



Bombardier, Inc.: The CSeries Is Simply Too Small

Description

In a Tuesday interview with *The Globe and Mail*, **WestJet Airlines Ltd.** (TSX:WJA) CEO Gregg Saretsky outlined one of the main problems facing **Bombardier, Inc.** ([TSX:BBD.B](#)) and its CSeries jets: the planes simply aren't big enough.

We take a closer look below.

Moving to larger aircraft

WestJet is moving towards jets with 160-180 seats, making the CSeries too small for the airline's jet network. The CSeries is also too big for its regional network, where turboprops are more appropriate. And WestJet is not alone; airlines all over the world are trying to move to larger aircraft.

One big reason for this is very simple: there's a worldwide pilot shortage, thanks mainly to a growing middle class and the retirement of baby boomers. This has incentivized airlines to cram more people onto fewer flights, which of course requires larger planes.

We're seeing this trend with Bombardier's rivals as well. For example, the Airbus A319neo jet, which seats 140-160 passengers, has gained only 50 firm orders thus far. Meanwhile, the A320neo, which seats 165-189 passengers, has gained over 3,300 orders. The even larger A321neo, which seats up to 220, has gained nearly 1,100 orders.

There is a similar pattern with **Boeing Co.** ([NYSE:BA](#)) and its 737 MAX series. As of the end of last year the 737 MAX 7, which seats 126-149 passengers, gained only 60 orders. Meanwhile, the 737 MAX 8, which seats up to 200 passengers, has secured nearly 1,100 orders. The MAX 9, which seats up to 220, has secured more than 400 orders.

This leads to a very obvious question: Why doesn't Bombardier build a larger version of the CSeries? After all, doing so shouldn't come with significant engineering costs, especially if the same wing can be used for the larger aircraft.

Why isn't Bombardier building bigger aircraft?

To be clear, Bombardier hasn't ruled out building larger versions of the CSeries. The company has even filed trademark applications for a CS500 and CS900.

But at this point, the company's financial position has been severely compromised, and building a larger version of the CSeries would be far too great a risk.

This is one of the reasons why I've argued the CSeries program should be sold to Airbus or Boeing. If this were to happen, then there wouldn't be this obstacle to larger versions of the plane. Thus Boeing or Airbus should be willing to pay more to Bombardier than the CSeries is worth in its current form, and that would be beneficial for everyone involved.

Unfortunately, such an outcome now looks like a long shot. And for that reason, the CSeries will continue to struggle.

CATEGORY

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1. NYSE:BA (The Boeing Company)
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