Delta, JetBlue, Air Canada and Spirit?

Matthew Knowles: I can only publicly give you United because it is the only one that has done this competition in public.

Chair: Just United?

Matthew Knowles: Publicly, because there are others that have run competitions but in private.

Q263 **Jim Shannon:** Gentlemen, you have got a gist of the question. We are probably all coming from the same way. I just want to ask a couple of questions. First of all, have you had any direct discussions with Bombardier at any time prior to the ban coming in on Bombardier's C Series planes? That is the first question. Did you, for instance, bring it to the attention of Bombardier before the USA Government took their stance?

Sir Michael Arthur: We have had conversations with Bombardier for many years. We are in constant touch and work together in some areas as well. There are always conversations with Bombardier.

Q264 **Jim Shannon:** Have you worked together with Bombardier and, for instance, made it aware of what you are going to do? Is that right?

Sir Michael Arthur: I do not think we should go into the detail of what the two companies are discussing together.



HOUSE OF COMMONS

Q265 **Jim Shannon:** What discussions did you have with Bombardier about the C Series, in particular, and did you have discussions about what your intentions were?

Sir Michael Arthur: We have talked for many years about all sorts of co-operation. It has other products and we have talked about those. It is quite normal, in the industry, for global OEMs, of which Bombardier is another, to talk to each other about things.

Q266 **Jim Shannon:** Did you bring Boeing's intentions to the attention of Bombardier in terms of its discussions with the USA Government about the C Series? Did you do that? It is a straightforward question.

Sir Michael Arthur: I do not feel able to answer that question directly but, if you would like me to check and give you an answer later, I will try.

Jim Shannon: You can contact the Chair.

Sir Michael Arthur: Within the confines of commercial confidentiality, we will try to let you have what we can on it.

Q267 **Jim Shannon:** Was it Boeing who brought the C Series issue to the attention of the USA Government? Was it Boeing who brought it to their attention? It is interesting that, all of a sudden, Donald Trump is in place and we have a policy that then comes in. Why does it suddenly raise its head now when obviously it would have been an issue five years ago?

Sir Michael Arthur: Mr Shannon, as we have been saying all along, this has not been a political case; it has been a legal and factual case. When we brought the case, it was not to the US Government; it was to the independent International Trade Commission, and that is where the case lies now.

Q268 **Jim Shannon:** Rather than finding a way forward with Bombardier, you decided to move it on to a different strata. Would that be right?

Sir Michael Arthur: Sorry?

Jim Shannon: Rather than come to an accommodation with Bombardier or try to solve this problem, you took it to a different level. That is where we are coming to, which means you did not discuss it with Bombardier.

Sir Michael Arthur: As I said earlier, we have been trying to find a way out of this short of going to court but it did not succeed, so we have taken the action that we have taken.

Matthew Knowles: May I return to the timing as well? You raised the timing. The timing of the case, as Steve alluded to earlier, related to the behaviour of Bombardier. The sale was the spur for the case, so it would not have happened five years ago. The sale happened this year.

Sir Michael Arthur: The way out of this is for Bombardier to continue doing what it is doing but to do it in accordance with the rules of the road. If it complied, we would have no further case. That does not stop



HOUSE OF COMMONS

it making aeroplanes in Belfast, and we would be delighted to be competing on a level playing field. As I said earlier, we positively welcome that because it makes us sharper.

Q269 Jim Shannon: I have friends like you in Bombardier who are having a very difficult time. Is it not a fact that Boeing cannot match Bombardier C Series planes and that you do not have the capacity, the expertise or the ability? Back home, we use this saying of "green cheese"; in other words, if we cannot have it, you cannot have it either. Is that not what this is all about? That is how many of us see it. Forgive us for being so direct here but that is how I see it: green cheese.

Matthew Knowles: For us, the issue is all around compliance with trade law. We want a level playing field where we can all compete together. The C Series has around 300 orders, more or less, while the Airbus and Boeing competitor aircraft have 9,000 orders. The market has not warmed to this aircraft and that is the major challenge for Bombardier; it is not this trade case.

Q270 Jim Shannon: Bombardier feels that there is a market for its product and it will move forward. I am reminded, Mr Chairman, of the biblical story of David and Goliath. You know that story. I think everybody in this room knows that story. In this case, we have Boeing, the Goliath of the airplane manufacturing world, which stands on top of the hill, beats its chest and shouts down at poor David—Bombardier—lifting five small stones out of a brook. We all know the outcome of that: Goliath was slain and David won. In this case, I would suggest to you—through you, Mr Chairman—that Bombardier and David are looking good for a victory in this one, because I think your attitude to Bombardier has been disgraceful.

Can I ask you this? Would you object in any way to the transfer of some of the manufacture of the C Series plane to Alabama? I just want to get your thoughts, in advance, on what you might do next year.

Sir Michael Arthur: I have two answers there. First, on the Goliath analogy, we are the world's biggest aerospace company and we do not feel that that is anything to be ashamed about. We just happen to be a very successful global company. I do not feel embarrassed about being Goliath in that context.

Jim Shannon: Sorry, Sir Michael, with respect, the analogy I gave you about Goliath is about right and wrong. Right prevailed over wrong. That is where the David and Goliath analogy comes in, if you did not understand what I was telling you earlier.

Sir Michael Arthur: Big is not a sin.

Matthew Knowles: I would say that the ITC will determine who is right and who is wrong in all of this, none of us.

Jim Shannon: Many of us in this room know what is right and what is



HOUSE OF COMMONS

wrong, but I asked you the question about Alabama.

Sir Michael Arthur: It is an issue for Bombardier, if it goes with Airbus, as to the partnership they work out and how they do it. The simple facts of the law are that any whole plane or part of a plane that is imported falls under the rules that we are talking about, these WTO and ITC rules. That will depend on the nature of the activity that they decide to transfer. That is completely a decision for Bombardier.

