



## This “Secret Weapon” Could Be the Key for Bombardier Inc. and the CSeries

### Description

Thus far, not much has gone right for **Bombardier Inc.** ([TSX:BBD.B](#)) as it develops the CSeries. The plane has suffered multiple setbacks, and is now roughly US\$2 billion over budget.

Making matters worse, other aircraft manufacturers—especially Airbus—have reacted fiercely, and are determined to crush the CSeries before it gets off the ground. At the same time low oil prices are diminishing the fuel efficiency edge that comes with the CSeries, and potential customers are getting impatient waiting for the plane to be ready. When putting all these factors together, it's no surprise that order totals remain well short of Bombardier's target.

So, is there any hope for Bombardier and its investors? Well, the CSeries does have one other major selling point, and this will be on full display at the Paris Air Show in June.

### The health-management system

A health-management system (HMS) allows an airline to monitor a jet's systems and engines while flying, and also makes it easy to optimize any necessary troubleshooting and maintenance. According to industry experts, the CSeries' HMS is state of the art.

According to industry expert Ernie Arvai, as quoted by *The Globe and Mail*, “Bombardier has a real competitive advantage here. It is head and shoulders above any existing HMS on narrow-body aircraft. What they're doing is exciting cutting-edge IT stuff—even down to the sensors on the windshield.”

So, why are we only finding out about this now? One reason is the system is still in development. As a bonus, Bombardier's secrecy means rival aircraft manufacturers don't have as much time to react.

### Will this be enough?

Others are not so convinced. Richard Aboulafia of U.S. consultancy Teal Group, also quoted by *The Globe*, said that “All of this falls into the heading of stuff you have to have. It doesn't alter the competitive situation. You're kind of just running to stay in place.”

And the CSeries is still running uphill. To illustrate, just last month Airbus firmed up an order for up to 100 narrow-body jets with Latin American airline Avianca. Meanwhile, the CSeries hasn't won any firm orders since September 26th, the last day that oil traded for more than US\$95 per barrel.

### **How should investors react?**

We all know that the CSeries is a best-in-class aircraft. No one can dispute that. But its success at this point depends mainly on one thing: Just how far are rival manufacturers willing to go? After all, if companies like Airbus are determined enough, they can offer their narrow-body aircraft for pennies on the dollar. And if they do this, it doesn't really matter how good the CSeries HMS is.

So, investors should sit tight for now and wait for the Paris Air Show. Only then will we have a better idea if the plane is catching on.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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### **Author**

bensinclair

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