



EMBRAER EYES WTO CHALLENGE TO BOMBARDIER STATE FUNDING

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May 16 Brazilian planemaker Embraer SA may challenge the state funding received by Canadian rival Bombardier Inc at the World Trade Organization (WTO), a senior executive told Reuters on Monday.

Paulo Cesar Silva, the head of Embraer's commercial aviation unit, said in a telephone interview that favorable government financing has given Bombardier an unfair advantage in sales campaigns where its new C-Series is up against Embraer's E-Jets.

"The WTO is an alternative" to resolve the potential trade dispute, Silva said. "Another channel could be government-to-government talks. That might be the best way to avoid a dispute."

Embraer has reached out to the Brazilian government, but still needs details of Bombardier's financing arrangements before taking action, Silva added.

Brazil and Canada have locked horns repeatedly at the WTO over the past two decades regarding state support for Embraer and Bombardier, the world's biggest commercial planemakers after

powerhouses Boeing Co and Airbus Group.

Bombardier secured \$1 billion for its C Series program from the Quebec government last year and has asked Canada's federal government to match the investment.

Embraer's concerns about the funding boiled over last month when Bombardier won an aggressive bid for 75 aircraft for U.S. carrier Delta Air Lines Inc.

Several industry sources have pegged the discount close to two-thirds off the nominal CS100 list price of \$71.8 million, but people close to Bombardier have denied this.

"Given the support, Bombardier has been very aggressive, to the point of offering planes at prices below their production costs. That's what the numbers show," Silva said.

"It causes a major distortion in the market. We're not competing with a private enterprise any more. We're competing with the government," he said. "And the one footing the bill is the Canadian taxpayer."

A spokeswoman for Bombardier commercial aircraft said Monday the Delta deal complies with WTO guidelines.

"Our transactions are all in full compliance with WTO rules," spokeswoman Marianella de la Barrera said by phone from Toronto. "Those comments (from Embraer) are not based on facts. The (Delta) selection was based on the aircraft's proven performance."

De la Barrera added that while Bombardier was given a commitment from the Quebec government, the company has not received any cash from the province because the deal has not yet been finalized.

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