

Bombardier Regroups After Airbus Setback

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The Canadian plane manufacturer remains 'fully committed' to its new C Series and has 'the financial resources in place to support the program' even after Airbus bowed out of consideration for a majority stake in the project.



A pair of Bombardier C Series fly over islands and water in an artist rendition. Bombardier will move forward with the new aircraft despite not being able to sell Airbus a majority stake in the project.
Bombardier

PARIS — Despite failing to agree a potential tie-up with Airbus, Bombardier insists it can make its bet on entering the lucrative medium-range passenger jet market a winner, while also leaving the door open to possible future alliances.

“Bombardier is fully committed to the C Series and we have the financial resources in place to support the program,” spokeswoman Marianella de la Barrera said regarding the 100- to 150-seat aircraft now nearing certification, shrugging off not being able to sell Airbus a majority stake in the project.

But the company’s confidence is set against analyst concerns about Bombardier’s ability to survive the financial stress of bringing the first all-new medium-range passenger jet to market in 25 years as the development costs of the C Series have doubled to \$5.4 billion.

There are concerns over Bombardier's capacity to absorb that cost, and the cost of the two-year delay in entering into commercial service of the C Series planes, which should carry their first passengers for Lufthansa subsidiary Swiss in mid-2016.

Certification is expected by year's end, but the commercial challenge ahead appears sizeable.

On Paper: Impressive

"On paper, Bombardier has the ability to worry its rivals," aeronautics specialist Philip Moine said. "It is the only wholly new medium-haul carrier with better announced performances than re-engined versions" of single aisle rivals.

After Boeing's delays bringing the all-new long-haul 787 Dreamliner to market, both Boeing and its European rival Airbus opted not to completely redesign their single-aisle medium-range aircraft, which account for the lion's share of sales and are the workhorses of the aviation market.

Instead they opted to offer new engines and make aerodynamic enhancements on the 737 and A320 aircraft that should nearly match the 20% fuel savings that Bombardier is promising with the C Series.

However the C Series, which is Bombardier's first foray outside business and regional passenger aircraft into the medium-range jets, also promises reduced emissions and noise, and has a cabin that offers more space, bigger windows and storage area.

The problem, Moine noted, is that the development cost overruns and delays have pushed up the break-even point for Bombardier from 300 to 800 aircraft. The Canadian group has only 243 firm orders and 360 letters of intent at this point but believes that, once the C Series receives certification and enters commercial service, more will follow.

As Bombardier sees it, the bet on the C Series has good odds of paying off as the demand for single aisle jets with 100 to 150 seats is expected to range from 4,000 to 5,000 globally through to 2034.

The company also stressed its efforts to streamline costs and boost margins, including 6,500 jobs cut since the end of 2013, and a revamped management.

Keeping a Foothold

But Bombardier CEO Alain Bellemare said on taking the helm in February that he wanted to examine all options for the group's aeronautics division — a point driven home once again after the Airbus talks ended.

“Bombardier will continue to explore different initiatives, including potential participation in the consolidation of the industry,” the group said.

A source close to the Airbus discussions said that far from an attempt to clutch at straws those talks were a serious management tilt at rationalization.

“Of course Bombardier has the means to deliver on the C Series program,” the source told AFP. “Bombardier going with Airbus is not a case of all or nothing, a last resort,” the source insisted, pointing out the talks had lasted for several months.

For Airbus, aligning itself with Bombardier would have been a “great opportunity to renew its 100-to-150 seat range” at a relatively low cost, said Jean-Louis Dropsy, sector specialist for Argon Consulting. A tie-up “would have allowed Airbus to maintain a foothold in this market” even if the segment is no longer its main market focus, he said.

The C Series corresponds to the smallest of the A320 family aircraft, the A319 which has 124 seats and will have from 140 to 160 in the “neo” version with fuel-efficient engines.

But Airbus has focused mostly on the 150-180 passenger A320 and the slightly larger A321, the pair constituting 93% of single-aisle deliveries in 2014, up from 53% in 2006.

Had the Airbus tie-up come to fruition, then Bombardier could have expected to benefit from Airbus’ size in negotiating with suppliers, as well as its sales and marketing network.

A tie-up could have also reduced the risk of Bombardier introducing larger versions of the C Series, taking on Airbus and Boeing in the biggest segment of medium-range aircraft.

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