



## Bombardier, Inc.: Why Quebec Is Coming to the Rescue

### Description

When *Reuters* first reported that **Bombardier, Inc.** ([TSX:BBD.B](#)) would be receiving aid from the Quebec government, the company's stock price surged. But at the end of the day, no one should really be surprised by the outcome. We take a look at why below.

### A long history

Bombardier's relationship with the Quebec government goes back a long time and has involved some very significant aid from the province.

For example, the government of Quebec (along with the federal government) has repeatedly offered funding for Bombardier regional jet customers. This aid has hurt Canada's relationship with Brazil, home of regional jet manufacturer Embraer.

Quebec's assistance has extended to the rail division. For example, Bombardier won a \$1.2 billion rail contract in Montreal back in 2006 without having to face any competitive bids.

More recently, the province provided financial assistance to a new cement venture by Bombardier ex-chairman Laurent Beaudoin. So, the relationship seems as strong as ever.

### A big footprint

Bombardier has roughly 18,000 employees in the province of Quebec, and those jobs are very important for the province's government. And as would be expected from a manufacturer, some of these jobs are located in very small districts.

For example, Bombardier has a 550,000 rail-vehicles production site in La Pocatière, a town of just over 4,000 people. If that plant ever ran into trouble, it would have some big ripple effects on the region.

And there are other jobs in Quebec that rely on Bombardier's health. For example, **Pratt & Whitney** makes engines for the CSeries aircraft in Longueuil, Quebec.

## The threat of alternatives

It's no secret that Bombardier needs more cash, and it quickly became clear that no option was off the table. The company held talks with Airbus about a CSeries partnership, and was looking to sell off a piece of its transportation division.

A partnership with Airbus in particular would have threatened jobs in Montreal, since it would have meant giving up control to a foreign company. Airbus may have even insisted that production be moved to a lower-cost country.

## What this means for Bombardier

Without a doubt, this is a positive step for Bombardier. The company was projected to run out of cash sometime next year, and this partnership will help sustain the development of the CSeries.

Whether or not this is good for Quebec taxpayers, that's another matter altogether.

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