

# **EXPORT-IMPORT BANK OF THE UNITED STATES**

## **ICBC International Leasing Company Limited Application for Final Commitment for Long-Term Loan or Financial Guarantee in Excess of \$100 Million Dollars**

Public Notice EIB-2014-0035

The Boeing Company (“Boeing”) supports ICBC International Leasing Company Limited’s (“ICBC Leasing”) application for a long-term loan or financial guarantee from the Export-Import Bank of the United States (the “Bank”). The availability of Bank support is critical to Boeing’s ability to compete in the global marketplace for aircraft sales. Such sales are vital to Boeing and its U.S. suppliers, and to the creation and retention of U.S. jobs. In fact, this transaction alone will create or sustain approximately 1,211 high-paying American jobs per plane, at list prices. Accordingly, Boeing urges the Bank to approve this transaction.

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## I. EXECUTIVE SUMMARY

ICBC Leasing has applied for a long-term loan or financial guarantee to finance the export of Boeing 787 aircraft. The Bank solicited public comments after concluding the transaction exceeds \$100 million (as calculated under Section 3(c)(10) of the Bank's Charter).<sup>1</sup> Viewing the facts in light of the Bank's statutory mandate and procedures, it is clear that the Bank should approve this transaction because it will significantly benefit the U.S. economy without imposing any costs on U.S. airlines.

Congress created the Bank to "contribute to the employment of United States workers" by "aid[ing] in financing and . . . facilitat[ing] exports of goods and services."<sup>2</sup> The Bank pursues this objective by providing "fully competitive financing" for foreign purchasers of U.S. goods and services.<sup>3</sup> The proposed ICBC Leasing transaction falls squarely within Congress's mandate and the Bank's core mission—it will sustain valuable U.S. jobs and allow U.S. exporters to compete fairly against subsidized foreign firms.

ICBC Leasing is a major Chinese commercial aircraft customer. Like most leasing companies, ICBC Leasing's fleet is comprised of a mix of aircraft from different manufacturers including those of Airbus, Boeing's main competitor. Airbus continues to offer leasing companies like ICBC Leasing access to not one but three export credit agencies ("ECAs"). Accordingly, to fairly compete for sales to ICBC Leasing and other leasing companies, Boeing needs its customers to have access to ECA financing from the Bank.

The ability to compete on a level playing field for airplane sales is critical for Boeing, its suppliers, and the U.S. economy writ large. As the world's leading aerospace company and the nation's largest exporter, Boeing employs approximately 169,000 highly-skilled American workers and supports 1.5 million supplier-related jobs from over 15,600 production and service suppliers across the U.S. Its commercial aircraft-manufacturing operation (Boeing Commercial Airplanes, or "BCA") directly employs approximately 83,000 U.S. workers and contributes to tens of thousands of additional jobs. All of these jobs depend on exports. Boeing jetliners are used by airlines in 150 countries, and approximately 80 percent of BCA's \$377 billion backlog represents orders for aircraft that will be exported to foreign customers. Taken together, these figures illustrate the substantial job benefits created by Boeing's exports, including the proposed transaction. According to figures from the U.S. Department of Commerce, the proposed transaction would create or sustain approximately 1,211 export-related U.S. jobs *per plane* at list prices.

An analysis of job creation must also consider any negative effect a transaction would have on U.S. employment, in this case, U.S. airlines. Here, the analysis is easy because this transaction will cause no harm to U.S. airlines. There is no oversupply in the global market for wide-body aircraft. Every relevant indicator for assessing the supply-and-demand balance across the international air transport industry is either flat or trending toward under-capacity, and this

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<sup>1</sup> See Public Notice EIB-2014-0035.

<sup>2</sup> 12 USC § 635(a)(1). All section citations are to Title 12 unless otherwise stated.

<sup>3</sup> § 635(b)(1)(B).

state is likely to continue. Further, the financed aircraft will not cause any direct route competition with U.S. airlines. Even if there were direct competition, the Bank's financing would likely accord ICBC Leasing worse, or at most equivalent, financing terms than are available to U.S. airlines through Enhanced Equipment Trust Certificates ("EETCs").

