



Why Boeing or Airbus Would Pay Bombardier Inc. Big Money for the CSeries

Description

As we all know by now, **Bombardier Inc.** ([TSX:BBD.B](#)) has had its fair share of problems with the CSeries, and the company's share price has suffered as a result.

At this point though, all Bombardier can do is look forward. And one compelling option is to sell the CSeries program altogether. Doing so would allow the company to reduce its debt load and focus on what it does best: business jets.

Better yet, there are reasons to believe **The Boeing Company** (TSX:BA) or Airbus would pay big bucks for the CSeries. We take a look at three reasons why below.

1. New airplane programs are costly

Bombardier has received plenty of criticism for the CSeries's delays and cost overruns, but Boeing and Airbus have had similar experiences as well.

Boeing's 787 jet, also known as the Dreamliner, features some of the most advanced flight technology in the world. But it took the company eight years and US\$32 billion to get the plane into service. The original budget was just four years and US\$6 billion.

Likewise, Airbus's A380 is an engineering marvel. It is easily the world's largest plane, helping airlines cut down on costs per passenger-seat mile. But the plane was two years late and ran US\$6 billion over budget.

Without a doubt, neither of these companies want to have these experiences again. But that could easily mean falling behind technologically. So, why not let another company go through the trouble, then pay for the spoils at the end? The thought must be very tempting for both Boeing and Airbus.

2. Rivals are discounting their own planes

In addition to the delays and cost overruns, Bombardier has not secured a firm CSeries order for nearly one year. A big reason for that has been the heavy discounts offered by Airbus and Boeing on their

competing planes. Airbus has been particularly aggressive.

Of course, such discounting doesn't help anyone. But if Airbus or Boeing bought the CSeries program, removing a big competitor from the market, there would be less need for discounting. Such a scenario could result in a higher price tag for the CSeries.

3. There is more that can be done with the CSeries

Bombardier has already trademarked the names CS500 and CS900, just in case it wants to build larger versions of the CSeries. Such projects usually pay off, since it only requires modifying an existing design. But the company is short of cash and may not be able to pursue the project.

Of course, that problem doesn't exist at Airbus and Boeing. If they bought the CSeries program, the opportunity to build larger models would surely be factored in to the purchase price.

That being said, it is too soon for Bombardier to think about the CSeries. The company needs to get the CS100 certified first—otherwise, selling off the program would certainly be too disruptive. So, for now this is simply an opportunity to keep your eye on.

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