IS BOMBARDIER A THREAT TO BOEING AND AIRBUS' MONOPOLY

News / Manufacturer



The recent Delta Air Lines order has restored some confidence in Bombardier and may lead to more CS100 orders.

Boeing and Airbus have long been ruling the aerospace market with their single-aisle 737 aircraft and A320 series. However, the recent Delta Air Lines Inc.'s firm order of 75 CS100 with Bombardier shows that the monopoly might soon come to an end.

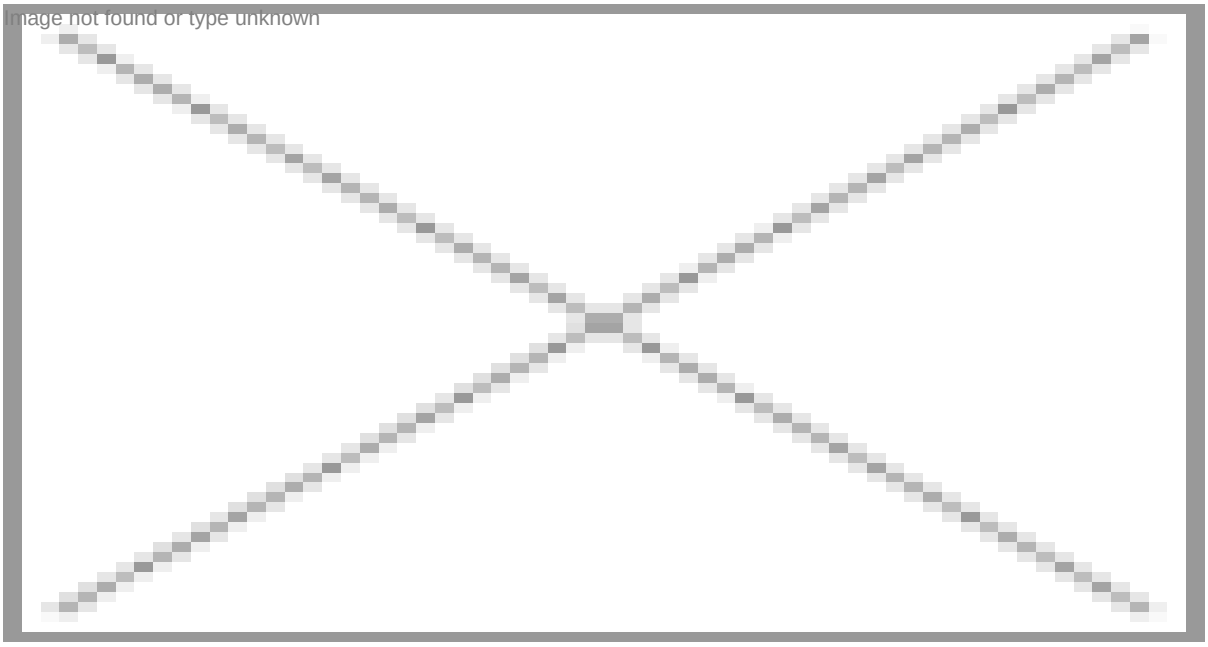
Airlines all around the world are now considering Bombardier as a main supplier for single-aisle fuel-efficient commercial aircraft. Many budget airlines are also eyeing Bombardier's CSeries aircraft and might place orders in the coming months. Swiss International Air Lines may also acquire new CSeries jets to expand its aircraft fleet. Given the recent developments, the company's executives seem bullish and are looking forward to more orders for the CSeries aircraft.

Bombardier's entry in the aerospace industry is beneficial for all airlines, as it will now pressure the established industry giants i.e. Boeing and Airbus to reduce jet prices. Industry analysts believe that aircraft manufacturers might offer discounts now to secure new orders — in a bid to compete with Bombardier.

Bombardier CS300 commercial aircraft is almost similar to Boeing 737 and Airbus A319neo, especially in terms of specifications. Bombardier, however, has a competitive advantage over

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rivals as CS300's list price is significantly lower.



How Bombardier Scored the Order

Last month, it was rumored that executives from Bombardier paid a visit to Delta Air Lines office to negotiate the terms and conditions of a potential contract. Bombardier seemed confident about the negotiations and delayed its earnings release by a day so it could add the order in the report to gain investor confidence. The new contract is worth $3.2 billion and might just cover the project costs. The company will need more orders to streamline the CSeries project though.

