

Time for taxpayers to get a bigger share of the wealth

By Eric Reguly

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Comparing Bombardier Inc. with Apple Inc. seems inane, the equivalent of comparing a Kia Rio with a Ferrari.

Both, broadly speaking, are high-profile companies that make advanced technology. Bombardier is the barely-airborne maker of business jets and small commercial aircraft, has a market value of \$5.75-billion and, by CEO Alain Bellemare's own admission, was on the "brink of bankruptcy" in 2015. Apple is the most successful gadget company in the history of gadgetry, makes the must-have iPhone, that ingenious meld of communications, entertainment and fashion, and has a market value of almost \$700-billion (U.S.) – the size of the Swiss economy.

Where they overlap is that both, in effect, owe their existence to governments. Bombardier has repeatedly received financial help from the state. Apple has exploited and repackaged many technologies that were developed at taxpayer expense. Their business models are as much socialist as capitalist. Wouldn't it be nice if they recognized the role of government in their success, beyond paying the least amount of income tax legally possible?

Bombardier was back at the government trough this week, slurping up \$372.5-million (Canadian) from the federal government in the form of a "repayable contribution." Few details were available on how it works, of course. While the description makes it sound like a loan, it's not clear on what terms, or under what conditions, the feds will get paid back.

What we do know is that Bombardier is no slouch when it comes to tapping the taxpayer. In 2005, the feds announced a \$350-million contribution to kickstart the C Series passenger jet, the long delayed, wildly overbudget technological wonder.

Last year, Ottawa pumped \$54-million into a Bombardier-led consortium that's working on next-generation electrical and aerodynamic systems. At the same time, the Quebec government invested \$1.3-billion in the C Series program in exchange for 49.5 per cent of the project.

But all the recent handouts are pocket change compared with the tally since the 1960s. Writing in *The Globe and Mail* this week, author and subsidy tracker Mike Milke reported that Bombardier (including its de Havilland subsidiary) has probably received \$4.1-billion in federal and Quebec aid over the past 50 years – and that excludes the amounts that may have flowed in from other provincial, and foreign, governments. The figure is not far short of Bombardier's current market value.

Some of those billions have been repaid with interest, though it's far from clear what sort of returns governments have earned. Yet, despite their reliance on piles of taxpayer cash, the Beaudoin and Bombardier family members have retained their voting control of the business. But that's another horror story.

Apple, for its part, doesn't go begging for government loans. With breathtaking profits and \$246-billion (U.S.) in cash, almost all of it overseas (all the better to avoid relatively high U.S. taxes), Apple needs government handouts like Bombardier needs to launch a Mars spaceship business.

But Apple still has been a huge beneficiary of taxpayer-funded programs.

Apple products, including the iPhone, iPad and iPod, are powered by lithium-ion batteries developed by the U.S. Department of Energy. The devices' liquid-crystal display came from the National Institutes of Health, the National Science Foundation and the Department of

Defence. The Internet, GPS, SIRI and DRAM cache were born in the U.S. Defence Advanced Research Projects agency and other government bodies.

Apple used these inventions, and some of its own, to propel itself to the top of the tech heap. Of course, other American tech companies also benefited mightily from the government's R&D programs. They all benefit from R&D tax breaks.

Apple has a sweet deal. It feasts on innovations that came out of government labs, stashes most of its cash overseas and makes most of its hardware in low-cost Asian factories. Should it give something back to the American taxpayer? Yes, but how? A special levy on

super-normal profits or a one-off dividend? Either would make shareholders scream with rage and recruit armies of lawyers. The least Apple could do is repatriate its foreign profits and pay U.S. tax on them.

Bombardier and its controlling families need to make a gesture, too, in recognition that exceedingly generous government programs have probably spared the company from financial calamity. One idea is to give the taxpayer a bigger cut of the wealth from Bombardier sales and profits, beyond just repaying the loans. Royalty payments could be sent to a government-controlled technology fund or to university tech centres.