



Will We See an Even Bigger CSeries Plane From Bombardier Inc.?

Description

It's safe to say that the CSeries has been a disaster for **Bombardier Inc.** ([TSX:BBD.B](#)). The plane is US\$2 billion overbudget, two years behind schedule, and not winning enough orders. But with the plane so close to being certified, Bombardier has no choice but to see it through.

In fact, there's even an argument that Bombardier should build a larger CSeries plane. Is this a crazy idea, or will it happen? And what does this mean for the stock?

A bigger airplane usually makes sense...

Without exception, it's far cheaper for an aircraft manufacturer to stretch an existing model than it is to develop another plane. And by building different iterations of the same plane, manufacturers can become more of a "one-stop shop" for customers. Airlines can benefit as well thanks to the interchangeability of certain parts. So, it's no surprise that **Boeing** and Airbus have employed this strategy many times in previous years.

Thus far, Bombardier has two versions of the CSeries: the CS100 and CS300. The company has also trademarked the names CS500 and CS900, just in case. So, is an even larger version just a matter of time?

...but Bombardier has fewer options

There are certainly advantages to developing a CS500, but this won't be happening any time soon. Bombardier's misadventure thus far has saddled the company with billions in debt, forcing the company to issue more shares, cancel its Learjet 85 program, and divest a minority stake in its rail business.

Right now Bombardier is focused on getting the CS100 and CS300 certified. Ideally, getting these planes ready for market will spur more orders. And only then would the company seriously consider a larger version.

What does this all mean?

Until Bombardier builds a bigger aircraft, it will never be able to compete effectively with Airbus and Boeing. These two companies operate at lower costs, thanks to their heft, and also have more to offer airlines. For example, if an airline agrees to buy some large aircraft from Airbus, some small planes can be thrown in at a heavy discount. Bombardier simply can't compete with that.

So, Bombardier will eventually have to build a bigger CSeries aircraft. I know that's not what shareholders want to hear. They just want the nightmare to be over. But until the bigger plane gets built, Bombardier will be a minnow in a shark tank.

Airbus and Boeing are well aware of this, and they don't want Bombardier encroaching further on their turf. So, you should expect them to keep offering steep discounts in an attempt to keep Bombardier at bay.

This is not good news for Bombardier, nor its shareholders. As an investor, this is something I don't want to be a part of.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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