

Northern Ireland Affairs Committee

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

Wednesday 10 January 2018

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

Questions 379 - 439

Witnesses

I: Richard Harrington MP; Amanda Brooks, Director, Trade Remedies, Access and Controls, Department for International Trade; Paul Griffiths, Head of Civil Aerospace, Department for Business, Energy and Industrial Strategy.

Examination of Witnesses

Witnesses: Richard Harrington MP, Amanda Brooks and Paul Griffiths.

Q379 **Chair:** It is a pleasure to see you here. Congratulations on your reappointment. We are somewhat relieved that you were reappointed yesterday; otherwise, we would be wondering what on earth we were going to do today. To kick off, I wonder if you could introduce your team and give a brief rundown on your Department's take on the business before us.

Richard Harrington: Thank you. Dr Murrison, Andrew, thank you for having me. We have discussed this before Christmas, which seems like five or 10 years ago the way politics works. When I looked at my file over the weekend, I did wonder whether I should prepare myself because I did not know if I was going to be here or not. I am very pleased to be here, not least because it is a subject that I have been involved with literally since the second day of my appointment as a Minister after the reshuffle before this one, in June. It is not a subject about which I did not know what I would do or say; I have lived and breathed this, and so has my Department.

It is not normally my way to come with officials to Select Committees, because I consider it my responsibility. However, because this is such a broad subject, I have asked Paul Griffiths to come. Paul is head of the BEIS aerospace team, and he and his team have spent a large amount of their time—most days—working on this subject since I took over. However, perhaps more importantly, because she is in a different Department to us, Amanda Brooks from DIT is also here. She is the Director of Trade Remedies, so we felt that if the questions today moved on to less of the actual aerospace-specific and Bombardier-specific issues and on to what is going on on the trade side with the United States and everything else, that is Amanda's field of expertise. Furthermore, the two Departments do work very closely together.

That was a bit of a waffling introduction, Dr Murrison, so I will now go on to the subject that you asked me here for. However, I felt it important to put it into perspective; it is cross-departmental. As I know members of the Committee will be aware, the US Department of Commerce announced in December their latest determination and the investigation of imports of the Bombardier C Series aircraft, and basically have loaded onto it a tariff of 292.21%—effectively 300%. It was widely anticipated; we did expect it.

I would just like to say that it is not the end of the dispute because the next stage of the process is that the US International Trade Commission determines whether there has been any injury to the US aerospace sector. It goes without saying that we believe this is unjustified. Most of the industry does. Fundamentally this is because Boeing does not



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produce an aircraft that competes with this. The 737 aircraft, which is the smallest of the Boeing fleet, has got reduced size versions but they are not competing with the C Series. Forgetting any intricacies of WTO rules and law, it is very hard to see, looking down on a competitive field, the justification. They are not even in the same market.

We obviously want this brought to a close. There are appeals to be done in the US and through the WTO. For us, to get this resolved and to secure the job at Shorts in Northern Ireland is absolutely paramount. We are very aware of the significance to the Northern Ireland economy, and an ongoing takeover of the C Series in a joint venture with Airbus would be very beneficial to the company and to the economy in Northern Ireland, because of the employment there, and it is going through the process of regulatory approval and other due diligence. The trick, if I may use the word, is that part of the production will take place in a factory that Airbus already have in Mobile in the United States. The US element of it will be a significant part of it.

In terms of what the Government have done about it, which I suppose has core relevance as far as we are today, we are engaged. On my second day I went to the Paris air show and a breakfast was organised, by the Department and our embassy in the US, with the head of Boeing International, Mr Marc Allen, who is a very impressive top executive reporting to the CEO and this was the first issue that I flagged. I have been briefed on it by officials here and have met the Bombardier people, together with representatives from local political parties, and it was the first item on the agenda.

Their position was very clear. They said, "This is an unfair subsidy." They said that the actual marginal price of the aircraft was nearly \$40 million and, as far as they knew, Delta Air Lines had been an exclusive customer of Boeing and then they wanted a small aircraft in this field. Remember they could not really go to Boeing because Boeing did not have one, although Boeing might argue that their adapted 737 was one of these. Their argument was that this aircraft was sold to them at \$19 million and that this was a ridiculous and all this kind of thing. They were quite robust in their defence, and there were plenty of representatives of Boeing there. However, it is much more complex than that. It was brought to my attention straightaway that in the aircraft production business, it is very common to capitalise research and development costs.

Q380 Chair: A lot of this we have heard in evidence already. I was wondering whether perhaps you might say what the Government have done about it.

Richard Harrington: Yes, absolutely. Point taken. There is a long list of meetings that took place, but essentially we were engaged at all levels. As I have explained, there was myself and Marc Allen. I immediately met with the Secretary of State, Greg Clark, my colleague, and a series of meetings were organised, first of all with the Canadian Government and



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Canadian authorities. I had a number of calls with Chrystia Freeland, who is the Canadian Minister of International Trade¹. Greg spoke to the American Secretary of Commerce, Wilbur Ross, and others. He flew to Chicago to meet with the president and chief executive of Boeing, a chap called Dennis Muilenburg, and so it goes it on.

The then Defence Secretary was involved with his counterpart in the United States. I had meeting with him and that, incidentally, has been continued by his successor. The Prime Minister, who had been briefed on this, was involved. We had a meeting almost straightaway with Sir Jeremy Heywood to explain the situation. The Prime Minister has been involved. The Prime Minister has spoken to President Trump twice, I believe, on this matter. This has gone through Government. It has been Government-to-Government at the highest level. From my own Department's point of view, at official level, we have been involved, again, at the highest level with all the different Governments, and working with Bombardier, both Shorts in Northern Ireland and Bombardier in Canada, the parent company.

Q381 Chair: We have to plan for the worst next month when the matter comes before the ITC, and that is that the ITC will endorse, effectively, Wilbur Ross and the Department of Commerce in their decision in this matter. Given that, what substance do you think there is to the suggestion that Boeing is in fact using this as something of a test case, since if it succeeds in this matter, there may be wider implications for its ability to clobber its competitors in the way that it appears to be doing with Bombardier?

If that is the case, clearly there are a lot of UK jobs in the frame in Northern Ireland and further afield. Has your Department done an audit of companies that may be in a similar position to Bombardier—companies that have received significant UK Government or foreign Government subsidy to produce the goods that they are putting into the market and therefore are at risk?

Richard Harrington: First of all, my impression is that this is a test case for Boeing and that this is not just about the merits of this one particular case. I cannot say I have been told directly that by Boeing but I have sensed that. You could say it was a sprat to catch a mackerel or whatever. It cannot logically be that a small aircraft that does not really compete with them directly is of that much significance to a company the size of Boeing, with products all across the piece and everything like that. That is perhaps more of an impression by me.

I would just point out one thing that was said to me by Marc Allen at my first meeting at that breakfast in Paris. He said, "We will not stand idly by and see what Airbus did to the passenger division of McDonnell Douglas all those years ago." They regard it as being unfair competition.

¹ Correction: Chrystia Freeland is the Canadian Minister of Foreign Affairs



Yes, I do accept that point. We have got to stamp on this as they sit. It is unfair, but it must be as they sit.

