



Should Bombardier Inc. Form a CSeries Partnership With Embraer SA or Boeing Co?

Description

Bombardier Inc. ([TSX:BBD.B](#)) is leaving no stone unturned.

According to new reports, the company has plans to talk to **Embraer SA** ([NYSE:ERJ](#)) and **Boeing Co** ([TSX:BA](#)) about a potential CSeries partnership. This comes after similar discussions with **Airbus** fell through.

So, would a partnership with either firm make sense? We take a look below.

Embraer

A partnership with Embraer would be a cruel irony for Bombardier. The Brazilian company actually considered developing a similar series of planes, but decided it didn't want to compete head-on with Airbus and Boeing. As put by one of the company's executives, "we could not take a step toward a larger aircraft because the business plan was not there for it."

Instead, Embraer pursued the regional jet market, thus going head to head with Bombardier. It has been a hotly contested battle, one that has even soured the relationship between the Brazilian and Canadian governments. But Embraer now dominates that market, having effectively defeated Bombardier.

So, why might Embraer be interested in a CSeries partnership? Well, the main reason is that the company doesn't sell any planes as large as the CSeries. There would be no cannibalization with the Embraer's existing products.

Boeing

Boeing already has a plane that competes directly with the CSeries—the 737MAX. But a CSeries partnership would still make a lot of sense.

The main reason is competition. As we all know by now, the CSeries has struggled to win orders partly

because Airbus and Boeing have steeply discounted their competing models in response. And if Bombardier partnered with Embraer, then that dynamic would still exist.

But if Bombardier partnered with Boeing, then this market would once again become a two-horse race, which should lead to more price discipline. Boeing also has much stronger relationships with major airlines around the world, which would help greatly when trying to sell the CSeries.

There's one other reason: Boeing knows how hard it is to develop a new aircraft from scratch. Developing the 787 Dreamliner cost the company more than US\$30 billion compared to an initial budget of US\$6 billion. A CSeries partnership could save Boeing from a similar headache for years to come.

Some major sticking points

Forming a partnership with any company will not be easy for Bombardier. The CSeries would need to have its own directors, and the terms of any agreement would be quite complex. Bombardier would insist that manufacturing jobs stay in Quebec.

An outright sale of the program would be more ideal, but the government of Quebec would have a major problem with that. So would Bombardier's founding family, because it would have to give up on the dream entirely.

Thus, if you're a shareholder, you shouldn't get your hopes up too soon. And if you don't own any stock, you should probably wait a while before jumping in.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BA (The Boeing Company)
2. NYSE:ERJ (Embraer S.A.)
3. TSX:BBD.B (Bombardier)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/21

Date Created

2015/10/14

Author
bensinclair

default watermark

default watermark