



The Battle Continues: Bombardier, Inc. vs. Boeing Co.

Description

In the latest chapter of the dispute between Canadian and American Aerospace rivals **Bombardier, Inc.** ([TSX:BBD.B](#)) and **Boeing Co.** ([NYSE:BA](#)), the U.S. International Trade Commission has ruled that the commission will indeed continue with an investigation into the selling practices of Bombardier in the U.S. market following allegations made by Boeing in April. The commission found that enough evidence exists for a probe into the sales in question and will allow Boeing to continue to push for tariffs or some sort of countervailing measures from the U.S. government.

The allegations have not been a welcome surprise for Bombardier shareholders, who have seen their fair share of scandals and operational issues over the past few years. Bombardier has committed to fighting these allegations vigorously and will see the battle through to the end; however, analysts and investors are worried that this fight may divert much-needed company resources to fight a non-productive battle when other pressing issues continue to hamper the company presently.

Why this ruling matters for Bombardier

The issue with the probe and the potential for countervailing duties or tariffs on Bombardier's planes in the U.S. market is directly linked to the size and importance of the U.S. market for Bombardier's top-line numbers.

The **Delta Air Lines, Inc.** (TSX:DAL) plane order of 75 CSeries 100 jets (with an option to purchase an additional 50 planes) amounts to the majority of current orders for Bombardier for the CSeries 100 plane. Delta has currently received only 118 CSeries 100 plane orders total.

Bombardier's CSeries aircraft sales are generally diversified worldwide; however, the company's order with Delta was largely viewed as a "foot in the door" to large American airlines, providing Bombardier with goodwill among the U.S. airline industry and hopefully leading to new contracts down the road.

Bombardier has reported losses for its airplane segment for some time and has likely been using a loss-leader approach of late to build interest in the CSeries program due to relatively soft orders out of the gate and operational issues which led to a long delay and massive write-downs on the CSeries program in recent years.

Analysts and strategists have pointed to the allegations made by Boeing as being a defensive move, one which serves to protect the company's "home turf" from new entrants coming into the market and buying market share by selling planes at discount prices. While Bombardier's pricing policies right now are only hurting its bottom line, many have suggested that losing the Delta order or failing to obtain orders in the future for additional CSeries aircraft may be a bigger blow to Bombardier than many of the recent scandals of late.

Bottom line

The Bombardier vs. Boeing battle is likely to continue for some time, and I will remain on the sidelines with this name as I simply see too much risk and too little potential upside.

Stay Foolish, my friends.

CATEGORY

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2. NYSE:DAL (Delta Air Lines, Inc.)
3. TSX:BBD.B (Bombardier)

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Date

2025/07/04

Date Created

2017/06/13

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