The second point is about other companies that have received this kind of aid from the British Government. Obviously, I am just talking about the aerospace sector because it is the only bit that I am actually involved in, although we may get comments from officials on other things. Certainly in our own field, Airbus and Rolls-Royce have received the RLIs, which are loans. They are long-term finance loans. RLI stands for “repayable launch investment”, and there are those other two companies in this field that have done it.

There are also other companies that have received different types of research and development grants. We do not believe that they are in the same position as Bombardier. Each of these loans has very clear legal advice and very clear legal documentation to show that these are commercial loans with a commercial rate of interest, which actually is quite a high rate of interest to reflect the additional risk compared to, say, a fully secured bank loan and all that type of thing. They are secured on the parent company. This is not the Government just throwing out money as a kind of grant. Yes, there are those companies within it but we do not believe they are at this kind of risk.

Q382 **Chair:** Perhaps Amanda might be able to help us out a bit further. My interest is in business more generally and not specifically aerospace because, for the reasons that you have outlined, Minister, the concern is that this may be more generally applicable, which is particularly relevant at this point in time since the UK, with Brexit on the horizon, is seeking to have a free trade agreement with the US. Frankly, this does not portend particularly well, especially if it is going to be more generally applied. I was wondering if there were other sectors where the sorts of subsidies that you have referred to have been granted and may therefore contain companies that may be at risk in respect of our commercial relationship with the US in the current administration.

Amanda Brooks: I cannot answer that specific question.

Chair: I would expect the Government to be conducting some form of audit about companies that might be at risk.

Amanda Brooks: Could I come at it from a slightly different perspective? In any schemes that the UK Government have set up, we of course already consider whether they are compliant with the WTO agreements on subsidies. In the UK Government’s view, we believe the schemes that the Minister has just referred to—whether it is repayable launch investment or indeed R&D tax credits, which was one of the other schemes that was judged by the Department of Commerce to be an actionable subsidy—fall within what is permitted within the WTO rules and therefore do it. Our view would be that these existing schemes that we have in the UK are compliant with WTO rules and therefore the risk should be low.



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However, this case shows that there is a different risk there. I cannot comment. The Department for International Trade does not run any of those schemes itself. Those are run by other Government Departments, so I cannot comment on that in detail, in terms of what that means for individual businesses but, as a general principle, we, the Government, need to ensure that we are compliant with those WTO rules and we already do that.

Q383 Chair: You have not really answered my question. It may be that you are not in a position to do so, but I would expect, cross-Department, some work to be being done around what the implications for the expected ITC ruling in February could be for British industry across the piece. Are you aware of any such formal piece of work having been commissioned?

Amanda Brooks: I do not think that that would be for the Department for International Trade to do, because we do not run any of those schemes. We are very focused on supporting colleagues in BEIS and of course the ministerial team in BEIS to deal with the actions that fall from this particular case.

Richard Harrington: Dr Murrison, I am not aware of a comprehensive audit of the type that you have quite reasonably asked for. Aerospace is my field; obviously it has been done in aerospace. I have listed the companies that are involved in this, and I am almost certain that every other sector is very competent to deal with this, but I cannot say because I have not had that experience. However, if the Committee felt that they would like further details on this I would be very happy to provide them.

Chair: That would be helpful. Thank you.

Richard Harrington: Just to finish on the subject, if I may, as Amanda Brooks has said, on every document and arrangement I have seen, this is the top of the list, on all of the legal advice and everything that is received internally, externally, to make sure it does comply.

I have had my own experience of this personally. In my business life, I was never involved in anything on this grand scale. However, politically, my experience has been with this. This is not black and white. I am sure Boeing have got lawyers coming out of every room that they have, but at the end of the day they want to achieve an objective, and I do believe that there is a sledgehammer thing here, which I think will be successfully resisted.

Furthermore, from what I have heard about the WTO determinations, in the end many of them come out very correctly but they take years. This is the issue. It is not something that is determined in one month, two months or three months. As far as the American thing is concerned—the ITC—it is supposed to be independent of the American Government. It is what we would call a quasi-judicial role as opposed to a political role, but



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my expectation is that things will not be very different from what has already been determined.

Q384 **Chair:** The *Washington Post* is quite clear that this has become politicised, and it cites Wilbur Ross's intervention at several stages along the way. What do you think? Do you think that this is a straightforward commercial dispute, or do you think it is responding to the political environment that we have had over the past several months?

Richard Harrington: My opinion is that it is a commercial dispute with political cover. If the question was, "If Donald Trump had not been elected and there was no America First policy, would it have happened?" I would say, "Yes it would have happened." However, the policies and everything that Mr Trump has stated very publicly do provide some political cover for it.

I do not want to make this into a purely anti-Boeing statement from me and from the Department, but it just seems to me that this is big-company, multinational, market-dominant behaviour. From what I have learned from the manufacturing industry, these kind of arrangements, with Governments helping either directly or indirectly, happen all over the world. It happens with Boeing; it happens with every form of aircraft manufacturer that there is, because for each country the spin-off in terms of high-paid jobs and exports and everything is so important. There are different ways of doing it. As far as we are concerned, we are very cognisant of the fact that we have to comply with the rules.

Q385 **Lady Hermon:** Thank you very much, the three of you, for coming along this morning.

Richard Harrington: It is a pleasure.

Lady Hermon: Good. I hope you still think it is a pleasure when I have asked these questions. I have been taking notes while you have been speaking. You spoke with great enthusiasm about your commitment to this issue from the second day of your appointment and you talked about the French air show. You actually said that you had lived and breathed the Bombardier issue since your appointment. When did you last visit Bombardier in Belfast?

Richard Harrington: I have not visited it since the first week that I was there.

Q386 **Lady Hermon:** When was the first week that you were there?

Richard Harrington: It was after the general election. It would have been in July. It was actually the first week of my appointment. Remember that we see Bombardier people here all the time. I visited the factory once. I met Michael Ryan and the top management.

Amanda Brooks: 1 August.



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Richard Harrington: 1 August. I beg your pardon. I would be very happy to go and visit the factory. It is very enjoyable. I have seen it. This has been operating at a political level. This has been operating between Governments and our officials are there all the time. In fact, I think you, Paul, are going there this afternoon.

Paul Griffiths: Tomorrow.

Richard Harrington: It is not a question of this being ignored, Lady Hermon, at all. I enjoy visiting factories. Of course I do; it is absolutely fascinating, but I have seen it and I have it in my mind and therefore, when having conversations with management in Boeing and people like that, it is not just something in theory for me. It is not just a virtual thing. I have not just read a brochure or something like that. However, the issue is very important. For my aerospace-sector bit of my job, yes, we have Airbus, Rolls-Royce and so on, but Bombardier is the thing that dominates us.

Q387 **Lady Hermon:** Yes. Bombardier is the largest private employer in Northern Ireland. This is a really serious issue in Northern Ireland and when we had other witnesses, particularly the trade union representatives, the issue of low morale and concern amongst the workforce was discussed. It is lovely to have to have officials going to Belfast—thank you, Paul for going tomorrow to visit—but it is important that Government Ministers are seen to be onsite. It does boost morale because it does keep that issue very visibly at the fore for people in Northern Ireland. That is one issue.

Richard Harrington: If a company said to me, “Richard, we would like you to go next week,” I would.