Finally, even if ECA financing provided ICBC Leasing a competitive advantage over U.S. airlines, this advantage would exist regardless of whether the Bank financed this transaction. Boeing's foreign competitors stand ready to sell their aircraft in place of Boeing's, with ECA financing from their foreign governments. Hence, ICBC Leasing will almost certainly purchase new aircraft with or without the Bank's support. The only difference is that, if the Bank denies its support of this transaction, those purchases may come from Airbus—which currently composes over half of ICBC Leasing's fleet—rather than Boeing. Accordingly, this is precisely the type of transaction that the Bank should support.

## **II. THE BANK SUCCESSFULLY FULFILLS ITS CORE MISSION TO “EXPAND[] UNITED STATES EXPORTS THROUGH FULLY COMPETITIVE FINANCING” WHILE RETURNING BILLIONS TO THE U.S. GOVERNMENT**

“It is the policy of the United States to foster expansion of exports of manufactured goods, agricultural products, and other goods and services.”<sup>4</sup> Congress established this policy in the Bank's Charter. The Bank's “primary function” is accordingly to “expand[] United States exports through fully competitive financing.”<sup>5</sup> The Bank fulfills this function by “authorizing loans, guarantees, insurance, and credits” to foreign purchasers of U.S. goods and services.<sup>6</sup>

The Bank's direction from Congress to provide “fully competitive financing” is intended to “neutralize the effect of foreign [export] credit on international sales competition.”<sup>7</sup> Most industrialized countries support exports with ECAs that offer loans and guarantees.<sup>8</sup> Congress's mandate to the Bank is designed to level the playing field for U.S. exporters competing with foreign firms that offer ECA financing.<sup>9</sup> The Charter requires the Bank to consider a number of factors in evaluating a proposed transaction, including any “serious adverse effect[s] . . . on the competitive position of United States industry,” while giving “particular emphasis to the objective of strengthening the competitive position of United States exporters.”<sup>10</sup> By allowing U.S.

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<sup>4</sup> § 635(b)(1)(A).

<sup>5</sup> § 635(b)(1)(B).

<sup>6</sup> § 635(a)(1).

<sup>7</sup> § 635(b)(1)(B).

<sup>8</sup> See Export-Import Bank, Response One on Remand from the United States Court of Appeals for the District of Columbia Circuit in *Delta Air Lines v. Exp.-Imp. Bank of the U.S.* (Nov. 22, 2013), at 2 (“Response One”).

<sup>9</sup> See § 635(b)(1)(A).

<sup>10</sup> § 635(b)(1)(B). The Charter requires that the possible collateral effect in the U.S. of foreign produced “commodities” and “goods” be much more closely scrutinized than that of services (such as air services). Among other things, the Bank generally “*may not extend* any direct credit or financial guarantee for establishing or expanding production of any commodity” abroad if the Bank determines that “the resulting production capacity is expected to compete with United States production of the same, similar, or competing commodity” and thereby “cause substantial injury to United States producers.” §§ 635(e)(1)(A)(ii), 635(e)(1)(B) (emphasis added); see also

exporters to compete fairly in the global marketplace while taking into account any “serious adverse effect” on U.S. industry, the Bank “contribute[s] to maintaining or increasing employment of United States workers” as Congress intended.<sup>11</sup>

Moreover, the Bank performs this important work with little risk—and often tangible benefit—to U.S. taxpayers. The Bank funds its own operations by charging foreign buyers user fees that cover the Bank’s annual expenses and loan-loss reserves. Virtually none of its support to aerospace exports involves direct financing; rather, the Bank provides loan guarantees, enabling foreign customers to secure commercial loans to purchase American products. These guarantees require no federal expenditure, but only a temporary reserve of government funds until the underlying loans are repaid. Since its inception the Bank’s loan default rate has been less than 2 percent, which is significantly better than that of many commercial banks. In fact, the Bank reported a 0.237 percent default rate for the last quarter of fiscal year 2013. This careful risk management has resulted in profits of about \$5 billion since 1992; these profits are returned to the U.S. Government. So the Bank not only fulfills its core mission of increasing U.S. employment, it minimizes risk to U.S. taxpayers and has produced a multi-billion dollar return in the last two decades.

