

**CANADA – MEASURES AFFECTING THE EXPORT OF
CIVILIAN AIRCRAFT**

Status Report by Canada

The following communication, dated 18 November 1999, from the Permanent Mission of Canada to the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

Status Report on the Implementation of the Recommendations
and Rulings in the Dispute regarding
Canada – Measures Affecting the Export of Civilian Aircraft

In the interest of transparency, Canada wishes to inform the Dispute Settlement Body (DSB) of its implementation of the recommendations and rulings in the dispute regarding "Canada - Measures Affecting the Export of Civilian Aircraft" (WT/DS70/R and WT/DS70/AB/R). Canada was required to have implemented the DSB rulings in this dispute by 18 November 1999. We have done so.

With respect to Canada Account debt financing for the export of Canadian regional aircraft, which was found to be inconsistent with Canada's obligations under the SCM Agreement, Canada wishes to inform the DSB that there will be no deliveries of regional aircraft after 18 November 1999 benefiting from such Canada Account financing. In addition, the Minister for International Trade has approved a policy guideline which requires that all future Canada Account transactions for all sectors, not only those involving the regional aircraft sector, comply with the OECD Arrangement on Guidelines for Officially Supported Export Credits. By this policy, the Minister undertakes not to authorize any transaction under the Canada Account unless it complies with the Arrangement. No Canada Account transaction may proceed without such Ministerial authorization.

On the matter of Technology Partnerships Canada (TPC) assistance to the Canadian regional aircraft industry which was found to be inconsistent with Canada's obligations under the SCM Agreement, Canada wishes to inform the DSB that it will not make any disbursements pursuant to any existing TPC Contribution Agreement for the Canadian regional aircraft industry effective 18 November 1999. In this respect, Canada has amended TPC's Contribution Agreements pertaining to the Canadian regional aircraft industry in order to terminate all obligations to disburse funds effective 18 November. As a result, some \$16.4 million of funding pursuant to those agreements will go undisbursed. In addition, Canada has cancelled the conditional approval given prior to the Appellate Body report for two other regional aircraft industry projects. Attached, please find copies of letters confirming cancellation of such funding.

Canada has also taken steps to restructure TPC in order to bring the structure and administrative practices of the Agency into conformity with the SCM Agreement and so to avoid future disputes in this matter. TPC has been re-mandated by the government and now operates under revised Terms and Conditions and Framework Document. Revisions have covered such core activities as project eligibility, assessment criteria, and repayment principles.

Canada has implemented the DSB's rulings to withdraw the measures within 90 days.

TPC PROJECT NO: 711-449547
TECHNOLOGY PARTNERSHIP CANADA
AMENDMENT NO. 1

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry ("the Minister")

AND: ALLIEDSIGNAL CANADA INC. ("ALLIEDSIGNAL" or "the Recipient")

This Amendment made this 10 November 1999

WHEREAS:

- A. The Minister, in carrying out his duties, has established a contribution program known as Technology Partnership Canada (TPC);
- B. The Minister and the Recipient entered into a Contribution Agreement on 20 December 1996 for the purpose of achieving a Research and Development project;
- C. On 2 August 1999, the Appellate Body of the World Trade Organization issued its report No. AB-1999-2 CANADA - MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT (99-3221);
- D. The Appellate Body's decision affects some terms and conditions of the aforementioned Contribution Agreement and the parties thereto wish to amend the said Contribution Agreement to reflect, the above decision.

THEREFORE the parties agree as follows:

- 1. Notwithstanding any other provisions of this Agreement, the Minister shall not, on or after 18 November 1999, disburse any part of the Contribution provided for in the Contribution Agreement, whether or not the Claim on which such disbursement would otherwise be made, was submitted before or after 18 November 1999.
- 2. Section 1 above is irrevocable and shall not be subject to any, further amendment.
- 3. Subsection 12.3 is amended to read as follows:

"The parties will keep confidential and will not disclose the contents of this Agreement nor the transactions contemplated hereby without the consent of all parties, subject to Section 10.0 (Announcements), the Access to Information Act, or where required by law; furthermore such disclosure may be made by the Minister where, in the opinion of the Minister, such disclosure is required to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third party intervener"
- 4. All other conditions of the Contribution Agreement remain unchanged.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry

By: (Signed) James Roberge
Technology Partnership Canada

ALLIEDSIGNAL CANADA INC.

By: (Signed) David J. O'Blennis
Chairman – AlliedSignal Canada Inc.

TPC PROJECT NO: 711- 449112
TECHNOLOGY PARTNERSHIP CANADA
AMENDMENT NO. 2

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry ("the Minister")

AND: BOMBARDIER INC. ("Bombardier" for or "the Recipient")

This Amendment made this 10 November 1999

WHEREAS:

- A. The Minister, in carrying out his duties, has established a contribution program known as Technology Partnership Canada (TPC);
- B. The Minister and the Recipient entered into a Contribution Agreement on 21 May 1997 for the purpose of achieving a Research and Development project;
- C. On 2 August 1999, the Appellate Body of the World Trade Organization issued its report No. AB-1999-2 CANADA - MEASURES AFFECTING TEE EXPORT OF CIVILIAN AIRCRAFT (99-3221);
- D. The Appellate Body's decision affects some terms and conditions of the aforementioned Contribution Agreement and the parties thereto wish to amend the said Contribution Agreement to reflect the above decision.