Lady Hermon: You are waiting for an invitation.

Richard Harrington: No. I am just saying if there is a new reason, but unfortunately this is taking place at the Government-to-Government level. Frankly, the visit bit is the easy bit. When you get Prime Ministers discussing it with Presidents, when you get Secretaries of State flying to Chicago at the drop of a hat, when you get five or 10 conference calls going on all the time, this is what we do. As far as visiting is concerned, it would be an absolute pleasure but I have seen the factory. I will see it 10 times; that would be absolutely fine for me.

Q388 **Lady Hermon:** May I just suggest that the new factor, as you have mentioned, is that the US Department of Commerce announced in December the confirmation of the 300% tariff? That is a new factor. That is a very worrying factor because the clock is now ticking. In your enthusiastic response there, you said that in fact this is at a high political level and that there have been calls between the Prime Minister and the President. I have had replies from the Secretary of State that talked about phone calls between the President and the Prime Minister, today you actually confirmed that the phone calls amounted to two phone calls.



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You said that the Prime Minister has spoken twice to the President. Could you just confirm whether in fact the Prime Minister has actually spoken to the President since the confirmation in December by the US Department of Commerce? That is a key factor.

Richard Harrington: No, I do not believe that the Prime Minister has since then.

Q389 **Lady Hermon:** May I just record my deep disappointment, bearing in mind the importance to the Northern Ireland economy of Bombardier in Northern Ireland? I am disappointed that the Prime Minister has not spoken to the President.

Richard Harrington: If I may respectfully say, Lady Hermon, I do not think that is really a fair comment. The Prime Minister has discussed it, as I say, to my knowledge, at least on two occasions directly with the President, and the President has made it very clear that he has listened and he has taken a note of it. However, this is for the Department of Commerce and the trade authorities in the United States, and this is a commercial dispute.

I am really trying to be objective about this. I really think the Prime Minister has done everything that she could possibly have done on this, and so has the Secretary of State for Business, so has the Secretary of State for International Trade, who has been to Washington to discuss it, and so has the Defence Secretary. This really has been dealt with many times at the highest level. Incidentally, I have just noticed from my notes—you will excuse my lack of detailed knowledge of the Prime Minister's movement—but it was physically discussed with President Trump in New York at the end of September. This is not just some thing on some minor list that is being dealt with. It has been really dealt with properly at the highest level. You could say, if it was not for this, that American policy is something that we might just take some note of but is not relevant; it directly is here. However, President Trump has, whatever he may be, been very clear about his policy on matters, which is this America First policy.

Q390 **Lady Hermon:** Even though we have special relationship.

Richard Harrington: We do. We do a lot of business with the United States.

Q391 **Lady Hermon:** And what difference has our special relationship, which is always claimed and certainly claimed by the Prime Minister, actually made in this particular case? She has made two phone calls before December, not this year.

Richard Harrington: In this particular case, the appeals that the Prime Minister has made to the President would not seem to have made a difference. This is a trade dispute as far as they are concerned. I was asked my opinion by Dr Murrison—and I am afraid it is just an opinion, because I am not an expert on international trade and diplomacy—and



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said that this is a commercial dispute from Boeing that just happens to have some political cover because of what President Trump has said publicly. However, I did say very clearly, and I will say it again, that my opinion—and it just my opinion—is that this would have happened anyway.

I think it is very unfair to make any implication that the Prime Minister of this country has not done everything that she possibly could to try to help with this dispute. I would like that to be on the record in the same way that you put the contrary view on the record.

Q392 **Lady Hermon:** After this Committee, you might perhaps reflect to Number 10 that there has been disappointment expressed.

Richard Harrington: I certainly will do, but I think it is unfounded.

Q393 **Lady Hermon:** You think it is unfair. It is what I expect the Prime Minister, for the whole of the United Kingdom, which includes Northern Ireland, to be doing at the highest level. That is my point.

You did say in your evidence that in fact it was paramount—you used the word “paramount”—to get this issue resolved. You also mentioned to the Committee that appeals are being brought. Amanda said quite clearly that she was confident that the Government support for Bombardier falls within the WTO rules. If I put both of those bits of evidence together, may I just seek confirmation that the Government have actually added legal opinion to the appeal that is now ongoing on behalf of Bombardier? Has that been done?

Amanda Brooks: If I can come in on this, the appeals process has not yet started and there are a number of different routes that are available to us. The WTO rules on trade remedies require there to be an appeal route domestically. The next stage of the appeal route, inside the US system would be the US Court of International Trade. The other alternative available to the UK is the WTO dispute settlement mechanism, although, as the Minister has just said, those are cases that take many years, as you know. At the moment, nobody has lodged any appeals against this process. There is a timeframe for doing that that is underway, and it is under active consideration by Ministers at the moment in terms of which routes would be the most effective for the UK to take. That is a current discussion underway but the appeals processes have not been triggered.

Q394 **Lady Hermon:** But you are confirming that it is the Government’s intention to lodge papers and legal opinion to appeal and to support the appeal by Bombardier?

Amanda Brooks: What I said is that the decision is with Ministers to look at what the options are and to make those decisions right now.

Q395 **Lady Hermon:** Is that a yes or a no? Is the Government going to support the appeal by Bombardier?



Amanda Brooks: I cannot answer that. The decision has to be taken by Ministers and that is subject to that decision being made at the moment.

Lady Hermon: There is a Minister beside us, so let us ask him.

Richard Harrington: It is a question of the legal opinion on appeals. This happened just before Christmas. This is the first day back. We did not know who the Minister was until yesterday. This is top of the priority list. However, this is a very complex issue. Of course the Government want to support Bombardier. Of course the Government support Bombardier. It has put a lot of money into Bombardier. It has put in a lot of political capital in the United States. Whatever your opinion, Lady Hermon, the fact is that the Prime Minister has stuck herself on this. Of course when it comes to appeals through the appellate system, these are very complex matters. We have to find out what the companies say. We have to take legal opinion on it. There is no question of the UK Government not being behind Bombardier in any way, for commercial reasons—employment and everything that you mentioned—for political reasons and for international trade reasons.

You asked a very specific question to Amanda Brooks about whether the Government are now engaged in appeal. Yes, we have to get the opinions and then decide what to do. It is not a question of having had something in a pile for three months and then saying, "We will get round to it some time." It is not a question of saying, "I don't really want to do that." It is our determination to support Bombardier in every way we possibly can.

Q396 **Chair:** Can I ask when you would expect a decision to be made? Clearly preparation for this is at an advanced stage, with legal opinion. Of course that will never see the light of day because it is privileged and it will not be published, but I expect you to be in a position to make a decision on that sometime shortly after the ITC determination. Would that be correct?

Richard Harrington: That would be. Can I ask you to comment, Paul?

Paul Griffiths: We have been very closely, as the Minister said, with the Canadian Government and with Bombardier. Neither of those are yet in a position to appeal but after the International Trade Commission decision, then they will also decide what they will do as a result of a decision that we have not seen yet, because it will not be made until the end of January and will not be published until February, we would expect. There are number of routes of appeal and they do also additionally include for Canada to bring a dispute under the NAFTA agreement, where there is a determination process there. While the investigation has been underway, we have been very extensively engaged in that process. We have put in a lot of legal documentation. We have put in a lot of evidence around the UK's position. As we have been doing that, we have been doing it in a way that would lay the ground for an appeal. Until we see the final determination, we cannot decide what we are going to do.