### **III. BANK FINANCING ENSURES THE U.S. AEROSPACE INDUSTRY CAN COMPETE ABROAD**

Leasing companies have long been key participants in the aviation industry, and their importance is on the rise. Globally, more than 40 percent of the commercial aircraft fleet is already operating under a lease arrangement, and that number is expected to increase to over half by 2020.<sup>12</sup> ICBC Leasing, based in China, is positioning itself as a major player in the leasing world and intends to become one of the top five global aviation leasing companies within the next few years. It has more than 150 aircraft currently in operation with over 50 aviation clients, more than half of which are based outside of China.<sup>13</sup>

Like most leasing companies, ICBC Leasing’s fleet is comprised of a mix of aircraft from different manufacturers, including those of Airbus. In fact, 59 percent of ICBC Leasing’s fleet is comprised of Airbus aircraft, and the company has 64 more Airbus aircraft on order.<sup>14</sup> ICBC Leasing placed the first-ever bulk aircraft purchase by a Chinese leasing company when it ordered 42 Airbus A320s, and was the first Chinese company to buy the A320NEO.<sup>15</sup>

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§ 635(e)(7), § 635a-2, P.L. 112-12, § 12; *Delta Air Lines v. Exp.-Imp. Bank*, 718 F.3d 974, 977 n.2 (D.C. Cir. 2013). In contrast, for services the Bank need only to “take into account” the “serious adverse effects” of its loan guarantees on U.S. industries. That factor is but one of many that the Bank is to consider in approving guarantees, and it is made expressly subordinate to the Act’s larger goal of promoting U.S. exports through competitive ECA financing. § 635(b)(1)(B).

<sup>11</sup> § 635(a)(1).

<sup>12</sup> Flightglobal, *Ascend Online Database*.

<sup>13</sup> Based on Ascend fleet data

<sup>14</sup> *Id.*

<sup>15</sup> See ICBC, Services, Business Lines, Aviation, at <http://www.icbcleasing.com/en/03-%20Services/3-1-Business%20field/3-1-1-Aviation%20finance%20.html>.

In today's highly competitive environment, the ready availability of Bank guarantees can determine the outcome of a sales campaign. Airlines often make purchasing decisions years before they approach the commercial markets to secure financing, with actual delivery of the airplanes occurring many months (and sometimes more than a year) after that. Bank guarantees are typically used when the customer airline is located in an emerging market or a market that presents perceived political or economic risk; in the face of disruptions to global or regional markets; or when key lenders reach sector, country, or customer concentration limits (which force airlines to diversify their sources of finance). But at the time an airline enters into a contract to purchase Boeing airplanes, it must know that the Bank guarantees will be available should the airline ultimately need them to arrange financing. This is because during the long gaps between purchase order and delivery, much can happen to affect the airline's ability to secure financing. If the delivery date for a new aircraft approaches and the airline does not have sufficient financing, the consequences can wreak havoc on an airline's operations. Thus, the expectation that Bank guarantees will be available years later gives airlines the confidence needed to move forward with purchases from Boeing—even if the airlines never end up needing the guarantees.

Accordingly, without ECA financing available from the Bank, ICBC Leasing and other customers would be more likely to buy from Airbus with support from its three ECAs—thus reducing the number of planes exported from the U.S. and endangering thousands of high-quality U.S. aerospace jobs.

#### **IV. THE TRANSACTION WILL BENEFIT THE U.S. ECONOMY BY EXPANDING U.S. AEROSPACE EXPORTS**

This transaction will directly benefit the U.S. economy—it will create or sustain approximately 1,211 U.S. jobs *per plane*, at list prices, based on figures from the U.S. Department of Commerce.<sup>16</sup> And this substantial direct benefit is only part of the equation. An accurate evaluation of the transaction's benefit must also consider the significant indirect benefits flowing from Boeing's employment of skilled American workers, which are best exemplified by Washington and South Carolina, the two states with the largest BCA presence.

In Washington State, where Boeing assembles its 737, 747, 767, 777, and 787 airplanes, Boeing's effect on the economy is dramatic. A recent study commissioned by the state found Boeing's production lines supported an estimated 208,800 jobs, \$16.4 billion in labor income, and \$69.9 billion in sales across Washington State in 2012 alone.<sup>17</sup> Many of these jobs are well-paying blue collar manufacturing positions—the study found “direct aerospace wages paid more than 86 percent above the Washington State average in 2012.”<sup>18</sup> Boeing alone paid an estimated \$9.7 billion in wages and benefits to its BCA employees in 2012.<sup>19</sup> More broadly, Boeing's direct

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<sup>16</sup> The actual number, model variant, and price of the 787s at issue in this application are proprietary. For this calculation, we used the average list prices of all 787 sub-models at the time of the order.