Q271 **Jim Shannon:** Will Boeing make any objections to the transfer of manufacture of C Series planes to Alabama?

Sir Michael Arthur: We have made clear that, if it is trying to sell either the whole plane or part of a plane at a dumped price, this challenge applies.

Q272 **Jim Shannon:** I understand that it is looking at 50%-plus manufacture of the C Series in Alabama. Is that something that Boeing would object to?

Sir Michael Arthur: It is not our business. That is Bombardier's business.

Q273 **Jim Shannon:** If it comes up, it will not be Boeing telling the Government to object in any way to that for whatever reasons, contrived or otherwise, that there may be.

Sir Michael Arthur: I do not think we have a role to play in that. That would be a decision by Bombardier.

Jim Shannon: There are solutions to this and obviously we have tried to find a solution.

Matthew Knowles: The decision that Bombardier would or would not take in terms of developing an assembly line in Alabama is, as Michael said, entirely for it to decide upon. The International Trade Commission will make a determination on whether any other tariffs apply to parts of aircraft. Certainly, the case in front of it at the moment covers whole and parts of aircraft.

Q274 **Nigel Mills:** Sir Michael, you have referred a few times to Bombardier selling these planes at absurdly low prices. I think that is the reference in the written evidence. Can you perhaps just talk us through what Boeing's understanding is of the price and the deal between Bombardier and Delta, and how that compared to the market value of the C Series?

Sir Michael Arthur: I do not want to go too far into the details of this before the courts, because this is obviously a legal issue, but our submissions in there are in the public domain and the courts will make their judgments on whether our numbers are right or not. In broad terms, we estimate that—this is just our own way of calculating this—after the non-recurring costs have been done, the recurring cost for the plane in question is in the low \$30 million per aeroplane. We believe that, working from the public sources that we have, the sale was in the



HOUSE OF COMMONS

region of \$20 million or less, so significantly below cost price. The details of that will be adjudicated by the court soon. Its preliminary findings have not dissented from what I have just said to you.

Nigel Mills: You refer to the selling price in other markets.

Sir Michael Arthur: This is about one sale in the United States market. That is why we have gone to the ITC; it is a US market.

Q275 **Nigel Mills:** Your written evidence said that Bombardier sold it at an absurdly low price, below cost and much less than in other markets. I was wondering what you thought it was selling it for in other markets.

Sir Michael Arthur: One of the other markets we know is Canada. We believe that the \$20 million or less figure that I mentioned to you is below what it sold at in Canada.

Q276 **Nigel Mills:** Have you made a complaint in Canada? Presumably you would be entitled to. You try to sell planes to Air Canada or whoever else.

Steven Gillard: To be absolutely clear, the issue here in terms of dumping is the fact that it is being sold into the US market, as well as being below cost price, at a price that is significantly different to the price at which it has been sold in other markets.

Q277 **Nigel Mills:** That is what I was trying to establish: what is the price at which it is being sold in other markets and that it is significantly below?

Matthew Knowles: The list price of the CS100 is \$79.5 million, and the CS300 is \$89.5 million.

Q278 **Nigel Mills:** How often do you sell planes at your list price? Is that regular?

Matthew Knowles: Rarely.

Q279 **Nigel Mills:** I did not think it would be regular. Can you talk us through what a deal for a plane looks like? I hear talk of wet leases and all that other stuff. Presumably it is very rarely a cash sale at a list price.

Sir Michael Arthur: It is a very complex negotiation. Matt, do you want to give a bit of flavour? You have been in the industry for a long time.

Matthew Knowles: None of us are in the sales department of the commercial aeroplane side of the business, so we would not take a punt at the details of all of that. Is there a specific area you would like us to explore?

Q280 **Nigel Mills:** I was just wondering, because you state in your evidence that the basis of the claim is selling below cost and being different to other markets. I was just trying to work out how robust those claims are.



HOUSE OF COMMONS

Matthew Knowles: On that point, one of the things that we talk about is the long-term average cost of an aircraft. We will always develop an aircraft programme to ensure its profitability, due to our responsibility to our shareholders, employees, suppliers and other stakeholders. The company will launch a programme when it knows it will be able to achieve a profitable outcome on that long-term average sale price. The issue with the C Series is that the sale of these aircraft, in the case in question, is at such a low price that they could not possibly make a profit on the programme. Bombardier booked a charge on the sale of these aircraft in its accounts to Delta, and then that money was made good through public finance.

Q281 **Nigel Mills:** To an extent, it is fair to say that you do not know the details of this deal to know how much is paid up front, how much is paid over the life of a plane or whatever else.

Matthew Knowles: That is the decision for the ITC. We have submitted our evidence, Bombardier have a similar opportunity to put its case across, and then the ITC will decide.

Steven Gillard: If we can also offer our evidence that will be submitted to the ITC, there will essentially be a public domain version of that and we would be very happy to share that with the Committee at the earliest possible opportunity. That will contain a lot of the detail around these arguments.

Q282 **Nigel Mills:** That sounds useful. We have already had confirmed that Boeing regularly, or most of the time, sells below list price. I think you said that, Mr Knowles.

Matthew Knowles: List price, not cost price, yes.

Q283 **Nigel Mills:** Do you ever sell below cost price?

Matthew Knowles: No. It is illegal.

Q284 **Nigel Mills:** Is it illegal? You have a few bits of spare kit lying around, and you want to sell them and make some money on them. It is not actually illegal, is it?

Matthew Knowles: We normally talk about long-term average cost price. That is what we are talking about here. If you sell the first aircraft in a development programme that has cost billions to set up, you could argue that you would not sell that first aircraft for billions to make that up. You would look at the long-term average cost price of the aircraft, and that is what we are looking at here.

Sir Michael Arthur: The reason why the industry and the WTO have these rules is because, for the long-term health of employment and companies, you need to have sustainable sales. If you are constantly selling below long-term average cost, it is just a market failure and it is not fair on the taxpayer to have to keep supporting that. That is the reason for the rules.



