



## 3 Reasons Why Bombardier Inc.'s CSeries Won Zero Orders in Paris

### Description

The Paris Air Show was an absolute boon for aircraft manufacturers **Boeing Co.** and Airbus. Combined, the two companies won orders for 752 planes worth a total of US\$107 billion at list prices. Even Airbus President Fabrice Brégier admitted that his company did better than expected.

The event was less fruitful for **Bombardier Inc.** ([TSX:BBD.B](#)), which won only some small contracts, and notably did not win any orders for the CSeries.

Why didn't the CSeries win any orders? We take a look at three reasons below.

#### 1. Heavy discounting by rivals

In this business, it's widely understood that aircraft manufacturers offer heavy discounts relative to list prices. And it seems that Boeing and Airbus have taken that to new levels.

Airbus has been particularly aggressive, and is determined not to let the CSeries gain traction. According to some anonymous sources, Airbus has even offered its planes in the low \$30 million range, well below the \$100+ million list price.

In recent months, Airbus's efforts have proven even more effective thanks to lower fuel prices (this diminishes the CSeries' fuel efficiency edge). It's no coincidence that no CSeries orders have been announced since oil last traded for US\$95 per barrel. So, until oil recovers, which looks unlikely to happen any time soon, CSeries orders will be very hard to come by.

#### 2. Still some uncertainty

Nobody likes to wait, especially for an uncertain amount of time. Airline executives are no different. And in the past, they have had to suffer through years of delays for Airbus's A380 and Boeing's 787. Their ordeal was like being stuck in an elevator, and nobody is looking for a repeat experience.

This has worked to Bombardier's disadvantage. The CSeries is about two years behind schedule, which has tested the patience of potential customers. Even today, with the plane nearing certification,

there are certainly some doubts. Airbus and Boeing are, without question, exploiting this.

### 3. Size matters

To make things clear, the CSeries wasn't exactly losing out to its direct competitors.

Some numbers will put this in better context. The CSeries is meant to compete in the 100-149 seat market. The CS100 seats 110 passengers, and the CS300 seats 135. Airbus and Boeing also have models of this size.

But the biggest orders were for slightly larger planes. Airbus's largest order (from European carrier Wizz Air) was for 110 of its A321neo planes, which seat 185 passengers apiece. Boeing's largest order was from AerCap for 100 of the 737 MAX 8 planes, each of which seats 162. Likewise, Korean Air put in big orders for both the A321neo and 737 MAX 8.

These larger planes come with lower costs per passenger (assuming the planes can be filled to capacity), which is of utmost importance in the hypercompetitive airline industry.

So, Bombardier shareholders should be very worried. Even though the uncertainty surrounding the CSeries will fade over time, there are clearly some other reasons why this jet will struggle to win orders. The news could easily get worse.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

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bensinclair

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