

## Bombardier looks south to build

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Bombardier Inc. (TSX:BBD.B) is pressuring governments to pony up more money for its new US\$3.2 billion CSeries aircraft as the world's third-largest airplane manufacturer threatens to shift production to the United States because of high currency costs.

Up to 2,500 employees had been expected to produce the aircraft's cockpit and overall assembly in the Montreal area, with another 2,000 jobs focused on production of wings in Belfast, Northern Ireland.

"These are still are our preferred sites but the negotiations are going on and given the state of the Canadian dollar and the British pound, we are evaluating sites in the United States at this point," Pierre Beaudoin, president of Bombardier Aerospace said Friday during a conference call.

The U.S. dollar has dropped in value against most major currencies, as reduced U.S. interest rates in recent months has accelerated a years-long decline against the loonie.

Building a new facility in the U.S. would provide the company with a natural hedge since the planes - with list prices starting at US\$40 million - will be priced in U.S. dollars.

Discussions have already taken place with at least one unnamed U.S. state.

"Of course it will jeopardize the investment in Canada and the U.K. because the investment will come from somewhere else," Beaudoin said.

Talks are also underway with governments in Quebec, Canada and Northern Ireland to increase their contributions.

Bombardier has spent US\$145 million on R&D so far. Another US\$2.5 billion is planned, plus US\$700 million in capital costs for buildings and equipment.

Governments, suppliers and Bombardier will each pay one-third of the new US\$3.2 billion project costs. That's \$400 million than the 2005 estimate.

Michel Arsenault, president of the Quebec Federation of Labour, said although he's pleased the project appears to be progressing there remains uncertainty about its association with Montreal.

But Quebec Economic Development Minister Raymond Bachand said it's difficult to conceive that Bombardier could select a location other than Mirabel.

"Given Quebec's comparative advantage, he has strong hope that it will take place here and he will naturally push for that happen," he said.

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