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Q397 **Lady Hermon:** That is very helpful. Thank you very much indeed. I would just like to ask, Paul, because you have indicated that you are going to Belfast tomorrow to visit Bombardier, whether you are at liberty to say what issues are going to be discussed when you go?

Paul Griffiths: I am going to be discussing a full range of issues that will include the investigation, its impacts as well as wider issues with Bombardier and with Invest Northern Ireland. We have a good, longstanding relationship with Bombardier.

It covers the investigation, and that has been the focus of our activity since the investigation was launched on 5 March, obviously, with Bombardier, but there are other things that we will be talking about as well.

Q398 **Lady Hermon:** Are you going as a response to an invitation or have you decided that in fact it is the right thing to do?

Paul Griffiths: I invited myself for this one, but we have a process of ongoing engagement with them.

Lady Hermon: Thank you. The Minister might invite himself.

Richard Harrington: The company is very open for us to come.

Q399 **Chair:** Just before I go to Ian Paisley, can I press you on the point at which you would expect to make some sort of decision on an appeal using the various mechanisms open to you, given that there is some urgency in this matter?

Lady Hermon: Yes, there is.

Richard Harrington: The answer to your question is, as soon as there is something on our desk following the discussions with the Canadians and everything, it will be acted instantly upon.

Chair: Instantly is excellent. Thank you very much.

Richard Harrington: I mean after reading everything, but there will be no delays or faffing about.

Chair: "No faffing about" is what we want to hear.

Q400 **Ian Paisley:** I must say, from the last line of questions, Richard, I want to put on the record that, as a Committee member, I do not believe the Prime Minister is the enemy here. I actually think that Boeing's commercial aggrandisement and protectionism is the enemy. If we keep our focus on that, we might be able to crack a solution.

There appears to me one of two courses of action. One is we can await the outcome of the WTO deliberations—as you have said, that is time and that could take years—or, secondly, we could try to persuade Boeing to do the right thing and remove this case against Bombardier. What pressures is Her Majesty's Government putting on Boeing here in the



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United Kingdom in terms of its defence procurement contracts and other activities that may be shaking its cage a little and telling it, "Your actions against the workforce, against these people"—and Lady Sylvia Hermon had identified them—"are so significant in Northern Ireland"? What pressures are you putting on Boeing to say, "Those contracts may not be yours in the future"?

Richard Harrington: The first point I would like to make is about all of the meetings that I and other people have had with Boeing. By the way, the Chancellor of the Exchequer has brought it up. Most of the Cabinet who have a relationship have brought up the fact that we believe Boeing's behaviour is unreasonable on this, and we have put what pressure we can. That pressure has been that it will affect the relationship between ourselves and Boeing all the way through on the civil side and on the defence side. One of the first meetings I attended when this started—I cannot actually find the date—was when I met with Michael Fallon, the then Secretary of State for Defence, to discuss this. He brought it up with his political opposite numbers and the officials brought it up with their Boeing opposite numbers.

When this actually started, the Canadians made an announcement straightaway that was a press-release type of announcement: "We will not be dealing with Boeing again because of all this." Actually, in practice, that does not amount to very much. It is the kind of thing that looks good on a press release, and I am sure it was very effective from that point of view, but it actually has not amounted to any change in the relationship between the Canadian Government and Boeing.

In our case, we have a number of defence and commercial procurement contracts with Boeing. Boeing also has installations in this country, including placing orders with companies in Northern Ireland to help fulfil this. Incidentally, Bombardier itself has a commercial relationship with Boeing. This is a point I brought up with Boeing at my last meeting with Marc Allen. His view was, "Well, we are very open to doing contracts with Bombardier. Please tell them to apply them for any of our contracts we put out". You actually went to Boeing to see—

Paul Griffiths: I went with Bombardier before the investigation was launched.

Richard Harrington: Now whether this is corporate stuff that does not amount to anything—by the way, it is Bombardier's view that Boeing are not serious about giving them contracts—I could not possibly say.

Q401 **Ian Paisley:** Does Boeing believe that they could lose contracts or are they winging it—excuse the pun—on the basis that they think, "At the end of the day, there is so much tied up in this that we will never lose a thing"?

Richard Harrington: First, Greg Clark and I have made it very clear to Boeing that we think, from their point of view, in publicity terms in the



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UK this will be politically very bad for them. I mean "publicity" as in the general public; this is the sort of thing the press will pick up. Secondly, it will affect our relationship at all levels, including the defence level, with them. That has been reiterated to them by the change of Secretary of State at the Ministry of Defence.

The second bit of your question was a clear one. In my opinion, do they think it matters or do they think they will get away with it? I am inclined to the latter view, but that does not mean we should change what we are doing in any way. If it really is not effective, it means we have to do it stronger.

Q402 **Ian Paisley:** Absolutely not, no. Thank you for clarifying that. I have two other brief questions. First of all, you have indicated the level of contact that is going on. Is this your Department's responsibility? Do you have a point of contact on a regular basis in the White House that keeps making this point so it keeps flagging up on their agenda or is that left at the Prime Minister-to-President level?

Richard Harrington: No, it is dealt with at all levels. The top levels of the British civil service have very good connections with the top levels at the White House. Our ambassador in the United States, Mr Kim Darroch, has used every single connection they have there.

Similarly, I discussed this with Bombardier at the beginning. There are a lot of political contacts in the United States in Congress who are interested in matters in Northern and southern Ireland. That group has been used to lobby Congress. I know the British Embassy in Washington has been very highly engaged in this, much more than usual in any commercial matter. Paul, you have been involved in this. Would you like to comment, please?

Paul Griffiths: Yes, very much so. The Foreign Office have been very engaged with this. The ambassador, Kim Darroch, in person has been also very engaged with the administration and the wider political community in Washington and with Boeing. The ambassador appeared personally before the International Trade Commission in December. In answer to your question, absolutely, yes.

Richard Harrington: It is unusual, I am told, for an ambassador to go to an International Trade Commission.

Q403 **Ian Paisley:** Very finally, then, if I could go on to your broader portfolio, Richard, obviously you have responsible for energy. Energy costs in Northern Ireland are extremely high for manufacturers. It may not be entirely in your remit, but I am wondering whether your Department is looking at how you can address the issue at looking at developing business in Northern Ireland further, especially in the light of what has happened with Bombardier and the threat they are under and with other companies. Is there a way in which you can further incentivise industry by looking at energy costs in Northern Ireland for industry?



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Richard Harrington: That is a very interesting question, Ian. I know that is what politicians say when they do not know how to answer a question, but I am actually trying to think about it.

I must say that, in the Northern Ireland energy side of things that I have been involved with at the moment, it has been a concern to make sure the single energy market continues after the European Union thing. I have met with officials and the Minister a couple of times in Dublin about this. That has been the priority, because without that—

Ian Paisley: But that is about secure supply.

Richard Harrington: It is also about the price of it, because Northern Ireland is already higher in prices.

Ian Paisley: Yes, significantly.

Richard Harrington: If it was on its own, it would be. We cannot allow that to happen. I agree with you: the energy price issue is important.