HOUSE OF COMMONS

Q285 **Nigel Mills:** I understand the reason for the rules; I am just trying to explore the reason for your claim here. Mr Knowles, you made some slightly pejorative remarks about no one liking this Bombardier plane.

Matthew Knowles: No, all I said is that the market has not warmed to it.

Q286 **Nigel Mills:** That is pretty much the same thing as I said, isn't it? You appear to have just said that, commercially, in the early sales, you cannot sell at full cost, in effect. Is that not a bit inconsistent when you are basically saying this is an early sale for this plane?

Matthew Knowles: No, you have to have the confidence that the market is out there to make the programme profitable. That is part of the decision to launch a programme in the first place.

Q287 **Nigel Mills:** It is not unusual, commercially, to sell some early versions at a decent price to get them in the market so that everyone can see what a wonderful product you have, is it?

Matthew Knowles: Absolutely. That is a standard practice; selling below the price of the cost of production is not.

Nigel Mills: That is your commercial decision.

Sir Michael Arthur: This is what the ITC has to adjudicate upon when it looks at this. We are delighted to compete against Bombardier globally, if it can make and sell the plane according to the rules of the road—I would be absolutely delighted—just not if it is dumped.

Q288 **Nigel Mills:** Have you made complaints anywhere else in the world where Bombardier has sold these planes?

Sir Michael Arthur: To my knowledge, no.

Matthew Knowles: It arises from this behaviour in the US market.

Q289 **Nigel Mills:** You would be entitled to make those claims in any market where you saw any of your competitors selling something that you thought was below long-term average cost.

Sir Michael Arthur: That is true, but I do not think we have seen it other than in this case in the United States earlier this year.

Nigel Mills: The other sales have all been fine. It just comes back to whether you fancied having a try in the US. That is quite a critical consideration.

Matthew Knowles: It is worth pointing out that this kind of mechanism, or a similar type of mechanism, exists in most developed economies. It is just in this case that the behaviour took place in the United States. It is an independent body with appointees from previous Administrations. It is a legal, not political, body.

Q290 **Nigel Mills:** I accept that, but it is interesting that Embraer has chosen



HOUSE OF COMMONS

to go for a WTO claim, which is presumably more general.

Matthew Knowles: Brazil has chosen to do that. Only countries can go to the WTO.

Q291 **Nigel Mills:** It is strange that it has chosen to go down a more general line, whereas you have chosen to try to use the US's own trade powers for a product that competes globally.

Sir Michael Arthur: The US Government could join. That is for the US Government, not for Boeing.

Matthew Knowles: It is about different behaviours as well. The WTO case, as I understand it, that Brazil has brought is on subsidies; our case is more on the activities in the US market. The ITC is the appropriate body to go to for that particular behaviour.

Q292 **Nigel Mills:** To move quickly on, is it the Canadian alleged subsidies that you are principally worried about, the UK and Northern Irish alleged subsidies, or both? What is the scale of this?

Sir Michael Arthur: It is the net effect that leads to the dumping that we have talked about earlier. That is the issue. In terms of net effect, as a matter of fact, the UK subsidies were significantly lower than the Canadian subsidies. The Canadian subsidies, as I recall, came in two parts: central government and regional government.

Q293 **Nigel Mills:** The main UK subsidies were a repayable loan, weren't they?

Matthew Knowles: The repayable investment that you mentioned is the same mechanism that the WTO found inconsistent with its rules as regards to Airbus.

Q294 **Nigel Mills:** Has Boeing ever received any repayable loans from any US or other national or state governments?

Sir Michael Arthur: For a decade, there have been challenges against Boeing just as we have had challenges against Airbus in the WTO cases. Several times now, the WTO has ruled on this and has ruled that we are compliant with everything. We have been through that process.

Matthew Knowles: There is one single case for one part of support that is still under appeal. We could not give you a final comment on that one single case, but in all the other cases Boeing has complied with the law or the WTO rulings.

Q295 **Nigel Mills:** Have you ever received any repayable aid subsidy to help you develop a new product?

Matthew Knowles: That is where we go back to the case at the beginning of all this. It is around compliance with trade law. Whenever support like this is received from one company or another, it is about making sure that that is done in compliance with the rules that we have all agreed to.



HOUSE OF COMMONS

Q296 **Nigel Mills:** Would you agree that it is compliant for states to offer repayable funds to enable a company to develop a new product?

Matthew Knowles: If compliant with the law, yes.

Q297 **Nigel Mills:** Boeing has received that sort of help in the past and presumably would currently take it if it was offered.

Matthew Knowles: That is what the WTO rulings in our favour have looked at.

Q298 **Nigel Mills:** In principle, Boeing accepts that receiving repayable funds to help you produce a new product line is not in contravention of the WTO.

Sir Michael Arthur: If it is in compliance with the WTO rules, yes.

Q299 **Nigel Mills:** You accept it as a principle. The question I am really trying to understand is: is this is a Canadian issue that you are worried about with Northern Ireland and the Bombardier plant just being caught in the crossfire? Are you actually really concerned about what the UK has done?

Sir Michael Arthur: It is hard for us to comment on two different Governments. In our case to the court, we have mentioned both Governments but I mentioned just now that the volume of support in Canada is significantly higher than the volume of support in the United Kingdom.

Q300 **Nigel Mills:** I just have one last question. Has Boeing ever been found against WTO? Have you ever received any aid that contravened the rules?

Sir Michael Arthur: We can go back to the decade-long hearings and provide you with a summary, if you like. Airbus alleged billions of dollars of support that we are supposed to have had and we have alleged the same against Airbus, and the WTO ruled that almost all of ours that it claimed was not the case and that we were exempted from that. For a small proportion, it deemed that we needed to take remedial action—pay back or commercialise it; I can give you the details—and we have done that. That is the point: on further appeal, we are now deemed to have complied with everything it required us to do. It wanted us to take remedial action on a small proportion of what Airbus accused us of, which we have done. We maintain, the other way around, that Airbus has not taken the remedial action that the WTO called for, and that is the ruling that we are all waiting for quite soon.