<sup>17</sup> Attachment A, Washington State Aerospace Industry, *Economic Impact Study* at 45 (Nov. 2013).

<sup>18</sup> *Id.* at 34.

<sup>19</sup> *Id.* at 39.

purchases from Washington State companies amounted to an estimated \$3.9 billion.<sup>20</sup> Perhaps best illustrating the indirect benefits of Boeing's employment is the finding that every Washington job at Boeing supported an additional 1.9 jobs elsewhere in the state.<sup>21</sup>

Turning to South Carolina, Boeing's second 787 final assembly facility in Charleston has likewise brought significant benefits to the state's economy. Boeing opened the facility in 2011, and by November 2012 had invested more than \$750 million and created more than 3,800 new jobs in the state. South Carolina's Coordinating Council on Economic Development estimated Boeing's initial investment would produce "more than \$4.4 billion in private sector benefits (in net present value) to South Carolina's economy over the first fifteen years of the facility's operation."<sup>22</sup> Today, Boeing employs over 8,300 skilled workers in South Carolina.<sup>23</sup>

Many of the jobs mentioned above are held by veterans, as Boeing employs more than 23,000 veterans and reservists.<sup>24</sup> Assisting veterans is a particular focus of the Bank, as exemplified by several recent veteran outreach initiatives. Transactions like the one proposed here advance that mission.

The export of Boeing goods also leads to the export of Boeing spare parts and services—which in turn help support Boeing's U.S. employment base, including its U.S. suppliers. BCA offers a comprehensive portfolio of commercial aviation parts and services, collectively known as the Boeing Edge, to U.S. and international airlines.

Beyond employment related to BCA's production lines and the Boeing Edge, there are even more benefits of this transaction. For example, Boeing is a major driver of broad-based, cross-industry innovation—both within the company and through university projects funded by Boeing. Boeing also remains a significant corporate philanthropy leader. In 2013, Boeing and its employees gave more than \$176 million in charitable grants, donations, and sponsorships.<sup>25</sup> More than half of this community investment went to support education, including U.S.-based programs designed to inspire tomorrow's engineers, scientists, and technologists.<sup>26</sup>

In sum, Bank financing of aircraft exports, including this transaction, creates benefits that are concrete, calculable, and substantial.

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<sup>20</sup> *Id.* at 45.

<sup>21</sup> *Id.*

<sup>22</sup> See Attachment B, *The Economic Impact of Boeing in South Carolina* at 13 (May 2010).

<sup>23</sup> See Boeing Employment Numbers, Employment by Location, South Carolina, available at [http://www.boeing.com/boeing/aboutus/employment/employment\\_table.page](http://www.boeing.com/boeing/aboutus/employment/employment_table.page).

<sup>24</sup> See 2013 Boeing Corporate Citizenship Report at 17, available at [http://www.boeing.com/assets/pdf/companyoffices/aboutus/community/2013\\_report/Boeing\\_CitizenshipReport\\_031414.pdf](http://www.boeing.com/assets/pdf/companyoffices/aboutus/community/2013_report/Boeing_CitizenshipReport_031414.pdf).

<sup>25</sup> See *id.* at 3.

<sup>26</sup> See *id.* at 9.

## V. THE TRANSACTION WILL CAUSE NO ADVERSE EFFECT ON U.S. AIRLINES

In addition to significantly benefitting the U.S. economy, this transaction will have no adverse effect on U.S. airlines, let alone a serious one.<sup>27</sup> The transaction will not create oversupply in the global airline industry. Nor will the airplanes in this transaction be used in any direct competition with U.S. airlines. In any event, this transaction will offer no pricing advantage to ICBC Leasing, because the aircraft financing market available to U.S. airlines is at least comparable to, and typically enables them to finance more cheaply than, Bank financing.

