Bombardier: Embraer Sale Not A 'Blow' To Sale Outlook

Ross Marowits, The Canadian Press

MONTREAL - Bombardier says it's not worried that rival Brazilian aircraft manufacturer Embraer beat it to a contract with Republic Airways Holdings Inc. for the sale of 47 regional jets with an estimated value of US$2 billion.

"It's not a blow," spokesman Marc Duchesne said Thursday, noting that Bombardier (TSX:BBSD.B) had previously received a firm order from Republic for 40 CSeries aircraft, with an option for 40 more.

The Montreal-based manufacturer (TSX:BBD.B) sold 73 CRJ aircraft last year and remains the market leader for regional jets, Duchesne added.

For example, Delta Airways recently selected CRJ900s over Embraer when it decided to renew its 76-seat fleet.

"Airlines are well aware that our product is superior and the North American market will see more opportunities for larger regional jets such as the CRJ900, so we are in discussions with many of them."

Among the potential opportunities is American Airlines, which is looking for acquire several planes on its own, in addition to those that will be operated on its behalf by Indiana-based Republic under the American Eagle brand. The deal is subject to court approval expected in the first quarter of 2013.

American is looking to increase the number of regional aircraft following contracts with pilots that allow them to increase the number of regional aircraft with 66 to 76 seats to 25 per cent of its mainline narrowbody fleet of 120 planes. American has 47 Bombardier CRJ700s with 63 seats and 213 small jets in its fleet.

Embraer said in a statement that its agreement with Republic includes options for an additional 47 E-175 aircraft, which would bring the total value of the deal to approximately US$4 billion.

Deliveries of the 76-seat aircraft are expected to begin in mid-2013, Embraer said.

With the new order, the Republic Airways E-Jet fleet will be comprised of 72 E170s and 107 E175s, the Embraer statement said, adding that more than 150 E175s are currently in service with 12 carriers.

Walter Spracklin of RBC Capital Markets said he wasn't anticipating a Bombardier win because Republic currently flies an all-Embraer fleet.

He said the contract loss shouldn't undermine Bombardier's chances of a succeeding on the deal with American Airlines, whose fleet is split about evenly between the two manufacturers.

"We believe Bombardier is much more in contention for that, and Republic's order does not make the American Airlines order any more or less likely," he wrote in an email.

On Wednesday, American Airlines said it reached a 12-year deal with Republic Airways to operate regional flights using 76-seat planes.

Under the agreement, Republic Airlines will get Embraer planes painted in American Eagle colours. They will go into operation at a rate of two or three per month starting in mid-2013.

On the Toronto Stock Exchange, Bombardier's shares closed down four cents at C$4.09 in Thursday trading.

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