Q301 **Nigel Mills:** It makes the whole industry sound like some sort of childish spat that you use the WTO to arbitrate. It is a bit like, "Please, teacher, he punched me first," and, "No, he punched me first".

Sir Michael Arthur: As in all spats, one needs rules of the road. The WTO is the global rule-maker in this context.



HOUSE OF COMMONS

Matthew Knowles: We have all signed up to those rules so it is important that we all comply with them.

Q302 **Mr Campbell:** Matthew, you used the term that the industry had not warmed to the C Series.

Matthew Knowles: The market, yes.

Q303 **Mr Campbell:** Sir Michael, you said that the sale price of the C Series was significantly below—dumping, as you call it—in the industry. I suppose many people would say that, if those two things were both accurate, why would Airbus come into the picture? That is another competitor of yours. My question, I suppose, is on the previous numbers that you gave in terms of your order book on the 737s and your ramping up of productivity. Could you just run those figures by me again?

Matthew Knowles: Sure. We have recently increased production on the 737 to 47 aircraft a month and we plan to go up to 52 and then to 57 on that aircraft.

Q304 **Mr Campbell:** If we look ahead to the 52, at one point do you think you would ramp up to that?

Matthew Knowles: Towards the end of the decade, I believe.

Q305 **Mr Campbell:** In two years' time.

Matthew Knowles: Yes.

Q306 **Mr Campbell:** How many are on your order book?

Sir Michael Arthur: 4,700.

Q307 **Mr Campbell:** By two years' time you will get up to 52 a month.

Matthew Knowles: 57 a month.

Q308 **Mr Campbell:** That is about 700 a year.

Sir Michael Arthur: That is the sort of number, roughly.

Q309 **Mr Campbell:** Your order book is at 4,000. What would you anticipate your order book to be in two years' time when you get up to 57? It seems to me to be quite a long period of time in which you have taken action against Bombardier.

Matthew Knowles: Airlines plan their fleet a long time in advance. Some airlines will want aircrafts sooner than others. When you look at the blocks of aircraft that are being produced each month, you will then appoint those to the airlines to meet their schedule requirements.

Q310 **Mr Campbell:** I understand that, but you have indicated to the Committee that you intend to increase productivity within two years or thereabouts to 57 per month, which is roughly 700 a year. Are you saying that your order book, which is now at 4,000, will be about the same in a couple of years' time or what?



HOUSE OF COMMONS

Matthew Knowles: We could not tell you. We could give you an estimate but it might not be anywhere near.

Mr Campbell: Give us an estimate.

Matthew Knowles: If you imagine that the reason that we are going up in rate is to bring that figure down a little bit, as we are selling aircraft and delivering aircraft at about the same rate, as you indicate, the backlog does not change. If airlines want the aircraft sooner than that, perhaps we need to build them more quickly. It is all about meeting the requirement of the customer.

Mr Campbell: Or else they might go elsewhere.

Matthew Knowles: Potentially. That is not the only factor in their decision as to where they buy from but obviously it is one of them.

Q311 **Mr Campbell:** You can see why the general public will look at this and see that, first, you have taken action in the context of what Lady Hermon had said where President Trump comes into office and makes his protectionist agenda very clear. You take the action. Your order book is such that, even in a ramped-up scenario in two years' time, you would still take many years in an unchanged order book situation to meet the demand. Yet you take the action that appears to be designed to denigrate a competitor in the context of you being unable to meet your demand.

Matthew Knowles: We go back to the previous point we made that the timing of the case was due to the behaviour that we saw. That happened this year so the case was taken this year. The commission is independent of the political process. The members of the commission were appointed by a previous administration. This is a legal process, not a political process. We can understand why people would have those perceptions but they are not accurate.

Q312 **Mr Campbell:** It will be 10 years, roughly, before you can meet your order book requirement. Is that right?

Matthew Knowles: No, if we are producing 700 a year it would be six years.

Q313 **Mr Campbell:** That is not until two years' time.

Sir Michael Arthur: We are producing them already. We are at 47 at the moment.

Steven Gillard: We have material out there in the public domain and we would be happy to share that with you after this hearing.

Sir Michael Arthur: We are not unique in this. The other OEMs, such as Airbus, have long order books going forward, which they publish as well. This is just the nature of the industry. As Matt was saying, some of the airlines are looking a long way ahead in terms of when they want to take



delivery because they are planning fleet recycling. It is a complicated process but we can give you more material if you like.

Matthew Knowles: Yes, and one of the points that we will be able to give you is that every year we produce a 20-year look-ahead at the market. For the 90 to 230 seat segment of the market, which is where these aircraft fall, we are looking at 29,500 aeroplanes over the next 20 years, which is at a value of about \$3.2 trillion. It is a significant market.

Sir Michael Arthur: There is plenty of space for all competitors if they play by the rules.

Q314 **Chair:** You say that but you also say, Sir Michael, that the market has not warmed to the C Series. I wonder why you think that might be. I note that, following the Airbus interest in the C Series, orders increased, with a significant number of orders in Europe. Do you think some of that lack of warming to the C Series might be because airlines see it being insufficiently reliable because of the threat that you pose to Bombardier?

Sir Michael Arthur: I cannot comment on what the industry's judgments are on these. We were just using the facts that there about 300 that we believe have been sold against the orders for Airbus and Boeing, cumulatively, of about 9,000. That is the backdrop to the phrase "not warmed". If they pick up on a level playing field, that is fair competition.

Steven Gillard: It is important to say that that market reception pre-dates the point at which we launched our case. It is therefore not fair to directly link market behaviour to Boeing's case. This is longer term than just this particular issue.

