



3 Scenarios That Could Restart Momentum for Bombardier Inc. and its CSeries' Jets

Description

Bombardier Inc. ([TSX:BBD.B](#)) has faced numerous problems with its CSeries jet program, including cost overruns, testing failures, and a lack of orders. The first two problems seem to be behind the company, with the CS100 nearing certification. But the company is still well short of its order target of 300 planes, and no new orders have been announced since September.

Clearly, airlines feel no need to order a CSeries jet right now. And why would they? With the plane yet to be completed, and no one else making any orders, there's no reason to wait.

But if the program regains any momentum, it could lead to a flood of new orders. Airlines that currently are waiting may be compelled to act. And that could be the start of a Bombardier turnaround.

So, how could this all start? We highlight three scenarios below from most likely to least likely.

1. The plane is completed

Like anyone else, airplane executives hate waiting and they hate uncertainty. Unfortunately, they've had to endure these experiences fairly recently. The **Boeing** 787 and Airbus A380 were both two years late. Needless to say, the airline executives don't want any repeat experiences.

So, when the CSeries started experiencing delays, there was a "here we go again" reaction from the airlines. Thus, many potential customers are likely waiting for the aircraft to be completed before making any orders.

How many orders can we expect after certification? We should find out later this year. Of course, that is assuming no more delays.

2. The Billy Bishop Island Airport expansion is approved

The Billy Bishop Airport is located on Toronto's islands, and all planes currently using the airport have a propeller. Efforts are under way to approve an expansion for the airport, which would allow the airport

to serve jets. But this is a very contentious issue, one that has about 50% support among Torontonians. And the anti-jet crowd has been fighting ferociously. Mayor John Tory is still undecided.

The main issue with the jets proposal is noise—the islands are located very close to Toronto's waterfront, which features a big cluster of condominiums. For this reason, if any jets ever use the island airport, they would have to be CSeries, which are far quieter than comparable planes.

For now, this scenario is a long way off. A new study concludes that the airport wouldn't be ready for jets until 2019, and that's assuming quick government approval. But in the long term, it would pay big dividends, highlighting the noise advantages that come with CSeries planes. This could easily restart the CSeries' momentum.

3. Oil prices rebound sharply

The CSeries comes with roughly 20% better fuel efficiency than comparable planes, but this advantage has been diminished by lower fuel prices. And with that advantage diminished, Airbus and Boeing have had an easier time wrestling orders away from the CSeries. It's no coincidence that the last CSeries order came when U.S. oil prices were at \$95 per barrel.

So, a rebound in oil prices would be enormously helpful for the CSeries. Unfortunately, that's unlikely to happen any time soon.

For this reason, Bombardier shareholders will have to remain patient. The CSeries will probably not get a flood of orders until the CS100 is certified, and even then it may be just a trickle. If you're not willing to wait this out, you should sell your shares now.

CATEGORY

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1. TSX:BBD.B (Bombardier)

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