



Boeing Co Could Blow Up Bombardier, Inc.'s CSeries Dreams

Description

When **Bombardier, Inc.** ([TSX:BBD.B](#)) launched the CSeries, it had one goal in mind: steal a slice of the lucrative broader single-aisle market from under **Boeing Co's** ([NYSE:BA](#)) and **Airbus's** noses. Sadly, the CSeries's struggles to find itself a place at the table continue to worsen.

In what will be the second big blow to Bombardier in as many months, **United Continental Holdings Inc.** (NYSE:UAL) is, as reported by the *Wall Street Journal*, scooping up 25 Boeing 737 jetliners in a deal worth US\$2 billion, sidelining the CSeries yet again. Bombardier was desperately hoping for a breakthrough after losing to the titan in January when United Continental bought 40 737-700s in a deal worth US\$3.22 billion.

This is a huge setback for Bombardier and raises a big question about the CSeries.

A lost opportunity

Bombardier has been aggressively pursuing United Continental as any order, irrespective of size, from the third-largest carrier in the U.S. would add huge credibility and visibility to the CSeries—something it desperately needs to gain foothold in a highly competitive market.

Bombardier had an excellent opportunity to pitch its CSeries as United Continental phases out its cramped 50-seat jets for the 100+ seat planes. More importantly, a win from United Continental could be the much-awaited breakthrough as Bombardier hasn't been able to impress any of the North American airlines yet.

Unfortunately, that could only remain a dream. With every order lost, the CSeries's unique selling proposition is losing its worth.

Why are airlines ignoring the CSeries?

The CSeries's selling point was its fuel efficiency—a factor that suddenly isn't as relevant today, what with fuel prices dropping and Boeing set to deliver its lighter and quieter new generation 737 MAX by 2017. In fact, plunging fuel prices have reportedly compelled Bombardier to dole out a massive

discount of 60% on each plane when it recently bagged a letter of intent from **Air Canada** for 45 CS300 jets.

That raises another big question for Bombardier investors: the CSeries may not appear as fuel efficient now, but why isn't United Continental interested in the planes despite the chances of getting them at a discount?

Or if the reported favours done by the Government of Quebec—including the dropping of a lawsuit against Air Canada—in return for buying CSeries is the only reason why the Canadian airline signed up Bombardier, it could sound the death knell for Bombardier. No company in a business as capital intensive as airlines can survive on discounts or thrive under the government's rule.

If Bombardier keeps selling planes at a discount, rest assured, it can't profit. And if it doesn't offer discounts, it may never find a customer. Getting funded by the government is always an option, but in the absence of real orders for the CSeries, Bombardier's flight could end before it takes off.

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2. TSX:BBD.B (Bombardier)

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