



Bombardier, Inc.: Will Canada Jetlines Be the Next CSeries Customer?

Description

While appearing on *The Business News Network*, Canada Jetlines CEO Jim Scott said the upstart airline could, in theory, purchase CSeries aircraft. But he said that before that happens, Canada would need to repeal a law that limits foreign ownership of airlines to 25%.

So what exactly is Canada Jetlines, and why does the CEO want this law repealed? More importantly, could this airline be a future CSeries customer?

Canada Jetlines

Ultra-low-cost carriers (ULCCs), such as **Ryanair** in Europe and **Spirit Airlines** in the United States, have historically been able to achieve 30% lower costs than other scheduled carriers. These savings come primarily from cramming more seats into each aircraft, reducing freebies to passengers, and using second-tier airports. These savings, of course, result in far lower airfares.

Canada is still the only country that doesn't have an ULCC, something that Canada Jetlines hopes to change. The carrier has plans to operate with bases in Vancouver, Winnipeg, and Hamilton with a focus on secondary routes that are underserved by the major airlines.

Canada Jetlines is still in stage two of its funding efforts and won't make its first flight until the completion of stage four. But the company has already ordered five single-aisle airplanes and plans to operate 40 aircraft by its eighth year of existence. There's nothing wrong with ambition.

Why the CEO wants the foreign ownership rule lifted

During his appearance on *BNN*, Mr. Scott said that it is difficult to raise capital in Canada in today's economic climate. And it's especially challenging for an airline, because Canada has a rule that caps foreign ownership of airlines at 25%.

This rule throws a major wrench in Canada Jetlines's growth strategy, because the company needs extensive financing to add more planes.

Is this a future CSeries customer?

During his interview, Mr. Scott said that the CSeries is a wonderful airplane and that he would absolutely consider purchasing it. But there are a few reasons we shouldn't take his comments too seriously.

First of all, he's not the only airline executive to hype up the CSeries. For example, **Delta Airlines** CEO Richard Anderson said earlier this year that the CSeries is "quite a competitive airplane" and that the airline is "taking a serious look at it." But these comments are usually nothing more than negotiating ploys aimed at **Boeing** and Airbus.

Secondly, Canada Jetlines already had the opportunity to order the CSeries, but it went with Boeing 737 MAX 7s instead.

And finally, one of the CSeries's key selling point is its reduced noise level. But this is less important for an ULCC, partly because passengers care more about cost than noise, and also because the airline doesn't use city-centre airports.

To be clear, the Canadian government should still change its foreign ownership rule for airlines. But doing so would not lead to more CSeries sales.

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