

CSeries pushes rivals into rethinking

Boeing, airbus could vacate niche. Other reports suggest Bombardier expects to announce raft of orders soon

BY FRANCOIS SHALOM, THE GAZETTE MAY 8, 2010

The time bomb Bombardier Inc. lit by launching its CSeries airliner is forcing future rivals Boeing Co. and Airbus SA to revisit - and perhaps rush - their response to that incursion into their airspace.

The question is taking a remarkable turn, with a flurry of recent reports indicating that Boeing may be increasingly inclined to forgo its re-engining option on its 737 family as a response to protect its market from the CSeries and go straight to designing, engineering and building a brand new aircraft.

Re-engining, a far less expensive proposition that refers to putting new, more efficient engines on Boeing's 737 family and Airbus's A320 variants to make them more competitive with the CSeries, a plane designed to cut operating costs by 15 per cent. But it's a stop-gap measure until companies replace their A320s and B737s.

A report from aerospace analyst Richard Safran of New York's influential Buckingham Research this week created an industry sensation with a "paradigm-shifting" assertion that Boeing, its hand forced by Bombardier, is leaning toward replacing its venerable 737 much earlier than planned - a 2013 launch and 2019 delivery target.

In a recent interview with The Gazette, Airbus North America president Barry Eccleston said that "we now think a clean-sheet (brand- new) design won't come to market until 2024, possibly 2025," the same time frame Boeing has long mentioned.

But aerospace analysts say that where one company goes, the other will inevitably follow since neither can afford to allow the other any daylight in product offerings.

The new, aggressive schedule Safran set out would compress the headstart that virtually all aviation observers have assumed Bombardier's CSeries would enjoy.

But an equally radical scenario making the rounds is that new Boeing and Airbus planes would vacate the 100- to 149-seat niche the CSeries is in and concentrate on the more lucrative 150- to 200-seat segment.

Scott Hamilton of Seattle-based consultancy Leeham Co. LLC said that "if Boeing proceeds with a new airplane, this will upend all the previous conventional thinking for the current decade and assumptions that a new airplane would not be forthcoming until the second half of the next decade." "Boeing customers want a new airplane rather than a re-engined aircraft, so Safran's report is consistent with what we are hearing," Hamilton said in a report.

But Bombardier Aerospace spokesperson Marianella de la Barrera said it would be nothing unexpected.

"We're still out of the gate first," she said. "The CSeries is launched, it's well under way and is due to enter service in 2013. It's the right product at the right time." In an interview, Hamilton said that "bypassing re- engining would be a gutsy move on Boeing's part." But a new plane would be rolling the dice on several levels for Boeing, he noted, chiefly financial. "After the disastrous design-and-production process for the 787, with the billions of dollars of cost overruns and customer penalties, few believed Boeing had the stomach for a new airplane." Bombardier's CSeries is hardly an end in itself, Hamilton said, but a precursor to bigger aircraft, and it would be a mistake to forfeit the 100- to 150-seat segment, which makes up 25 per cent of the 100- to 200-seat market, aerospace's largest.

Boeing did not take Airbus seriously and paid for that error when its first baby steps in 1972, the A300B2, "begat everything else Airbus did subsequently." Boeing chief executive officer Jim McNerney suggested in an earnings call on April 21 that momentum was building inside the company for a new plane, bypassing re-engineing.

Raymond Jaworowski, senior aerospace analyst with Forecast International of Newton, Conn., said the "hints Boeing is dropping make this more than just buzz." But he added that the bruising financing burdens that neither Airbus nor Boeing can afford may mean the hints are a Boeing tactic to warn off Airbus from re-engineing, and that in the end, neither would do anything until a brand new redesign, an option both companies secretly prefer.

Airbus CEO Thomas Enders is also a re-engineing skeptic, but the odds are still three-to-one that Airbus will announce by July's Farnborough air show that it will re-engine its A320 family.

Jaworowski said the industry scuttlebutt these days is that Bombardier will announce a raft of orders for the CSeries at the show.

De la Barrera would only say that "there is great interest from airlines. We're in discussion with over 65 customers around the world."

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