### A. There Is No Structural Oversupply In The Global Airline Industry

There is no oversupply of wide-body passenger aircraft in the global market for air services. The Bank conducts an annual oversupply assessment at its own cost and through an “independent, external source recognized as an expert in the airline field.”<sup>28</sup> This assessment is not limited to whether there is a surplus of international air services to and from the U.S., but “whether the *global market* can absorb increased production.”<sup>29</sup> It is a structural assessment, considering long-term excess of supply compared to demand resulting from non-market factors. The 2013 assessment was conducted by experts at ICF SH&E, a leading aviation industry consulting firm. Its study analyzed a variety of non-commercial factors and concluded that such factors were not likely to cause a long term-impact on oversupply for at least the next two years.<sup>30</sup>

This conclusion comports with Boeing’s analysis, which in August 2013 found air transport industry capacity supply and demand in balance.<sup>31</sup> Indeed, every relevant indicator for assessing the supply-and-demand balance across the air transport industry is either flat or trending toward under-capacity.<sup>32</sup> Because overcapacity only exists when most or all of these indicators fall out of their normal range for three years (based on a moving average<sup>33</sup>), the existing balance is likely to continue at least beyond the short-term.

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<sup>27</sup> § 635(b)(1)(B). These points are consistent with the analysis that the Bank employs in its *Economic Impact Procedures and Methodological Guidelines* (Apr. 2013) (“*Procedures*”). Against the statutory backdrop in the Bank’s Charter, these Procedures provide a basis for evaluating the “transactions it receives for potential adverse economic impact.” *Procedures* at 2. The Procedures are the “culmination of multiple generations of Bank officials’ expertise.” *Air Transp. Ass’n of Am. v. Exp.-Imp. Bank of the U.S.*, 878 F. Supp. 2d 42, 73 (D.D.C. 2012); see *Response One* at 3-9.

<sup>28</sup> *Procedures* at 13.

<sup>29</sup> *Id.* at 8 (emphasis added).

<sup>30</sup> Export-Import Bank, Response Two on Remand from the United States Court of Appeals for the District of Columbia Circuit in *Delta Air Lines v. Exp.-Imp. Bank of the U.S.* (Nov. 22, 2013) (“*Response Two*”) at 24 (stating that ICF SH&E “do[es] not believe that non-market interventions, when taken collectively, are likely to cause a dominant, significant and adverse long-term impact on oversupply on the global air transport industry during the 2013 – 2015 period.”).

<sup>31</sup> Attachment C, Mack, Jiang & Peterson, *A Discussion of the Capacity Supply - Demand Balance within the Global Commercial Air Transport Industry* 18 (Aug. 2013) (the “*Boeing Study*”).

<sup>32</sup> See *id.* at 2.

<sup>33</sup> See *id.* at 1.

This balance is a product of, among other things, increasing demand. Boeing has accurately tracked and forecasted market trends in its industry-leading Current Market Outlook for more than 50 years. The current edition projects that passenger air travel will grow 5 percent annually over the next 20 years, generating enormous demand for additional airplanes—over 36,000, 42 percent of which will be needed just to replace older, less efficient models.<sup>34</sup> Such rapid growth will be driven by the burgeoning middle class in the developing world, which has been underrepresented in passenger traffic.

The Bank’s broad analysis of oversupply measures structural oversupply, not typical market fluctuations driven by regular business cycles.<sup>35</sup> Some have asserted that the Bank’s oversupply analysis should take into account the airline industry’s low returns on capital investments. In fact, airlines, particularly those in the U.S., are increasingly profitable, and returns on investments are trending upward. These trends are likely to continue over the long term, due in part to increasing passenger demand as explained above.

Moreover, this metric, by itself, says little about any current or future structural imbalance in the global market. Returns on capital are case-specific and depend on factors such as an airline’s overall efficiency and the returns generated by non-aviation activities.<sup>36</sup> Further, all airlines regularly update their fleet—and thus demand new aircraft—for business, safety, efficiency, and myriad other reasons that are not a direct function of their profitability. Fuel costs, for example, are the largest component of airline cost structure. One important way for airlines to reduce this burden is to replace older, less fuel-efficient aircraft with new-technology airplanes. At best, then, “[p]rofitability or return on capital are second-order indicators” for oversupply; at worst they are “lagging indicators that can be misleading.”<sup>37</sup>

#### **B. This Transaction Will Not Provide ICBC Leasing a Competitive Advantage Over U.S. Airlines**

As explained above, one factor the Bank considers in evaluating an application for financing is whether the proposed guarantee will cause any “serious adverse effect . . . on the competitive position of United States industry.”<sup>38</sup> With respect to airplane exports, the Bank measures potential adverse effects by first determining whether the airplanes will be used on a significant number of flights in direct competition with U.S. airlines. If so, the Bank next determines if the proposed financing would provide a price advantage. Because neither test is met here, this transaction should be approved.