Q404 **Ian Paisley:** Is there a way in which you could examine another incentivisation for high-energy business users so that we could continue to attract manufacturing into Northern Ireland?

Richard Harrington: I do not know the answer to that.

Q405 **Ian Paisley:** Maybe you could come back to us in writing.

Richard Harrington: Would you like me to come back to you personally or to the Committee? I do not know how relevant this is to the inquiry.

Chair: It is not directly relevant to the Bombardier inquiry, but it is of interest to the Committee.

Richard Harrington: Should I write to the Committee?

Chair: Yes, if you write to the Committee, that will be most helpful.

Richard Harrington: I would be happy to appear again on that particular subject. I am very happy to meet with any individuals if they would like.

Ian Paisley: I might follow up with you personally on that, but you should write to the Committee.

Q406 **Jim Shannon:** I am very interested in your job, Amanda, about trade remedies. If you knew the remedies for everything in the world, you would be doing extremely well, but I am sure you do not have that ultimate control.

This year Bombardier will unfortunately not meet their plane completions target. Their target was 22 or 23, and 17 is going to be their figure. It has been a difficult year for Bombardier in the completion of their airplanes and so on.

I just want to ask a couple of questions. Should the tariffs issue be



declared in favour of Boeing, whenever it is all completed and it comes to this conclusion, I am just wondering what discussions the Minister has had with Bombardier—and perhaps with Airbus as well, because of their partnership relationship—in relation to the opening of the manufacturing base in Alabama as a way of perhaps continuing the C Series within the United States of America and being able to sell their planes. I am just wondering whether you have had any discussions with Bombardier. Maybe it is your answer, Paul, or whoever it may be, but I am just keen to find out about this. It is a critical, crucial part of the jigsaw. If this works, then the tariff issue will not be as important, because we will have found a way to progress.

I am keen to find out what your discussions have been with Bombardier and perhaps with Airbus as well, because you cannot ignore Airbus now. They are hopefully part of the positivity that may come out of this.

Richard Harrington: Paul, perhaps you could answer on that particular point about Mobile, and then I will comment afterwards, if I may.

Paul Griffiths: In advance of the announcement of the joint venture on 16 October, the Secretary of State did speak with the Chief Executive of Airbus and the leadership of Bombardier, Pierre Beaudoin, about the joint venture. He made a statement in the Commons and said that this was a positive step. We do think it is a good thing for Bombardier, for Shorts and for Northern Ireland and the wider aerospace sector. I was speaking to Airbus yesterday about the same thing and the progress they are now making on the joint venture. It is subject to due diligence; it is subject to regulatory approval in a number of jurisdictions. That process is underway. Regulatory approval has been given in a number of jurisdictions already. They are expecting completion by the end of this year. We do not have a firm timetable yet.

When it does complete, the actual integration of the Airbus and the Bombardier operations will be able to proceed. We are expecting that that will include, amongst other things, the creation of a final assembly line in Alabama, alongside Airbus's existing facilities.

We would expect that that would mean that aircraft produced and sold in the US would then no longer be subject to US tariffs. There has been a lot of work done on making sure that the joint venture is actually an effective vehicle for both companies, and we expect it to be successful. The leadership of both Airbus and Bombardier have said that they would expect it to lead to an increase in sales of the C Series over what was previously expected. They have also said that the wings for all the aircraft—whether they are assembled in Montreal, where the primary final-assembly line will remain, or in Alabama—will continue to be produced in Belfast. We would like to see the ramp-up that is currently underway continue and expand further because of the joint venture.

Q407 **Jim Shannon:** First of all, I should have said this at the very beginning, but I just want to put this on record as well. Thank you, Minister, and



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your Department—and indeed our Prime Minister—for the efforts you are making. We do sincerely appreciate all those efforts. From what you have just said in all your responses, it is on record and it is clear to us all now in this Committee—and it is on the record now—that there is a lot of work being done behind backs to try to secure a future not only for the C Series in Belfast but right across other parts of the world as well.

When Boeing made their representation here, Mr Chairman, it was clear to us that they had a special relationship or a special engagement. There seemed to be—I am not being facetious—maybe coffee and biscuits whenever they arrived, and they had this nice, cosy relationship. I am not saying that we should have that cosy relationship as well, but it is clear to us that they seem to have meetings on a regular basis, if not a weekly basis, with the White House.

Do we make it our business—in the United Kingdom, in our Government and in your Department—to have those regular engagements as well with the White House?

Richard Harrington: With Boeing?

Jim Shannon: No, with the White House. If Boeing are doing it with the White House and obviously that relationship is a very pally one, I am just wondering whether we have a more business-like relationship. It is not necessarily coffee and biscuits, but it is certainly, "Let us get down to business."

Richard Harrington: Do you mean between us and the White House?

Jim Shannon: Yes.

Richard Harrington: I am sorry. I misunderstood you. I am so sorry. I have never given Boeing biscuits, and I have no intention of starting.

Q408 **Jim Shannon:** I suspect they would not give you one either. Do we have a direct contact on a monthly basis with the White House on issues that are of importance for us? I am sure we do not just contact them for the sake of it, but we do it because it is an issue.

Richard Harrington: The Foreign Office is not my field, but from what I gather we have exceptionally good relationships with the White House. That is their job to do. This is very important on the list of matters that are discussed. What does or does not reach through to the President, I am afraid I just do not know, but in terms of the influence we can give, my observation is that the embassy in Washington has done an absolutely excellent job on it. I really do. They are very committed on this. The ambassador himself is on a lot of the calls that we have on this, not just with ourselves but with the Canadian Government as well.

We have not mentioned it so much in the course of the meeting, but the Canadian Government are the lead players in this. Chrystia Freeland, who is the Minister of International Trade there, is in Washington all the time. Certainly where I have been involved, she has been very



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complimentary of our involvement, particularly that of Greg Clark, Secretary of State, in this.

From what I have been told, we do have absolutely excellent day-to-day working relations with the White House. Remember that what we are saying about Boeing and the White House can probably be said about all the major employers in the United States. The lobbying system there is the most sophisticated in the world. Whoever had been President of the United States, whether it was Hillary Clinton or whoever, I am sure it would have been exactly the same. I do not believe that it is because Boeing have managed to get special favours from the White House; I do not believe that at all. I just think this is what a company like Boeing does. They are huge employers in the United States. I just believe their behaviour to be unacceptable in the case of Bombardier, who they do not compete with.

Q409 Jim Shannon: In your answer, Minister, this was probably fairly clear, but I just want to ask you: did you sense any friction between Bombardier, Canada and the White House? Are you aware of any friction that there may or may not be?

Richard Harrington: I am not aware of any. I certainly did not sense any. But the discussions we have had with the Canadians have been more on the trade and commerce side rather than, for example, what Mr Trudeau may say to Mr Trump, et cetera. I believe that we have tried to do everything with the Canadians. That is absolutely right. They are the lead player in this. Outside of this, whilst it is hugely important for us here today and the economy of the United Kingdom and a very important part of the United Kingdom, the majority of this dispute is between aid—they would call it unfair subsidy or whatever—from the Canadian Government to this project. While our own end of it, I hope, is significant in financial terms, it is actually not a large amount compared to the total.

