

Bombardier lands \$3B Cseries deal

BY FRANCOIS SHALOM, THE GAZETTE FEBRUARY 26, 2010



Montreal-based Bombardier has recorded firm orders for a total of 90 CSeries aircraft, including the Republic Airways order for 40, another from Deutsche Lufthansa AG for 30 aircraft and another from Lease Corp International Group for 20 aircraft.

Photograph by: Christinne Muschi, Reuters

MONTREAL — A \$3.26-billion order that Bombardier Inc. finally bagged Thursday for 40 of its future CSeries airliners is expected provide a persuasive incentive for sales pitches to many airlines waiting for others to take the lead.

The Montreal aircraft maker signed the \$3.06-billion US deal with Indianapolis-based Republic Airways Holdings Inc., which operates six carriers: Chautauqua Airlines, Frontier Airlines, Lynx Aviation, Midwest Airlines, Republic Airlines and Shuttle America. Republic also placed options for 40 additional planes, which would boost the order to 80 planes and \$6.34 billion US.

It brings Bombardier's firm orders for the upcoming CSeries to 90, including the launch order from Lufthansa AG for 30 planes and 20 from Dublin-based Lease Corp. International Group, as well as 90 options.

Analysts and consultants welcomed the deal with Republic as an overdue but critical foothold in the North American market.

Bombardier had expected more orders to materialize last year after a long drought, but "we are still in the most difficult market ever in aviation history," Gary Scott, president of Bombardier Commercial Aircraft, said in a telephone interview.

The CSeries, due out in 2013, has rocked the worldwide aviation industry by encroaching for the first time directly into Boeing Co. and Airbus SA territory. The larger CS300 CSeries, which Republic

Airways ordered, can be configured to seat between 130 and 149 passengers, putting it in direct competition with the popular Airbus 320 and Boeing 737.

Scott said that the CSeries beat out Boeing and Airbus and called the CSeries the only purpose-built plane in the 100-149 seat niche with all-new technology, mainly the Pratt & Whitney gear turbofan engine developed specifically for it and 70 per cent new materials, including 46 per cent composites.

While Boeing, Airbus and Brazil's Embraer are all weighing options to counter the CSeries, either by putting new engines on existing aircraft or coming up with new aircraft, Bombardier will be well-placed to take advantage of the 6,000 planes in that category that will be required in the next 20 years, Scott said. Cash operating cost savings for the CSeries from lower fuel burn and lighter materials will be about 15 per cent, he predicted.

"I like our position," he added.

Bombardier president Pierre Beaudoin in a December interview that rivals were bad-mouthing the CSeries "because I think they're worried, myself."

Raymond Jaworowski, a consultant with Forecast International in Newtown, Conn., said that two of Republic Airways's carriers, Frontier and Midwest, are "more like national airlines than regional, so this represents a diversification for Bombardier," whose customers so far have almost all been regionals.

"And Republic is also one of the most important players in the regional segment."

He said that Bombardier will now be able to go into sales campaigns around the world armed with a solid backlog and important customers for the CSeries, nudging carriers still feeling the economic downturn and unsure about taking the leap toward new, advanced but untested aircraft technology to take the risk.

Richard Aboulafia, a consultant with the Teal Group in Washington, said it was a coup for Bombardier to graduate from "a large and dying regional-jet industry to a small but respectable segment of the mainline industry."

One Bombardier analyst, who did not wish to be named, said the question is whether Republic benefited from hefty discounts often dangled before early customers of an unproven product.

About pricing, Scott said, "we're selling the aircraft at market prices, and today's market is very challenging."

In a statement, Bryan Bedford, president and CEO of Republic Airways, said that his firm "selected Bombardier's CSeries jetliner because no other aircraft can match the attributes it brings to the market . . . The CSeries aircraft will give us a major competitive cost advantage and complement our future growth and development plans."

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