THEREFORE the parties agree as follows:

- 1. Notwithstanding any other provision of this Agreement, the Minister shall not, on or after 18 November 1999, disburse any part of the Contribution provided for in the Contribution Agreement, whether or not the Claim on which such disbursement would otherwise be made, was submitted before or after 18 November 1999.
- 2. Section 1 above is irrevocable and shall not be subject to any further amendment.
- 3. Subsection 14.3, Confidentiality, is amended to read as follows:

"The parties will keep confidential and will not disclose the contents of this Agreement nor the transactions contemplated hereby without the consent of all parties, subject to Section 12 (Announcements), the Access to Information Act, or where required by law; furthermore such disclosure may be made by the Minister where, in the opinion of the Minister, such disclosure is required to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third party intervener"
- 4. All other conditions of the Contribution Agreement remain unchanged.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry

By: (Signed) James Roberge
Technology Partnership Canada

BOMBARDIER INC.

By: (Signed) Mike Graff
President, Bombardier Aerospace

By: (Signed) Robert Lefcort
Vice President, Legal Services - Aerospace

TPC PROJECT
NO: 711-449612
TECHNOLOGY PARTNERSHIP CANADA
AMENDMENT NO. 4

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry ("the Minister")

AND: BOMBARDIER INC. ("Bombardier" or "the Recipient")

This Amendment made this 10 November 1999

WHEREAS:

- A. The Minister, in carrying out his duties, has established a contribution program known as Technology Partnership Canada (TPC);
- B. The Minister and the Recipient entered into a Contribution Agreement on 20 March 1997 for the purpose of achieving a Research and Development project;
- C. On 2 August 1999, the Appellate Body of the World Trade Organization issued its report No. AB-1999-2 CANADA - MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT (99-3221);
- D. The Appellate Body's decision affects some terms and conditions of the aforementioned Contribution Agreement and the parties thereto wish to amend the said Contribution Agreement to reflect the above decision.

THEREFORE the parties agree as follows:

- 1. Notwithstanding any other provisions of this Agreement, the Minister shall not, on or after 18 November 1999, disburse any part of the Contribution provided for in the Contribution Agreement, whether or not the Claim on which such disbursement would otherwise be made, was submitted before or after 18 November 1999.
- 2. Section 1 above is irrevocable and shall not be subject to any further amendment.
- 3. Subsection 14.3, Confidentiality, is amended to read as follows:

"This parties will keep confidential and will not disclose the contents of this Agreement nor the transactions contemplated hereby without the consent of all parties, subject to Section 12 (Announcements), the Access to Information Act, or where required by law; furthermore such disclosure may be made by the Minister where, in the opinion of the Minister, such disclosure is required to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third party intervener".
- 4. All other conditions of the Contribution Agreement remain unchanged.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry

By: (Signed) James Roberge
Technology Partnership Canada

BOMBARDIER INC.

By: (Signed) Mike Graff
President, Bombardier Aerospace

By: (Signed) Robert Lefcort
Vice President, Legal Services - Aerospace

TPC PROJECT
NO: 711-449155
TECHNOLOGY PARTNERSHIP CANADA
AMENDMENT NO. 4

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry ("the Minister")

AND: PRATT & WHITNEY CANADA INC. ("P&WC" or "the Recipient")

This Amendment made this 10 November 1999

WHEREAS:

- A. The Minister, in carrying out his duties, has established a contribution program known as Technology Partnership Canada (TPC);
- B. The Minister and the Recipient entered into a Contribution Agreement on 6 March 1997 for the purpose of achieving a Research and Development project;
- C. On 2 August 1999, the Appellate Body of the World Trade Organization issued its report No. AB-1999-2 CANADA - MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT (99-3221);
- D. The Appellate Body's decision affects some terms and conditions of the aforementioned Contribution Agreement and the parties thereto wish to amend the said Contribution Agreement to reflect the above decision.

THEREFORE the parties agree as follows:

- 1. Notwithstanding any other provisions of this Agreement, the Minister shall not, on or after 18 November 1999, disburse any part of the Contribution provided for in the Contribution Agreement, whether or not the Claim on which such disbursement would otherwise be made, was submitted before or after 18 November 1999.
- 2. Section 1 above is irrevocable and shall not be subject to any further amendment.
- 3. Subsection 13.3, Confidentiality, is amended to read as follows:

"This parties will keep confidential and will not disclose the contents of this Agreement nor the transactions contemplated hereby without the consent of all parties, subject to Section 11 (Announcements), the Access to Information Act, or where required by law; furthermore such disclosure may be made by the Minister where, in the opinion of the Minister, such disclosure is required to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third party intervener".
- 4. All other conditions of the Contribution Agreement remain unchanged.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry

By: (Signed) James Roberge
Technology Partnership Canada

PRATT & WHITNEY CANADA INC.