Delta’s current order for CS100 aircraft does not directly compete with the 737 Max or A320neo as it is much smaller in size. However, rumor has it that Delta might place an order for more jets, including the CS300 model in the future.

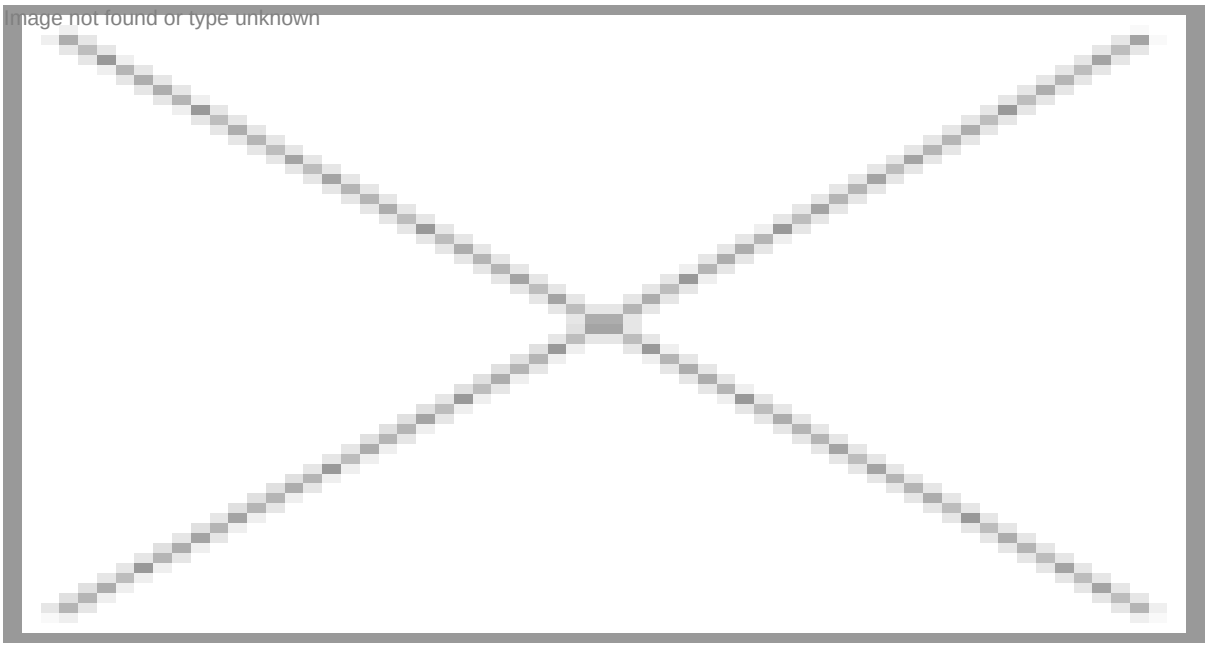
Backlog Comparison

It seems Bombardier’s days of suffering are finally coming to an end. The delays in aircraft manufacturing have led to huge losses over the last few years. This is the biggest order the company has received since its inception. Last year, the company did not receive any orders due to project delays and increased costs of production.

With the current order, Bombardier has also crossed the 300 order mark and now has a cumulative backlog of 325 CS100 and CS300 jets. Boeing and Airbus, on the other hand, have backlogs on the orders of smaller single-aisle commercial aircraft, enough to keep the production line running for many years. As per Boeing’s order book, Boeing 737 Series has a backlog of 4,380 jets, while Airbus has a backlog of 5,479 jets for its single-aisle aircraft, as of March 31, 2016.

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What Happens Next

Boeing and Airbus can offer discounts to airlines to sustain their market share even if they make less profit. It would still take Bombardier a long time to catch up with the industry giants and compete with them on a bigger scale, as the manufacturer still has not launched its first aircraft.

Bombardier might have restored some confidence by getting the Delta Air Lines order. Airlines now have an option to choose Bombardier over Boeing and Airbus if they are looking for fuel-efficient aircraft. However, when it comes to a timely delivery of aircraft and credibility of the manufacturer – the two important factors considered when placing a new order – Boeing and Airbus are much established with their history of successful aircraft deliveries.

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