Q315 **Chair:** The consequence of the C Series appearing to be offered a lifeline has been that orders have picked up, particularly in the European market, which suggests to me that there is an appetite for this particular airframe, but some of that appetite has been dulled by what is currently going on with respect to Boeing and the uncertainty that that produces.

Sir Michael Arthur: I cannot really comment on that. I read some press speculation that it might be because of Airbus' supply chain. That is purely speculative in the press.

Matthew Knowles: From our perspective, the number of orders that you reference are still very small. The challenges that Bombardier as a whole faces are much longer term than the case that we have lodged this year. In November 2016, the chief executive of Bombardier said to the Canadian media that the company almost went out of business in 2015, and that pre-dates this case. The job losses that we have regrettably seen in Belfast, which your previous witnesses from the trade unions outlined, all happened before this case. The problems that Bombardier face are much longer term and much deeper rooted than this trade case. It is just an effective smokescreen to blame Boeing for its problems.

Q316 **Jack Lopresti:** Sir Michael, gentlemen, thank you for coming this



HOUSE OF COMMONS

morning and helping us with our inquiry. Can I start by saying thank you for everything you do? Boeing Defence UK is a great company and provides us with some life-saving, battle-winning kit and platforms, and makes a huge impact to our sovereign defence capability, for which we are very grateful. Sir Michael, in your view, was Bombardier reckless or naïve in its attempt to try to dump its aircraft on the US market for less than cost price?

Sir Michael Arthur: First of all, Mr Lopresti, thank you very much from the company's point of view for putting on record your appreciation for our work with the Armed Forces. We are very grateful.

As to your word "reckless", this is a commercial judgment that they have obviously taken. They must have known that this was outwith the rules of the road by the WTO. It should not have surprised them that we then challenged it in the courts because that is what companies do when there is this illegal action.

Q317 **Jack Lopresti:** Despite the attempted vilification of Boeing and scapegoating in some quarters for this, which is a trade dispute and Bombardier has to answer for its own judgment, which has led to this situation, whatever the outcome of the legal judgment, it will not affect your commitment to the UK and your plans for even more expansion here in the civil and defence marketplace.

Sir Michael Arthur: Thank you. Let me give you a formal commitment. We obviously will respect the outcome of the ITC when it rules. That is what courts are there for. You mentioned our CEO earlier today, Chairman. As you may have known, I was supposed to be in Chicago talking to the CEO today but I had to cancel that trip. I was there arguing for more investment in the country. I explained to him why and he fully understood. The CEO said, "Please tell the Committee of our long-term commitment to growing our business in the United Kingdom." To Mr Lopresti's point, we are here for the long term and value being here.

Matthew Knowles: At Farnborough, at the air show in 2016, we entered into an arrangement with the UK Government to grow the business, as was mentioned, and we are delivering on that commitment. We have broken ground at Boeing Sheffield. We plan on opening a maintenance hangar at Gatwick Airport in early 2019. We have more developments to come on the back of that. We are delivering on that commitment despite the rhetoric that we have heard in some quarters in the UK.

Q318 **John Grogan:** I will echo my colleague's preamble about the importance of Boeing in Yorkshire and being part of the advanced manufacturing centre there. It is an interesting industry. You talk about, Sir Michael, the industry that you have got yourself into and you have talked about competition and welcoming new entrants. Some people describe it as a duopoly. What would you say to that, Sir Michael?



HOUSE OF COMMONS

Sir Michael Arthur: First of all, I would like to say a word on Yorkshire. We have been at the Advanced Manufacturing Centre for a decade now; we were one of the founders of it. It is a fantastically exciting prospect. One of the things that gladdens my heart is that we have just opened this new factory there and all the new people we are employing there have come out of the apprentice school that is set up on the AMC. It is fantastic. I am sure you have been there, Mr Grogan. It is a great success story and it will carry on.

Regarding your comment about a duopoly, I would not see it that way. If you look at the global marketplace, you have Boeing and Airbus but you have Comac in China; Embraer in Brazil; and Bombardier, which has a global footprint. There are plenty of other companies.

Q319 **John Grogan:** How much market share do you have?

Sir Michael Arthur: We are very big, of course.

Q320 **John Grogan:** How much?

Sir Michael Arthur: If I give you a number, it will not be accurate. If you want an accurate number, I will try to find it for you.

Q321 **John Grogan:** What is the share of the two big players?

Sir Michael Arthur: We are bigger than the others.

Q322 **John Grogan:** Gentlemen, could you help Sir Michael?

Sir Michael Arthur: We are bigger than the others by quite a way.

Steven Gillard: We do not have the market share figures to hand but we can provide them.

Q323 **John Grogan:** Roughly, how much bigger are you than Bombardier?

Matthew Knowles: That is the figure we were giving before.

Q324 **John Grogan:** How much bigger?

Matthew Knowles: If you look at the sale of the C Series, we said around 300.

Q325 **John Grogan:** For market share, how much bigger are you? It is slightly odd that you do not know how much market share you have.

Matthew Knowles: It changes very regularly.

Q326 **John Grogan:** What was it the last time you looked?

Sir Michael Arthur: Some of its market is, for example, in business jets.

Q327 **John Grogan:** What is your market share of the total market in the world?



HOUSE OF COMMONS

Steven Gillard: We publish that regularly and we would be very happy to come back to you with that. If we had the figure, we would gladly give it to you.

Q328 **John Grogan:** It is an interesting industry. I am looking to Steven now. You probably have meetings with the American Government—and I am not saying that is illegitimate—every day. How many people do you have on the hill?

Steven Gillard: We have a significant government operations outfit.

Q329 **John Grogan:** Is it 20, 30 or 40?

Steven Gillard: I would be happy to come back to you with precise numbers.

Matthew Knowles: Bearing in mind the US Government are, if not the largest, one of our largest customers.

Q330 **John Grogan:** No, I am saying it is entirely legitimate because that is the sort of industry that it is. You have day-to-day conversations with the American Government as you would have with the British Government.

Sir Michael Arthur: We do around Europe too.