By: (Signed) Alain C. Rondeau
Vice-President Council and Corporate Secretary

TPC PROJECT NO: 710-452845
TECHNOLOGY PARTNERSHIP CANADA
AMENDMENT NO. 3

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry ("the Minister")

AND: SEXTANT AVIONIQUE CANADA, INC. ("Sextant" or "the Recipient")

This Amendment made this 10 November 1999

WHEREAS:

- A. The Minister, in carrying out his duties, has established a contribution program known as Technology Partnership Canada (TPC);
- B. The Minister and the Recipient entered into a Contribution Agreement on 14 November 1997 for the purpose of achieving a Research and Development project;
- C. On 2 August 1999, the Appellate Body of the World Trade Organization issued its report No. AB-1999-2 CANADA - MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT (99-3221);
- D. The Appellate Body's decision affects some terms and conditions of the aforementioned Contribution Agreement and the parties thereto wish to amend the said Contribution, Agreement to reflect the above decision.

THEREFORE the parties agree as follows:

- 1. Notwithstanding any other provision of this Agreement, the Minister shall not, on or after 18 November 1999, disburse any part of the Contribution provided for in the Contribution Agreement, whether or not the Claim on which such disbursement would otherwise be made, was submitted before or after 18 November 1999.
- 2. Section 1 above is irrevocable and shall not be subject to any further amendment.
- 3. Subsection 14.3, Confidentiality, is amended to read as follows:

"The parties will keep confidential and will not disclose the contents of this Agreement nor the transactions contemplated hereby without the consent of all parties, subject to Section 12 (Announcements), the Access to Information Act, or where required by law; furthermore such disclosure may be made by the Minister where, in the opinion of the Minister, such disclosure is required to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third party intervener"
- 4. All other conditions of the Contribution Agreement remain unchanged.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry

By: (Signed) James Roberge
Technology Partnership Canada

SEXTANT AVIONIQUE CANADA, INC.

By: (Signed) Jean-Pierre Mortreux
President

5 November 1999

David J. O'Blennis
President
AlliedSignal Canada Inc.
3333 Unity Drive
Mississauga, Ontario
L5L 3S6

Re: Technology Partnership Canada (TPC) Application # 710-122427

Dear Mr. O'Blennis:

The World Trade Organization (WTO) has found that support under Technology Partnerships Canada to the regional aircraft industry was inconsistent with WTO rules. The ruling obligates Canada to withdraw assistance to the regional aircraft industry as of 18 November 1999. Minister Manley has announced the government's intent to comply with the ruling and undertook not to approve any new regional aircraft related projects until such time as the program is restructured in order to ensure that future transactions are compliant with WTO.

Since your application received approval-in-principle on 3 July 1998 and relates to the regional aircraft industry, we have determined that it will not be possible to proceed with the contracting of your project. Accordingly, your file will be closed effective 17 November 1999.

Further to our discussions, please return a signed copy of this letter to the undersigned by 15 November 1999 acknowledging that the Minister has no obligation to AlliedSignal Canada Inc. pursuant to this matter. We regret any difficulty that this decision may cause and appreciate your cooperation. If you have any questions, please do not hesitate to contact us.

Yours truly,

(Signed) James Roberge
Deputy Executive Director
Director, Aerospace and Defence

(Signed) David J. O'Blennis
Acknowledgment
AlliedSignal Canada Inc.

5 November 1999

Allan Harvey
Vice President, Business Development
Messier-Dowty Inc.
574 Monarch Avenue
Ajax, Ontario
L1S 2G8

Re: Technology Partnership Canada (TPC) Application # 710-462558

Dear Mr. Harvey,

The World Trade Organization (WTO) has found that support under Technology Partnerships Canada to the regional aircraft industry was inconsistent with WTO rules. The ruling obligates Canada to withdraw assistance to the regional aircraft industry as of 18 November 1999. Minister Manley has announced the government's intent to comply with the ruling and undertook not to approve any new regional aircraft related projects until such time as the program is restructured in order to ensure that future transactions are compliant with WTO.

Since your application received approval-in-principle on 18 October 1998 and relates to the regional aircraft industry, we have determined that it will not be possible to proceed with the contracting of your project. Accordingly, your file will be closed effective 17 November 1999.

Further to our discussions, please return a signed copy of this letter to the undersigned by 15 November 1999 acknowledging that the Minister has no obligation to Messier-Dowty Inc. pursuant to this matter. We regret any difficulty that this decision may cause and appreciate your cooperation. If you have any questions, please do not hesitate to contact us.

Yours truly,

(Signed) James Roberge
Deputy Executive Director
Director, Aerospace and Defence

(Signed) Allan Harvey
Acknowledgement
Messier-Dowty Inc.
