



BOMBARDIER FAMILY DIGS IN ITS HEELS ON DUAL-CLASS SHARES

News / Manufacturer



Bombardier Inc’s founding family is rejecting demands by Canada’s government to loosen its control of the company in exchange for financial assistance.

“It’s not our intention to change anything in this regard,” Chairman Pierre Beaudoin said Friday in Montreal.

Prime Minister Justin Trudeau’s government is said to be pushing for corporate governance changes, including the dual-class structure that allows the Beaudoin and Bombardier families to control the company. The two sides still aren’t close to a deal, according to two federal officials who spoke on condition of anonymity as talks are private.

The dual class share structure remains at the centre of the impasse, one official said. Beaudoin, however, was adamant on that issue Friday.

“The Bombardier family has always sought to ensure the success of the company,” Beaudoin said,

alongside Chief Executive Officer Alain Bellemare at the company's annual meeting. "It was there in good times and in more difficult times. Our multiple voting shares allow us to invest for the long term. They also allow us to protect against the dismantling of the company."

Delta Deal

Bellemare again urged Trudeau's government to invest in the company, saying negotiations are complex and declining to comment on their nature. He said the company would welcome a federal investment in the C Series, which got a boost Thursday when Delta Air Lines Inc agreed to buy at least 75 of the narrow-body aircraft.

The Quebec government has pledged \$1 billion for Bombardier's delayed C Series programme, with both the company and province calling on the federal government to do the same.

"If you look at the impact that the Quebec investment has had on C Series, it has been major. This has really given customers the confidence they needed to buy the aircraft," Bellemare said.

He added government investment would provide "additional financial flexibility" for Bombardier as it invests in research and development. "It's good for all of Canada. It creates jobs," he said.

Business Jet

Besides the C Series, Bombardier is also busy developing the Global 7000 business jet, which is due to enter service in 2018. Bombardier has hundreds of engineers working on the program, and is investing "very high" sums on development, Bellemare said. He declined to provide specific figures, citing competitive reasons.

A government investment in Bombardier would send a valuable signal to global airlines that the government has confidence in the company, said Chris Murray, a managing director at Altacorp Capital Inc in Toronto. He added the company does also still have some cash concerns.

Bombardier said this week it has enough liquidity to carry out its plans.

"Keep in mind the cash burn for the program is going to continue to be very, very high over the next few years," said Murray, who downgraded Bombardier's shares to "sector perform" this week.

'Up to the Plate'

McGill University Professor Karl Moore echoed that, saying talks remain complex but the federal vote of confidence would be valuable for Bombardier.

"It's something where the Canadian government stepping up to the plate and showing a little support to Bombardier is very helpful in showing airlines around the world a little confidence," Moore said. "It appears the family is not going to change its mind on ownership."

Speaking in Toronto, Innovation Minister Navdeep Bains called the Delta order a "positive" development for the company and declined to comment on Beaudoin's remarks. Finance Minister Bill Morneau reiterated talks with the aerospace manufacturer are ongoing. "We want to make sure the sector stays strong in Quebec," he said in Quebec City.

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