



## More CSeries Drama Unfolds for Bombardier, Inc.

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) and the CSeries can't seem to stay out of the news. First, it was multi-year and billion-dollar delays; then it was a lack of orders and a bailout to help Bombardier get the CSeries in the sky; and now the latest is a dispute over the CSeries price.

The Montreal-based manufacturer of trains has found itself in an emerging cross-border dispute with U.S. aerospace behemoth **Boeing Co.** ([NYSE:BA](#)).

Boeing reached out to both the U.S. International trade Commission and the U.S. Commerce Department to file a formal investigation over the subsidies relating to the CSeries. The allegation is that Bombardier sold planes at well below cost. Boeing's claim notes that the US\$3 billion in subsidies that Bombardier received from various levels of government permitted Bombardier to turn to predatory pricing to get CSeries orders.

The Trade Commission is set to provide a preliminary determination by June 12, and Boeing is calling for duties to be imposed in the amount of 79.41% as well as anti-dumping charges, equal to 79.82%.

### Does Boeing's claim have merit?

Boeing expressed concern over a potential loss in sales of US\$330 million that could be traced back to the more than US\$3 billion in subsidies that Bombardier received, which allowed the company to enter the 100-150 passenger market that the CSeries is targeted to.

Bombardier received US\$1 billion from the Quebec government; the loan was granted in exchange for a 49.5% stake in the CSeries. That injection was followed up with Bombardier selling 30% of the railway division for US\$1.5 billion. Most recently, the Federal Government provided Bombardier with a \$372.5 million loan.

Furthermore, Boeing's claim stems from the CSeries deal that Bombardier sealed last year with **Delta Air Lines Inc.** ([NYSE:DAL](#)). That deal served as a catalyst for airlines around the world to consider the CSeries. As a result, Bombardier has garnered a number of orders globally, and the CSeries continues to draw attention.

Interestingly, Boeing doesn't even directly compete with Bombardier in the 100-150 passenger market. The 737-800 and Max 8 planes from Boeing carry 160 passengers with some configurations as high as 200 passengers. That's a whole different class of aircraft.

In other words, Boeing was never competing with Bombardier for the Delta deal, and the potential lost sales of US\$330 million that Boeing claimed, when put into perspective, add up to just 0.003% of annual sales that topped US\$94.6 billion last year.

Boeing has its own history of receiving subsidies and tax breaks that far outweigh the current subsidies Bombardier is being accused of receiving to get the CSeries flying. The subsidies related to the Boeing-77X alone surpassed US\$8.5 billion back in 2013.

Looking further back, Boeing has the distinction of receiving far more subsidies than any other corporation in the U.S.

### **What does this mean for Bombardier?**

For the moment, this means nothing. Bombardier will continue to do business as usual, which means ramping up the production and delivery schedules of the CSeries and maintaining a strong sales presence to get more orders for the new plane.

In terms of an investment, Bombardier has come a very long way in the past two years, and while the company's fortunes have improved slightly, there's still a considerable way for Bombardier to progress before the company can be seen as a sound investment opportunity.

At the moment, there are far better options for investors to consider that will provide better returns.

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