Q331 **John Grogan:** I am not saying that is wrong. You got off to a fairly ropey start with President Trump. Did he not complain about Air Force One being too costly? Presumably there would have been discussions almost as soon as you were in there with members of the Administration.

Steven Gillard: There has been no secret about that.

Q332 **John Grogan:** No, and then he came down to the Boeing factory with the COO and made an announcement about Export-Import Bank, sometimes known as the "Bank of Boeing".

Matthew Knowles: President Trump came down to the factory in Charleston to help us launch the 787-10.

Q333 **John Grogan:** Did he not make a speech that included announcements about the Export-Import Bank?

Matthew Knowles: Not that I recall.

Steven Gillard: I cannot recall that.

Sir Michael Arthur: For our purposes, it was just a rollout of the latest plane.

Matthew Knowles: We should also note that it is 25% by value made in the UK.

Q334 **John Grogan:** How often has he met the bosses of Boeing since he got into office? Was that the only time or was it several times?



HOUSE OF COMMONS

Sir Michael Arthur: It was more than that but I cannot give you the exact figure.

Q335 **John Grogan:** It would be good to know how many times. Probably every day of the week someone from Boeing is meeting someone from the American Administration.

Steven Gillard: As we are in Britain.

Q336 **John Grogan:** No, indeed. At all those meetings, particularly at the meeting when President Trump came down to Boeing to launch this aircraft, was the prospective action discussed regarding Bombardier at any stage?

Matthew Knowles: The case has not been directed or co-ordinated with the Administration.

John Grogan: Was it not mentioned to President Trump?

Sir Michael Arthur: It is a legal case, not a political case.

Q337 **John Grogan:** It was not discussed with him.

Matthew Knowles: We cannot say that definitely.

John Grogan: It might have been discussed with him.

Sir Michael Arthur: I doubt it.

Q338 **John Grogan:** Could you check the record and let us know?

Matthew Knowles: We can certainly do that but we should re-state that this is a legal case.

Q339 **John Grogan:** I take that point. Were you surprised by the 219%? That is higher than most analysts would have expected.

Sir Michael Arthur: This is a legal case that we were taking. We would not normally talk to politicians about a legal filing. The number that you just quoted for a tariff is not a Boeing number.

Q340 **John Grogan:** Were you surprised?

Sir Michael Arthur: It is a high number because that is what the ITC calculated.

John Grogan: You were surprised.

Sir Michael Arthur: I was not surprised. It is for the ITC to make that calculation. It has a methodology.

Q341 **John Grogan:** You expected it to be lower.

Sir Michael Arthur: I did not have any expectation

John Grogan: Surely you did.



HOUSE OF COMMONS

Sir Michael Arthur: When we supply some of the material we promised to supply you about our court case and the ITC, you will see some numbers.

Q342 **John Grogan:** I have asked whether President Trump discussed the issue, because at that stage it was not a court case. Did senior executives of Boeing discuss this case with people in the Administration before it was taken?

Sir Michael Arthur: Chairman, we do not want to go into too much detail.

Q343 **John Grogan:** I do. You might not want to.

Matthew Knowles: We keep confidential our conversations with our customers, with our Governments and with our competitors. We are not going to talk about—

Q344 **John Grogan:** Sir Michael, I respect your opinion on this. Do you support the “America first” policy?

Sir Michael Arthur: As I said earlier in the discussion, we as a global company want to grow jobs wherever we are. We want to grow them in the UK and we want to grow them in America. We see no conflict between those two because, as we sell all those thousands of planes that we have been talking about, both sides win, and other countries too, because we have a supply chain that is all around the world. The UK is one of the biggest we have. We do not see that as in conflict.

Q345 **John Grogan:** I am sure you sleep well, but do you not worry in the middle of the night, Sir Michael, that this could all end very badly: tit for tat protectionism and so on? Are you not worried?

Sir Michael Arthur: I am a former diplomat, as you kindly mentioned earlier. I do not think trade wars help anybody and they are best avoided if we can. That is why we want to have this sorted through the courts.

Matthew Knowles: This is where we go back to the original point. We all want to play on a level playing field. This case is to ensure that we have a level playing field, which we know that this Parliament and this Government support.

Q346 **John Grogan:** We have had the other airlines mentioned, with their views and so on. In the end, they are the customers. We have established that you are big; you are not quite sure how big you are but you will look it up and let us know. We hear about JetBlue, Delta and Spirit. JetBlue, for example, said, “JetBlue's consistent advocacy for unfettered free market competition and access requires us to urge the commission to reject the petitions and permit free and unfettered competition in the aircraft manufacturing sector as JetBlue brought to the domestic airline sector”. Should we not give more weight to its view than that of a big corporate international conglomerate that is so big that you



HOUSE OF COMMONS

cannot even tell us how big it is?

Sir Michael Arthur: We are not trying to duck this question at all. It is quite a precise question that you are asking us and these are, as you say, quite rightly, big numbers. You need to define your terms. Are we talking about segments of the marketplace or are we talking about the entire commercial airline marketplace?

Q347 **John Grogan:** I will happily accept anything that you can offer but you have not been able to offer me anything. There must be £1 million-worth of talent here and you cannot tell me how big you are.

Sir Michael Arthur: I would like to give you an accurate figure. That is all.

John Grogan: I look forward to getting it. You can give us several figures if you want.

Matthew Knowles: The point about the contribution from the airline is an important one. It demonstrates the openness of the process that is going on the US that anyone can make their view heard. From our perspective, those are important voices.

John Grogan: I look forward to hearing from you again, particularly about meeting President Trump over coffee.

Matthew Knowles: I would caution you that we might not give you that information. Conversations like that may remain confidential.

Q348 **John Grogan:** Sir Michael suggested that we could have it. You may resile from that, but I was looking forward to hearing it. It surely must be a straightforward question: have senior executives, including your chairman and your chief executive, discussed this before it took place? It is a simple question.