The American Government, of course, have much bigger disputes with the Canadian Government than this, such as the whole renegotiation of the treaty and relations between them.

Q410 Chair: What Mr Trudeau has said to Mr Trump is, “We are going to cancel 18 fast jets that we had intended to procure.” We have heard from Unite the Union that the British Government should be taking more direct action against Boeing to persuade it of the error of its ways in respect of Bombardier. Bear in mind that Unite the Union represents people from across the UK, so this is not a suggestion that is idly made. What more could the British Government be doing perhaps to emulate the Canadian Government in taking substantial action against Boeing and our defence orders in particular, and the promise of future defence orders, in order to change its behaviour?

Richard Harrington: What the Canadian Government have done has had no effect on this dispute whatsoever. In terms of their defence



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orders, the Canadian Government and our own Government are very small fry to Boeing. They will have taken this into consideration. We have made it very clear that this has soured the relationship between ourselves and Boeing and will in future.

I actually think what the Canadian Government did at the beginning was not helpful at all. The problem with doing what the Canadians did is that you have one hit at it, which they have done, and then Boeing have said, "And?" and they have continued in exactly the same way. We have more chance than them.

Q411 **Chair:** If I am correct, what we have implied is that this may affect future defence orders from Boeing. Is that correct?

Richard Harrington: Do mean what was done by the Canadians?

Chair: No, what the UK has done—that is to say the MoD—is implied that this may sour our future relationship with Boeing.

Richard Harrington: That is absolutely correct.

Q412 **Mr Campbell:** Just on that point, Minister you have been very helpful and very forthright in terms of your answers, particularly when you have put the juxtaposition between the Canadian Government's response and our response. You have made it explicit that you think—and I agree with you—that the Canadian Government have said what they have and the barrel is now empty. They have fired the shot, and that is it. Boeing have said, "That is okay." Our reaction, though, surely has to be to say to Boeing that there are very specific implications. Do we not need to spell them out more specifically to Boeing than simply saying, "If you proceed, this will affect our relationship at every level"?

Paul Griffiths: Defence procurement is obviously an issue for the Ministry of Defence, but the previous Secretary of State for Defence is on the public record as saying, when he was in Belfast, that this would undermine the relationship with Boeing. The Canadians are in a slightly different position at the moment in that they have a live procurement underway. Therefore, they have to make decisions. That process is now happening. For the UK, as I understand it, there is not a live, new procurement underway where Boeing would potentially be feeding in new aircraft. We are not yet at a stage where we need to make the key procurement decisions, but Ministers have been clear to Boeing already on how they would expect that decision making to work.

When we do large procurements, there is a framework in which we can take into account socioeconomic factors. The sort of impacts of a Boeing procurement versus any other procurement will be taken into account. The primary focus will be on the defence capability, but there are also these wider issues.

Q413 **Mr Campbell:** One would presume that, while there is no procurement issue at the moment, there is almost definitely going to be one in the



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lifetime of this Parliament. One would assume that.

Richard Harrington: I am not aware of our defence requirements, but I would assume so. I would just like to—

Mr Campbell: But one would assume that.

Richard Harrington: In the normal course of things, yes, but this has soured the relations between ourselves and Boeing. It should do and it has.

Q414 **Mr Campbell:** Minister, Boeing probably appreciate that there has been a souring of relationships, but what Boeing need to understand is that it is more than just a souring of relationships, à la Canada. They need to understand that there is more than the Government, whether in Canada or in London, banging the desk and saying, "This is not really on, chaps." There has to be a little bit more to it than that, and they need to understand that there are very severe financial implications for Boeing.

Richard Harrington: I accept what you say, Mr Campbell, but actually the amount of business that is placed by the United Kingdom Government with Boeing on the scale of their business itself is not a lot. It is more than that. They want good relations with us. They employ people here; they want good relations with us.

The reality is, notwithstanding Sylvia's comments, it is generally regarded that we have hit them at all levels, politically, as much as any Government possibly have. At the moment the fact is that what the Canadians have said and what we have said has not made any difference to what they have done. Those are the facts, because otherwise they would not have continued at this level. Boeing would not, and the American Government through its Department of Commerce would have also said no, and that has not happened. The facts do speak for themselves. This will make things significantly worse for the relations between the United Kingdom and Boeing. We cannot view them in the same way we did before, because this is something that is affecting employment at the heart of our economy. It is affecting Northern Ireland a lot more, which is what we are here for today, but even if you take the whole of the economy, it is unacceptable. This is not competition; this is not something where there are two competing aircraft of the same size and one is at one price and the other is at another price, and therefore one is subsidised in a way and the other is not. This is not that. They are not even in this market. It is unacceptable, it has been repeatedly said, and it will make a difference to the way that procurement works. There is no question about it.

Q415 **Mr Campbell:** That is helpful. I just have one last question, Chairman. You used the phrase that you were confident of the outcome in terms of the appeal, or words to that effect.

Richard Harrington: No, I do not think—



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Amanda Brooks: No, you were confident that the ITC would uphold—

Richard Harrington: Yes. I know the ITC is semi-independent, but I see no evidence at all that they are going to decide differently from the way that the Department of Commerce has done directly. I am sorry; I did not intend to cause that confusion. As far as the merits of the case when it gets to the WTO and everything else, that is a different matter. As much as I can see—and I have tried my best as a non-expert, though I am advised by experts—this whole thing is spurious. It is not based on a subsidy that is anything different to anything else in the aircraft business throughout the world. It has been done by extensive legal advice to comply with rules. Everyone knows what the rules are, just like with the state aid in Brussels and everything like that. There is a lot of interest paid here. It is not like this has just been blundered into. I feel that this is a complete try-on by Boeing, and it is for anti-competitive purposes, for their own purposes.

Paul Griffiths: We feel we have very good arguments in what is a complicated legal procedure. We are also conscious, however, that it is at the moment a US domestic procedure, which is designed to favour domestic businesses, in the International Trade Commission. It is a panel of five appointees; there are only four people in place at the moment. Therefore, for Bombardier to win on the issue of whether or not it has injured Boeing, we need three of the four members of the ITC to side with the arguments we have been making with Bombardier and the Canadian Government.

Q416 **Mr Campbell:** You would only need three even if there were five, would you not?

Amanda Brooks: Just to add to that, the reason why the Minister is doubtful that the ITC might behave differently to the Department of Commerce is that if you look at their track record, it is the exception that the ITC takes a different position to the DoC, rather than the rule. We hope we are the exception; we have argued our case strongly to be the exception.

Chair: With Wilbur Ross breathing down its neck, I would not hold your breath.

Richard Harrington: But then there are good legal arguments to be taken on appeal by Bombardier, the Canadians and ourselves in a variety of fora.

Q417 **Nigel Mills:** Just while we are on that topic, Ms Brooks, is your title “Director, Trade Remedies, Access and Controls”?

Amanda Brooks: Correct.

Q418 **Nigel Mills:** Presumably you are working on devising our own trade remedies rules going forward.

Amanda Brooks: Correct.



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Q419 **Nigel Mills:** Do the rules the US have put in place look like sensible and reasonable process, or have they created a kangaroo court in effect?