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<sup>34</sup> See Boeing *Current Market Outlook* 2014-2033, available at <http://www.boeing.com/boeing/commercial/cmo/>.

<sup>35</sup> See *Response Two* at 24; *Procedures* at 8 n.22; see also Attachment C, *Boeing Study* at 18.

<sup>36</sup> See Attachment C, *Boeing Study* at 25.

<sup>37</sup> *Id.*

<sup>38</sup> § 635(b)(1)(B)(ii).



*First*, the Bank’s official notice indicates that the airplanes in the transaction are not expected to be used in any direct competition with U.S. airlines, let alone substantial direct competition.

*Second*, even if this transaction would create substantial direct competition, no U.S. airline would suffer any adverse effect, let alone a serious one, because Bank financing provides no “price advantage” to ICBC Leasing relative to U.S. airlines.<sup>39</sup> U.S. airlines have had access to a broad range of aircraft financing for decades.<sup>40</sup> Given those options, the Bank has determined that the overall cost of private sector financing for U.S. airlines have long been at least as good as, and often better than, those of ECA financing offered by the Bank.<sup>41</sup>

In fact, since the current Aircraft Sector Understanding (“ASU”) came into force in February 2011—after years of negotiation through the Organization for Economic Cooperation and Development and with the participation of both foreign and domestic airlines<sup>42</sup>—ECA financing is clearly *more expensive* than one of the most popular and rapidly-expanding commercial financing options available to U.S. airlines, EETCs. A form of secured corporate debt for airlines that takes advantage of a provision in the U.S. Bankruptcy Code, these instruments offer U.S. airlines a deep, transparent, and efficient capital market.<sup>43</sup> According to publicly-available data from recent EETC transactions, when calculated on an all-in cost basis, each of the last nine EETC transactions by U.S. airlines has been materially less expensive than a comparable ECA transaction would have been under the current ASU, saving U.S. airlines an average of more than \$79 million per transaction.<sup>44</sup> EETCs also generally offer U.S. airlines increased flexibility on terms, when compared to ECA credit. Accordingly, Boeing predicts airlines’ use of export credit will decline from a high of 30 percent of delivery financing in 2010 to just 18 percent in 2014, while capital markets’ share of delivery financing will increase from a low of 3 percent in 2009 to over 20 percent in 2014.<sup>45</sup>

For these reasons, ICBC Leasing would obtain no competitive advantage over U.S. airlines by availing itself of ECA financing here.<sup>46</sup>

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<sup>39</sup> *Id.*

<sup>40</sup> *See Response One*, Appx. B at 19.

<sup>41</sup> *See id.* at 8, 11-12, 15-17, 19-25.

<sup>42</sup> *See id.* at 14-15.

<sup>43</sup> *See Attachment D, Current Aircraft Finance Market Outlook 2014-2018; see also Response One*, Appx. B at 24-25.

<sup>44</sup> *See Attachment E, All Recent Capital Market Deals by U.S. Airlines have been Cheaper than Export Credit.*

<sup>45</sup> *See Attachment D, Current Aircraft Finance Market Outlook*, at 5.

<sup>46</sup> The result would be no different if the Bank compared Bank financing to the financing otherwise available to ICBC Leasing. Given the importance of the availability of ECA financing as explained above, the true alternative for many foreign customers is not commercial financing but rather financing from any of the three ECAs supporting Airbus.

**VI. THE KNOWN BENEFITS OF THIS TRANSACTION OVERWHELM ANY COSTS, PARTICULARLY GIVEN THE MULTIPLE SOURCES OF ECA FINANCING READILY AVAILABLE TO ICBC LEASING TO PURCHASE COMPETING AIRPLANES**

As described above, the proposed transaction will have no adverse effects on U.S. airlines. Even if this were not true and foreign airlines did enjoy a competitive advantage over U.S. airlines due to the availability of export credit, the Bank's denial of applications such as ICBC Leasing's would not eliminate it, because aircraft could simply be purchased from Airbus with ECA financing from any of three foreign government agencies.