Q349 **Lady Hermon:** I just want to pick up on one or two points, following on from the questions from my colleague just now. Before you came to this Committee to give evidence, what contact did any one of you have, or all three of you have, with the American Administration about your appearance here today?

Sir Michael Arthur: None at all. It is a Boeing matter.

Matthew Knowles: None whatsoever. It is a legal case, not a political one.

Q350 **Lady Hermon:** Yes, we have heard that a number of times but we have also now established that there is, in fact, political involvement.

Matthew Knowles: There is no political involvement.

Lady Hermon: There is political interest.

Matthew Knowles: That is entirely different. There is no political involvement in the case.



HOUSE OF COMMONS

Q351 **Lady Hermon:** Sir Michael, you said that you do not “normally” talk to politicians about a legal action.

Sir Michael Arthur: It was a turn of phrase. This is a legal case that we have taken to the courts. That was meant in the way that you are trying to read it.

Q352 **Lady Hermon:** You also, Sir Michael, suggested that the trade dispute was a “smokescreen” being used by Bombardier.

Matthew Knowles: To be fair to Michael, that was my word.

Sir Michael Arthur: I feel that a lot of the public interest that we have seen in the press and so on has made us into a scapegoat. That was my word, because I do feel that for the reasons that we were explaining.

Lady Hermon: Bombardier did not take the case. It did not make the complaint.

Sir Michael Arthur: It did the damage.

Lady Hermon: It is not a smokescreen. It is wrong to refer to it as a smokescreen being used by Bombardier. That is a most unfortunate term.

Matthew Knowles: If you would like me to clarify, I would happy to do that.

Lady Hermon: Yes, please.

Matthew Knowles: The case was launched in April of this year. The chief executive of Bombardier discussed that the company almost went bankrupt in 2015. One of your previous witnesses talked about the jobs at Belfast regrettably going from 10,500 to 7,100 three years ago to 4,000 today. That all pre-dates the case. The challenges facing Bombardier are not reflected by this trade case. They are much deeper and longer term than that. The trade case that is being laid at our door is being blamed for the challenges that it faces. That is not accurate.

Lady Hermon: Yes, but Boeing picked this fight so it is not Bombardier using it as a smokescreen.

Matthew Knowles: Bombardier violated the law.

Lady Hermon: Allegedly.

Matthew Knowles: We will see.

Q353 **Lady Hermon:** Sir Michael, in response to my other colleagues, you were very enthusiastic about the work of Boeing, for example, in Yorkshire. Presumably you have been to Yorkshire to see this particular place.

Sir Michael Arthur: I have.

Lady Hermon: As a matter of interest and curiosity, given the potential impact on Northern Ireland and Bombardier in Northern Ireland, have



HOUSE OF COMMONS

you visited Northern Ireland?

Sir Michael Arthur: I have not in this capacity.

Q354 **Lady Hermon:** Matthew?

Matthew Knowles: Yes, I have visited the Bombardier factory in Belfast.

Sir Michael Arthur: Could I make a point on Bombardier and our engagement with it? It has not come up so far in the evidence. I said earlier, Mr Chairman, that we are working with the UK Government to try to broaden the base and get more British suppliers on future aeroplanes, and indeed on current aeroplanes. To that end, we regularly take groups of suppliers to meet the guys who make the aircraft and design them and so on, and the supply chain managers in Seattle. One of those was in April this year, and we took Bombardier on a trip to Seattle, to link it up with Boeing and see if we can grow the supply base in Belfast specifically. For the record, I wanted you to know that.

Q355 **Lady Hermon:** That is all very well and good, but the question was whether you had actually been to Northern Ireland.

Sir Michael Arthur: As I said, I have not in this capacity.

Q356 **Lady Hermon:** Steven?

Steven Gillard: No, I have not.

Q357 **Lady Hermon:** Twenty years ago, when we had the negotiations around the Belfast agreement, otherwise known as the Good Friday agreement, can I just reflect to you how enormously helpful the American Administration was at that time? We have had peace and stability in Northern Ireland in those 20 years. It strikes me as being exceedingly disappointing, to put it mildly, that this American Administration led by Donald Trump appears to have turned its back on that very good relationship with Northern Ireland and the sterling work done by the previous American Administration. May I just ask you, when you leave this Committee, to reflect that to your other senior colleagues, and that it would be in the interests of both Boeing and Bombardier if Boeing took the action to withdraw this complaint? It has political implications, as you well know. The Prime Minister has been dragged into this. While you can repeat that it is commercial and it is legal, it is political.

Sir Michael Arthur: I completely understand the sensitivities and the background that you are describing. I am very happy to relay that up through the company. The point is well taken. We understand.

Lady Hermon: Thank you. It is well taken.

Sir Michael Arthur: Yes.

Lady Hermon: You will reflect that.

Sir Michael Arthur: I will reflect that into the company.



HOUSE OF COMMONS

Lady Hermon: I would appreciate that. Thank you.

Q358 **Ian Paisley:** Sir Michael, are you able to tell us what proportion of your profits comes from the sale of military hardware and services to the United Kingdom?

Sir Michael Arthur: In proportion terms, again, we are back into calculating numbers. We have a major business with the Ministry of Defence, particularly the part that involves the UK. It is not actually the platform because that tends to be the United Kingdom Government and the US Government. It is called a foreign military sales deal. Where the UK comes in is in the through-life support and the jobs that we are creating here are on the after-sales servicing, like keeping the Chinooks flying, for example.

Matthew Knowles: We would defer to the Ministry of Defence to provide a figure but I believe that it has just recently done that in one of the ministerial questions.

Steven Gillard: Harriett Baldwin responded to a parliamentary question regarding the level of defence spending with Boeing over the next few years, and that is on the record in Hansard. It was in response to a question on 13 September.

Q359 **Ian Paisley:** Do you know what it was?