Amanda Brooks: No, the WTO provides a framework for how both anti-dumping and subsidy investigations work. There is quite a lot of it set out in internationally agreed law. The US is compliant with that, as indeed will be the UK when we reach the point that we have our own system.

However, it is fair to say that when you look at what happens on remedies investigations around the world, it is one of the most disputed areas of trade policy. In WTO dispute settlement terms, it is the most likely topic to be a dispute settlement case that the WTO consider at this moment. There are many cases against the US system on particular bits of process in terms of how they apply it. There are certain things that they operate that are rather different to other countries and, indeed, the proposal that is currently before the House in terms of how we are setting up trade remedies in the UK. For example, they run what they call a bifurcated system, so the Department of Commerce does one element and the International Trade Commission takes a different element. The Canadians, the Mexicans and some other countries do the same, but many countries do not do it like that. They operate it as a single system. The proposal in the House at the moment is that the UK would have a single body that does that. That is all permissible within the rules.

There are certain things the US system does that I think have been disputed consistently and where my expectation would be that there would continue to be disputes on certain elements of how the US system operates. Some of those have come into play in the decisions they have made on the particular evidence that Bombardier has made in this case. As Paul and the Minister have already said, we think we have very strong grounds and a strong case in what we have put forward so far, and we will continue to do so through whatever mechanisms Ministers conclude are the right ways forward.

Q420 **Nigel Mills:** But the overall conclusion of that is that the approach the US are adopting is not an unreasonable one. We may not like the conclusion, but it is not a strange, bizarre process that has been put in place that is not doing something.

Amanda Brooks: That is correct. If I may add just one further element, one of the challenges in this is that this is a complaint that has to be taken by businesses. It is a business-initiated process. This is true everywhere in the world. Actually, it is then very hard for any Government to stop the investigation until it has successfully concluded. The Department of Commerce was required to see the investigation through to completion unless Boeing were to withdraw their complaint.

Q421 **Nigel Mills:** We are creating a system that is independent of Government as well, are we not?

Amanda Brooks: It is an arm's-length body, correct.



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Q422 **Nigel Mills:** Otherwise, simply, we would be in the same situation as that. I just want to explore the nuances of language. Minister, you referred to Boeing's case as "spurious" or "frivolous" or a "try-on". Mr Griffiths, you say that Bombardier, we and Canada have some very good arguments. Ms Brooks, you just used some words that were quite similar to that.

If my lawyer told me that I had a good argument, I would be a bit concerned. If they told me my opposition's case was spurious or frivolous, I would be quite confident. Are we saying that Boeing's case has no basis here or are we saying it has some basis but we think it should fail?

Paul Griffiths: We do not want to get into the detail of the legal advice we have received, but I have no reason to disagree that this is a spurious action from Boeing. There has not been an injury to it, and we just do not think the investigation should have gone forward at all, and we think that on appeal we would win—[*Interruption.*]

Richard Harrington: I am sorry, Paul. Had you finished?

Nigel Mills: Mr Griffiths has just said he agrees with you, so we can go on.

Richard Harrington: The first briefing I ever received about the civil aircraft market—my responsibility obviously is for the whole of it, which includes Airbus and everything else, not just Bombardier—made it clear that it is very commonplace for the development of these aircraft to be helped in different ways by Governments. In America it might be tax breaks; it might be other things. In this country, we have this repayable launch investment project, and so on, all over the world. It is very common for the development cost to be capitalised on balance sheets. Boeing itself carries more than \$32 billion of such things. For orders to be got at more or less cost price to prove that it is a good aircraft—

Nigel Mills: I was coming to some of these things.

Richard Harrington: My point is really that this is a very normal type of business. Boeing knows that, and everybody knows that. That is what I mean by, "It's a try-on," and, "It's spurious."

Q423 **Nigel Mills:** Can I just go down my line of questioning? I was trying to understand, Mr Griffiths, whether we thought their case was spurious because there is no harm to Boeing—because there is no competition, because they do not have a plane in that market—or whether we think the case is spurious because all the precise state aid that has been provided is acceptable or whether it is both of those things.

Paul Griffiths: It is effectively both of those things. The case that is under investigation takes into account whether or not there is an injury to Boeing as the final element. We do not think there is. Bombardier do not think there has been, because they did not compete head to head with the order for Delta Airlines, which is at stake. At the same time, we



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have looked extensively at this. We did so in advance of all the support that has been given to Bombardier by the UK Government. That was done under programmes that are state-aid compliant and that meet WTO rules. We also think Boeing does not have a good case on those grounds.

Q424 Nigel Mills: What is your view on the aid provided by the Canadian Government or the state government in Canada? Is the \$1 billion equity stake they took normal in these situations? Is that compliant, in your view?

Paul Griffiths: The Canadian support is a matter for them. The way the Department of Commerce has looked at this is looked at investments made by the Government of Quebec into different elements of Bombardier—both Bombardier Transport and the Bombardier C Series programme—and has itself actually decided that the bulk of those investments that were made by Quebec were actually reasonable commercial investments.

Q425 Nigel Mills: Have we ever put £1 billion equity investment into a specific range at a company we would like to support? Would we be a bit nervous and think that might possibly be tighter on the rules than we would like to get to or something?

Paul Griffiths: In the past, the UK Government have set up or acquired a number of companies, and it has privatised defence and aerospace companies over the years.

We have not put that amount of money into particular projects or companies in aerospace in recent years, but we have done it in the past in the way the Canadians have done it. It has been looked at very carefully and they have made strong arguments that it is all compliant with the appropriate rules.

Richard Harrington: It is not £1 billion, as you say, but our loan is £113 million. It carries a significant rate of interest, which has been calculated to reflect the extra risk, because obviously this loan does not have the security that, for example, bondholders might have. I do not know what Bombardier bonds are—let us say 4%. It is more than that to reflect the risk, but it is £113 million. It seems to me, Mr Mills, that what has happened is that everything Delta buys is Boeing. The CEO of Delta Air Lines has a good relationship with Boeing, I am sure. They are one of their important customers. He or she—I do not know who it is—can probably be in and out of the boardroom when they want. Why should he or she not be? It is a powerful customer.

One day, they say, “Why have you placed this order with Bombardier?” and Delta say, “They have given us an offer we cannot refuse. It is a good price; we need to be in that market. You are not in that market. This is normal commercial stuff.” Bombardier say, “We have this new product. We need a big customer for it,” in the same way as these developers of big shopping centres will say that they will give—I don’t



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know—Marks & Spencer low rent for 10 years or something to get them in, because then everybody else will follow. To me this is a normal kind of commercial practice. It is no different from what is happening everywhere else.

But Boeing have said, “We do not like competition at all. Delta are an all-Boeing company.”

Q426 **Nigel Mills:** I do not think Boeing said that, did they?

Paul Griffiths: Just to clarify, before Christmas Delta did announce an order for Airbus aircraft, and they have also inherited aircraft from other companies.

Richard Harrington: Boeing have these ideas: “They are an all-Boeing company.” Probably that is not every single aircraft, but you can just imagine what happened. From Delta’s point of view, they want to be in this smaller-aircraft area, because it is a growth region; everybody knows that. They have one or two companies to buy from. Boeing is not even one of them. That is why I find that it is a try-on.