While foreign-made substitute goods are likely available, at least to some extent, for most goods or services eligible for Bank assistance, aircraft are perhaps the most acute example of this point. Airbus produces and assembles its planes in France, Germany, the United Kingdom, and China, and it offers customers access to *three* ECAs.<sup>47</sup> In 2013 alone, those ECAs supported the delivery of an estimated 91 Airbus airplanes valued at approximately \$5 billion.<sup>48</sup> Were the Bank to deny participation in this transaction, Boeing would be less equipped to pursue key sales opportunities in the global marketplace. In the process, billions of dollars in exportable goods and thousands of U.S. jobs would risk being lost to foreign manufacturers.

Even if there were adverse effects on U.S. airlines from ICBC Leasing's purchase of new aircraft, denying this transaction would not eliminate them. Airlines purchase new planes for myriad reasons, and the availability of ECA financing does not affect the decision to make a purchase (or how many to purchase).<sup>49</sup> The purchase of each wide-body airplane entails the expenditure of hundreds of millions of dollars in acquisition and operating costs over that airplane's lifetime. As the Bank has correctly concluded, it is "highly unlikely" that the availability of export credit "would induce an airline to make a purchasing decision of this magnitude."<sup>50</sup> But once ICBC Leasing has decided to purchase new aircraft, it will fill its demand somewhere. The only question is whether it will do so with Boeing airplanes manufactured in the U.S. and financed by the Bank, or with Airbus airplanes manufactured abroad and financed by foreign ECAs. Consequently, the only result of denying the transaction would be to compromise Boeing's ability to compete in the global marketplace for aircraft sales,

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<sup>47</sup> The governments of Canada and Brazil also provide export credit support of their home country aircraft manufacturers, Bombardier and Embraer, who build airplanes that compete with Boeing's 737 for certain market segments. In 2012, Export Development Canada financed 191 aircraft for foreign deliveries worth \$2.2 billion (and 11 aircraft for domestic deliveries worth \$225 million). The Brazilian Development Bank and Seguradora Brasileira Crédito à Exportação financed eight aircraft in 2012 worth \$290 million. At least one U.S. airline has availed itself of Canadian and Brazilian export credit agencies to finance billions of dollars in regional jet purchases from Bombardier and Embraer. See, e.g., Remarks by Eric Siegel, President and CEO of Export Development Canada, *EDC and Canadian Aerospace: Working Together to Address the Challenges and Opportunities of Global Trade*, Ottawa, October 14, 2009 ("As the major creditor to Northwest and Delta Airlines, EDC played a significant role in their restructuring and, eventually, their emergence from bankruptcy protection.").

<sup>48</sup> See *Ex-Im 2013 Competitiveness Report* at 42, available at <http://www.exim.gov/about/library/reports/competitivenessreports/upload/Ex-Im-Bank-2013-Competitiveness-Report-to-Congress-Complete.pdf>.

<sup>49</sup> See, e.g., *Response Two* at 13, 22.

<sup>50</sup> *Id.* at 13.

thus disadvantaging one of the U.S.'s largest exporters, its employees, and its thousands of U.S. suppliers.

## **VII. CONCLUSION**

Given the extensive support that Boeing's competitors receive from their own countries' ECAs, the Bank merely levels the competitive playing field for Boeing, and for U.S. manufacturing jobs, just as Congress intended. And it levels the playing field without an adverse effect on U.S. airlines, who have access to financing options that are at least as good as, and likely better than, those provided by the Bank. Under any statutory or economic analysis, the proposed transaction will result in a significant net benefit for the U.S. economy and will meet the Bank's congressional mandate to support U.S. manufacturing jobs. The transaction should be approved.

## ATTACHMENTS

Attachment A, Washington State Aerospace Industry, *Economic Impact Study* (Nov. 2013)

Attachment B, *The Economic Impact of Boeing in South Carolina* (May 2010)

Attachment C, Mack, Jiang & Peterson, *A Discussion of the Capacity Supply - Demand Balance within the Global Commercial Air Transport Industry* (Aug. 2013)

Attachment D, *Current Aircraft Finance Market Outlook 2014-2018*

Attachment E, *All Recent Capital Market Deals by U.S. Airlines have been Cheaper than Export Credit*