Steven Gillard: The answer was £4.5 billion over the coming years that is contracted with Boeing. She mentioned that the largest element of that was regarding support for Chinook, which was approximately £2 billion and goes out to 2040.

Q360 **Ian Paisley:** What proportion is that of your profits?

Matthew Knowles: I do not believe we break that down.

Ian Paisley: You have not broken it down.

Matthew Knowles: I do not believe we have.

Q361 **Ian Paisley:** It would not be 10%.

Matthew Knowles: No.

Q362 **Ian Paisley:** Sir Michael, were you at the Boeing board meeting that decided, "We are going to take these boys to court"?

Sir Michael Arthur: I do not go to the Boeing board. My job is here in the United Kingdom.

Q363 **Ian Paisley:** That gives you good deniability if this goes pear-shaped, does it not?

Sir Michael Arthur: As I said, Boeing speaks with one voice and I am its voice in the United Kingdom.

Q364 **Ian Paisley:** You are the president: Sir Michael Arthur, president of



HOUSE OF COMMONS

Boeing Europe, managing director of Boeing UK and Ireland. You are a significant fellow. You are a captain of industry.

Sir Michael Arthur: I have the title you just read out but I do not sit on the Boeing board.

Q365 **Ian Paisley:** You are a serious player, but you were not at the board meeting that took this decision.

Sir Michael Arthur: The board meeting is a discrete group of people on that board.

Q366 **Ian Paisley:** Given what has happened, this sequence of events here, a decision was taken at board level to take these people to court who have done wrong. That is your contention. Since then, you have had what you believe is a legal dispute, which has turned into a very toxic political dispute. My goodness, the president is in front of the Select Committee in the British Parliament. There have been issues raised on Capitol Hill. There has been a loss of sales in Canada. The Prime Minister has rung the President on numerous occasions, with the former Defence Secretary threatening jobs and potentially sales in the United Kingdom. It was not a very good decision in the sense that this has really been a public relations disaster.

Sir Michael Arthur: We took a decision that we took for very carefully thought through reasons and we are where we are today. I would not categorise it quite like you have.

Q367 **Ian Paisley:** Has it been a public relations success?

Sir Michael Arthur: We will wait to see how the courts rule to see what happens.

Q368 **Ian Paisley:** There is potentially significant reputational damage for Boeing in this.

Sir Michael Arthur: I would hope not.

Q369 **Ian Paisley:** Do you not think your reputation has been tarnished somewhat to date?

Sir Michael Arthur: It will depend on how things come out. I would hope that that is not the case.

Q370 **Ian Paisley:** Things are never concluded in these matters. They run on and run on. Your reputation is a daily measurement. Do you feel there is reputational damage to the company?

Sir Michael Arthur: One or two of the members have very kindly mentioned things that we were doing in Yorkshire and with the Armed Forces, showing that we come here with good will and good intentions.

Q371 **Ian Paisley:** Sir, that is absolutely wonderful and I salute the work that you do. You are a fantastic company and you are a world player. You are a captain of industry and you do brilliantly in that regard. The profits



HOUSE OF COMMONS

are amazing, and to be trumpeted and to be celebrated. However, the impact of this is reputational damage. Given that you have been so successful, this is reputational damage to your company for crushing the wee guy. That is essentially what you are doing. Matthew has even indicated that, before 2015, Bombardier was in significant trouble. You are crushing it.

Sir Michael Arthur: That was not because of us; that was because of the management of the company.

Q372 **Ian Paisley:** Yes, but you are crushing it.

Sir Michael Arthur: We are not trying to crush it. We are trying to win a court case where there has been illegal action.

Q373 **Ian Paisley:** He has come up with something really clever in the composites market.

Sir Michael Arthur: When we see illegal action, would you expect us to ignore it?

Q374 **Ian Paisley:** You can arbitrate it.

Sir Michael Arthur: That is what we have done.

Matthew Knowles: That has happened.

Q375 **Ian Paisley:** No, you have not. You have gone to court with a view that you will get a sanction on it.

Sir Michael Arthur: We will see what the courts say. That is the course that we are taking. In terms of reputational damage, we are proud of our reputation. We are very proud of our role in this country and we would like to grow more jobs in this country. We are working hard at it. I hope there will not be any reputational damage.

Q376 **Kate Hoey:** Sir Michael, this will be widely watched in Northern Ireland, by people in Northern Ireland generally and obviously the people whose jobs are threatened. As the senior person in Boeing, do you have a personal message that you would like to direct to those people who are facing a Christmas of concern and uncertainty? Would you like to give them a personal direct message?

Sir Michael Arthur: I completely understand the uncertainty that is out there when these court cases are pending. We, as a company, are trying to grow our footprint across the United Kingdom so that there are more jobs coming down the track. That is what I am committed to doing. We have committed to doing that to the United Kingdom. Where there are people who are worried about the future of their jobs, wherever they are, of course we are sympathetic to that. We understand. Nobody wants to face job losses.

Q377 **Kate Hoey:** Are you not worried about the future of your job?



HOUSE OF COMMONS

Sir Michael Arthur: Everybody is worried about the future of their job. I could be gone tomorrow. If you give me a harder time, I probably will be.

Kate Hoey: Perhaps you will be glad you got your knighthood before you took the job. Thank you.

Q378 **Chair:** Does Boeing currently have any acquisitive interest in Bombardier or any part of Bombardier's business?

Sir Michael Arthur: I do not think I can comment on that in a public form like this.

Chair: Thank you. Sir Michael, gentlemen, thank you very much indeed for being with us today. Committees like this are inevitably robust in their discourse and you have faced our questions candidly and comprehensively. For that, we are very grateful. What you have said will certainly help to influence our report when we produce it on this central issue for the economy of Northern Ireland. You have shown your appreciation of how important this is for Belfast, Northern Ireland and the wider issues that relate to the island of Ireland. Thank you.

Sir Michael Arthur: Thank you, Chairman, for taking the time. We will come back to you with a number of things that we promised to you. Thank you very much for having us.