BOMBARDIER CALLED "HUGE ASSET" AS QUEBEC VOWS AID IF NEEDED

News / Manufacturer

Bombardier Inc., draining cash amid delays on its marquee CSeries jetliner, can count on Quebec's provincial government if the planemaker needs financial assistance, Premier Philippe Couillard said.

Even with the shares plunging 60 percent this year and the CSeries US$2 billion over budget, Bombardier's central role in Quebec's aerospace industry makes it a "huge asset" worthy of supporting, Couillard said.

"If they need something we will be ready to help them - not only because of the company itself, but the whole impact on the economy in Montreal and the aeronautical cluster," the premier said Monday in an interview at Bloomberg headquarters in New York. The industry employs more than 41,000 people in the province.

Couillard echoed comments earlier this year from Economy Minister Jacques Daoust, who also pledged Quebec's backing for the company. Bombardier has struggled with slow sales of the

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CSeries, its biggest-ever aircraft, and plans an initial public offering in its train business to help bolster cash.

Investors' perception of Bombardier's creditworthiness improved Tuesday, as the cost to insure Bombardier debt for five years using credit-default swaps fell 45 basis points to 1225 basis points at 4:05 p.m. in New York, according to prices compiled by Bloomberg. That's the best performance among members of Canada's benchmark Standard & Poor's/TSX Composite Index.

Couillard's comments are "clearly positive," for Bombardier, Evan Mann, a Gimme Credit analyst, said in an interview. "It does suggest that if they were in a pinch, someone would be there to provide liquidity and get them over the hump. That's what the market is responding to."

Certification tests of the CS100 -- the smaller of two variants of the CSeries family -- are more than 88 percent complete, Bombardier said on Friday. The plane is on schedule for entry into service in the first half of 2016.

Orders Already

"At the moment they seem confident that we will go through the certification of the new plane, and hopefully they will get some new orders," Couillard said. "They have orders already, and that's critical for us."

The company expects to meet financial requirements "for the foreseeable future," according to a July 30 quarterly filing. Bombardier had US$3.1 billion of cash and cash equivalents and about US$9 billion of long-term debt as of June 30. Bombardier has nothing to add to the July comments, Isabelle Rondeau, a spokeswoman, said via e-mail.

Bombardier's widely traded Class B shares rose 5.7 percent to C$1.67 at the close in Toronto.

Couillard declined to elaborate on specific forms of assistance that Quebec might provide. In the past, government-owned agency Investissement Quebec has provided support such as loan guarantees for foreign buyers of Bombardier aircraft.

"We've always been at the side of Bombardier," he said. "If they ask, we will always be there."

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