

Bombardier lands order for three CSeries

By François Shalom, The Gazette
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Pierre Beaudoin, president and CEO of Bombardier Inc., walks on stage prior to the company's annual general meeting in Montreal, June 1, 2011.
Photograph by: CHRISTINNE MUSCHI, REUTERS

It may not constitute opening the floodgates, but Tuesday's order of three Bombardier Inc. CSeries aircraft is the second deal in six days for the jetliner and stands in sharp contrast to the 15-month order drought that preceded them.

The purchase of three CS100 110-seaters valued at \$185 million U.S. at list price, though, is shrouded in mystery. Bombardier said that the airline that purchased them does not want to be named.

Bombardier spokesperson Marianella de la Barrerra said she could not provide further identifying traits other than to say that "it's an established airline that operates a fleet of single-aisle narrow-bodies and flies to about 25 destinations." She could not give its geographical location.

The carrier, she noted, asked to remain anonymous because "it's going through some corporate changes."

The airline is scheduled to take delivery of the planes in 2014, and took out options for three additional CS100s, which would boost the total order to \$385 million U.S. at nominal prices. The true cost for carriers, though, is far lower after discounts.

In a statement, Chet Fuller, senior vice-president of sales, marketing and asset management for Bombardier Commercial Aircraft, said that "the orders announced last week and today confirm that the CSeries' (expected lower operating costs and other attributes) ... make it an ideal air-transport solution worldwide."

The order last Wednesday for 10 planes, five CS100s and five CS300 130-seaters was from Sweden's Braathens Leasing Ltd., which operates Malmo Aviation.

Raymond Jaworowski, an analyst with Forecast International in Newtown, Conn., said that "it's actually not that unusual (for airlines to ask to stay anonymous). Often it's related to the timing of a financial release at the SEC (U.S. Securities and Exchange Commission), or close to an annual meeting of shareholders."

"I haven't even heard rumours" about the airline's identity, he said.

"But probably the most interesting aspect," Jaworowski added, "is why they didn't hold off (until the Paris air show in two weeks) to make a big splash."

"It's possible that these orders are appetizers of a sort. Perhaps they have more in hand, because we're hearing rumours."

"Or maybe it was based on their experience at (last year's Farnborough air show in England when Bombardier failed to announce an expected order from Qatar Airways) and they wanted to push these orders out there now."

At Bombardier's annual meeting last week, when the Braathens order was disclosed, Bombardier Aerospace president Guy Hachey told reporters that "we don't really align (order announcements) with air shows."

But he added that Braathens was "the first of several clients."

You'll probably see orders that are a little smaller, but more customers."

Hachey said it's important to establish a broad customer base for two reasons: repeat business when the time comes to replace aircraft, and to minimize exposure to too few carriers.

And if you get an order for 100 planes (from one client), it fills up our production slots for months and maybe a year.

"So we want to make sure that we have between 20 and 30 customers right off the bat for this program. Consequently, you'll see a multitude of customers with somewhat lesser quantities."

The latest order brings the number of CSeries customers to five and the total firm order book for the CSeries to 103, with 103 additional planes on option.

Previous orders were placed by Deutsche Lufthansa AG, for 30 CS100 models, Lease Corp. International Group, for 17 CS300 and three CS100s, and Republic Airways, for 40 CS300s.

In a note to clients, Desjardins Securities Inc. analyst Benoît Poirier called the three-plane order "a positive development although ... not financially material."

"It increases the positive momentum around the CSeries, and we believe that Bombardier is confident it will announce further orders at ... Paris."

"We believe the stars are aligned for Qatar Airways to announce a CSeries order at the air show."

Bombardier stock gained 2.7 per cent, closing at \$6.95.

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