Q427 **Nigel Mills:** I was trying to just explore various types of state aid. The repayable launch investment we provide is a big programme, is it not? It is something like one-point-something billion pounds that we are prepared to provide to the sector, so we are still confident that the way we do that is acceptable. The US Department of Commerce took objection to it because they regarded it as an interest-free contingent liability during the period of investigation.

Paul Griffiths: That is correct.

Nigel Mills: What is our answer to that?

Paul Griffiths: We showed them the contract, which showed the rate of interest.

Richard Harrington: This is a commercial contract with a high rate of interest.

Q428 **Nigel Mills:** That interest is payable without any conditions, is it? Is it repayable only if they sell enough?

Paul Griffiths: It is a complicated contract with all sorts of conditions in it, but we explained this in depth to the staff of the US Department of Commerce who visited London and Belfast. We went through the contract and explained that we are very secure that we will be getting the money back with interest as aircraft are delivered, in accordance with the terms of the contract.

Q429 **Nigel Mills:** Were there any commercial lenders who were willing to advance funds on a similar basis? Is that a test we have to apply? Boeing seem to suggest that it is.



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Paul Griffiths: In this case, Bombardier funded the development of the C Series aircraft initially from its own funds. It had extensive bond positions in the market as well, so it had bond funding as well as retained earnings. A portion of the programme is funded by its risk-sharing partners, which include a number of major aerospace companies around the world, and then a portion was provided through support that was provided from the Canadian, Quebec and UK Governments.

Q430 **Nigel Mills:** Minister, you mentioned that Boeing get lots of assistance in the US in various ways. Have we ever considered making a complaint or a referral that they are dumping planes in our market below real market value because of all the US aid they get?

Amanda Brooks: Shall I take this? At the moment, a UK or European company would need to take a complaint as of today to the European Commission so that they would trigger a similar investigation. To my knowledge, no European aerospace or British aerospace company has done that. In the future, we would be led by a UK business making a similar complaint to us that we would investigate, just as the US have investigated Boeing's. The trigger is that there has to be a business complainant.

Paul Griffiths: That is under the remedies procedure. There are also, however, longstanding WTO cases that do involve support to Boeing. The WTO has found that the US Government or US states have provided support to Boeing, over the years, worth billions. The issue of whether or not the support that is provided to Boeing, Airbus and other companies in the aerospace sector is a longstanding issue for us, where the US have taken against the way that we provide support to our sector.

Q431 **Nigel Mills:** Do Embraer have a WTO case against Bombardier?

Paul Griffiths: They have previously had a WTO case.

Amanda Brooks: They have one at the moment.

Paul Griffiths: They are launching one at the moment.

Amanda Brooks: They opened one at the end of last year as well.

Q432 **Nigel Mills:** Is it the same C Series that they are objecting to?

Amanda Brooks: Yes.

Q433 **Nigel Mills:** Are we taking the same robust stance against Brazil and Embraer that we have taken against the US and Boeing?

Paul Griffiths: For that one, Brazil has not, as of yet, made a complaint against the support that the UK has provided, but through our engagement with the European Union we will be involved in that case as a third party, and we will no doubt want to get engaged. The focus at the moment has been on the US domestic dispute.

Q434 **Nigel Mills:** I just have a couple of last questions on the threat we are



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giving to Boeing if they carry on with this complaint, as in what we may or may not do to them. Are we saying we would exclude Boeing from tendering for any defence contracts on the basis of this? Would that be illegal and not something that we could probably do?

Paul Griffiths: There are procurement rules that we will need to follow.

Richard Harrington: But we have implied that we will do everything and that this has soured the relationship between us. We would have looked on Boeing in a much more favourable way than we now will.

Q435 **Nigel Mills:** We do not tend to tender major contracts on the basis of whether we look favourably or unfavourably on the bidder, do we? We tend to have to follow strict procurement rules.

Richard Harrington: We follow the rules and we go for the best deal that we can for the British taxpayer, et cetera—of course we do—but a lot of this is relationship-driven as well. We have advice and opinions given to Ministers within the procurement system as well. Boeing wants a very good relationship with us generally; of course they do. Under normal circumstances, for us as a Government it would be a lot cleaner and a lot better without what they have done or what they are trying to do to Bombardier in Northern Ireland.

Q436 **Nigel Mills:** What would our response be if a major UK exporter felt that somebody was dumping stuff in the UK and they made a complaint under the system we are designing, and then a foreign Government said, "If you proceed with that complaint in your market, we will just not give you any of the contracts that you are perfectly entitled to win and you are best placed to bid for"? Would we not feel that this was a bit of an escalation too far? Do we not have to be a little bit careful that we do not turn this into a trade war between us and the US?

Richard Harrington: We have to escalate this as much as we possibly can by putting as much pressure as we possibly can on Boeing in every way they want and in any favours they want from us. This is part of one relationship. What we are not prepared to do is make it separate from the rest of the relationship between Boeing and the UK Government?

Q437 **Nigel Mills:** Do we do favours for Boeing, then?

Richard Harrington: When I say "favours", I do not mean anything other than the fact that we want to encourage business with them.

Nigel Mills: I am slightly worrying about the UK's procurement strategy.

Richard Harrington: Yes, I did not particularly mean "favours" in that way. Boeing should be and would be a trusted partner of UK Government and UK business. They are a multinational company investing here and investing throughout the world. Normally, we would want a very clean, pure and very positive relationship with them, but what they are doing with Bombardier cannot allow us to do that.



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Q438 **Nigel Mills:** Are we going to exclude them from tendering?

Richard Harrington: I did not say that.

Nigel Mills: We are going to mark them down in those tenders somehow.

Richard Harrington: The tendering process is a completely different process, but we have made it very clear to them that, as far as we are concerned, it is part of one relationship.

Q439 **John Grogan:** Minister, I just have one question. This is clearly going to take a while to resolve. Given the importance of Bombardier in Northern Ireland, is there anything the Department could do to look at other markets to help Bombardier? Have they requested such assistance? Is there anything that can be done to assist them in seeking further markets?

Paul Griffiths: There can and there is. We and the Northern Ireland Executive have worked closely with Bombardier over the years. The UK Government provide a number of forms of assistance to Bombardier; that is longstanding.

I mentioned previously that I had been to Seattle with Bombardier to talk about opportunities for Boeing before the launch of the investigation. That sort of work on helping Bombardier get into other markets continues. UK Export Finance, which is part of the Department for International Trade, also makes available export finance to aerospace companies including Bombardier. We will continue to do that. There is also a relationship with Bombardier around R&D support. The Northern Ireland Executive provide assistance under their R&D programme. I am also responsible for a large R&D programme across the UK, and we will continue to look at applications from Bombardier for support in that way.

Lady Hermon: It would help if we had a Northern Ireland Executive. I am sure you are impatiently waiting for it to be restored.

Richard Harrington: We are.

Lady Hermon: Thank you, in the interim, for your help and support.

Chair: Minister, thank you very much indeed. Thank you, Mr Griffiths; thank you, Ms Brooks. What you have said has been very helpful in forming what we think is a very important inquiry, which is coming to its end now. We will produce our report in the very near future. Your remarks today will certainly be helpful in composing that report. Thank you.

Richard Harrington: It is a great pleasure, Dr Murrison. Thank you.