

Boeing could rebut Airbus deal with new plane, partner: Analyst

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An Airbus A320neo aircraft and a Bombardier CSeries aircraft are pictured during a news conference to announce a partnership between Airbus and Bombardier on the C Series aircraft programme, in Colomiers near Toulouse, France, Oct 17, 2017. (REUTERS)

By **AFP** - October 18, 2017 @ 12:10pm

NEW YORK: Bombardier's alliance with Airbus creates new hurdles for Boeing, but the US giant could respond by deepening its collaboration with Brazil's Embraer and launching a new aircraft, analysts say.

The surprise deal with Airbus was designed to let Bombardier proceed with its C Series program and avert draconian US sanctions that had been ordered in a preliminary Commerce Department decision in response to a Boeing complaint.

"Anything that's good for Airbus is bad for Boeing of course," said Jim Corridore, an analyst at CFRA Research, summarizing the reaction of many observers to the Airbus-Bombardier venture.

The deal grants Airbus an immediate stake in the program for C Series planes, which carry 100 to 150 passengers.

Airbus will hold a 50.01 percent stake of the venture and gain key new plane capacity without the normal huge up-front capital outlay, in exchange for using its sales and marketing heft to lift C Series sales.

Boeing for its part said the partnership was a non-event as far as the sanctions case, which is based on the contention that Bombardier received billions of dollars in subsidies from Canadian government officials.

"The announced deal has no impact or effect on the pending proceedings at all," said Boeing general counsel J. Michael Luttig in a statement released by a spokesman.

"Any duties finally levied against the C Series (which are now expected to be 300%) will have to be paid on any imported C Series airplane or part, or it will not be permitted into the country."

But analysts said Airbus' entree into Bombardier's C Series program raised pressure on Boeing.

FRESH SUPPLY

"We think Airbus wants to bring additional pressure to bear on Boeing's narrow-bodies and expand its North American and Chinese footprint," said Morningstar analyst Chris Higgins in a note.

The deal gives Airbus a fresh supply of state-of-the-art single-aisle aircraft through 2025 to compete with Boeing's 737 Max 8, which carries up to 200 passengers.

Noting that Airbus' larger single-aisle plane are outselling those from Boeing, "the tie-up puts the squeeze on Boeing from both sides," Higgins said.

"We think the chances of a new program launch from Boeing within the next 12 months have gone up a bit and now sit well above 50 percent," Higgins added.

"Boeing must quickly step up in single-aisle planes if it wants to be a player with the new technologies," said Michel Merluzeau of Air Insight.

In June, Boeing said it was studying plans for a new "middle of the market" plane that had triggered interest among carriers. The concept discussed by Boeing was for a somewhat larger plane capable of carrying 220 to 270 customers, Boeing official said at the time.

Boeing could also strengthen ties with Embraer, whose single-aisle plane the E2 directly competes with the C Series. The three versions from the Brazilian company will come into service between 2018 and 2020.

Boeing and Embraer already work together on the KC-390 military planes.

The Boeing complaint against Bombardier alleges that the subsidies allowed the Canadian company to sell planes to US carrier Delta Air Lines at below cost.

To counter the case, Airbus and Bombardier plan to shift some work on the C Series to Alabama, where Airbus already has a plant. - AFP

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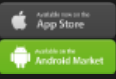
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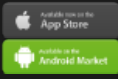
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