



Bombardier, Inc.: Will Delta Air Lines Inc. Be the Next CSeries Customer?

Description

Delta Air Lines Inc. ([NYSE:DAL](#)) is taking a serious look at **Bombardier, Inc.'s** ([TSX:BBD.B](#)) CSeries jets, according to Richard Anderson, the airline's CEO. To be more specific, he made the following comments about the CSeries during a conference call on Tuesday:

... it's a pretty impressive airplane. The geared turbofan is the really the first big innovation since the Boeing 787 revolutionized the composite structure for the body [sic] the fuselage of the airplane. So, we actually think that at the right price it's quite a competitive airplane, particularly given the engine technology. So we're taking a very serious look at it.

So how promising is this for Bombardier?

The current situation

Mr. Anderson's comments reflect those made by Bombardier near the end of last year. In fact, there are many airlines seriously considering the CSeries. But there are a few reasons why this hasn't translated directly into orders.

One obvious reason has been the decline in fuel prices, which disincentivizes airlines from spending extra money for fuel efficient aircraft. There has also been serious competitive pressure from larger rivals such as **Boeing Co.**

In fact, we've seen this play out recently with **United Continental Holdings Inc.** (NYSE:UAL). Bombardier presented the CSeries planes to United back in November, but it now appears that Boeing is best positioned to win this deal with its 737-700.

Undersized

There's one other reason why Bombardier has been struggling: airlines have typically been opting for larger aircraft. We're even seeing this in the United deal; the 737-700 officially seats 126 passengers, well in excess of the 100 required by United.

Larger aircraft come with a number of advantages. Most importantly, they allow airlines to meet demand with fewer flights, resulting in lower unit costs. According to a recent Delta presentation, unit costs decrease by 9% when upgrading from a 100-110 seater to a "small narrow-body."

Larger planes also give airlines more flexibility. For example, more first-class seats can be offered while still meeting capacity requirements. And, according to Delta, bigger aircraft "allow for a better customer experience and drive higher customer satisfaction." It's no coincidence that both Boeing and Airbus have also struggled to sell their smallest planes.

Don't get your hopes up

Mr. Anderson's recent comments may have given Bombardier shareholders some hope. But he didn't bring up the plane himself; instead, he was specifically asked about the CSeries by an analyst. And he gave the only answer he could. After all, the company is always trying to secure the best deal for aircraft it can get, so it wants to make the process as competitive as possible.

So if you're counting on this to turn in to a CSeries order, don't hold your breath.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:DAL (Delta Air Lines, Inc.)
2. TSX:BBD.B (Bombardier)

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