



## Will the U.S. Market Be out of Reach for Bombardier, Inc. on October 5?

### Description

In the latest leg of the dispute between Canadian aerospace company **Bombardier, Inc.** ([TSX:BBD.B](#)) and its American rival **Boeing Co.** ([NYSE:BA](#)), Boeing has alleged that Bombardier has not been completely open in providing information to the U.S. Department of Commerce, which is conducting the investigation into Bombardier's alleged dumping of its CSeries planes in the U.S. market. As such, Boeing has requested that the initial anti-dumping duty, which was requested as part of the initial investigation (already at an exorbitantly high 79.8%), be raised to 143.4% — a duty which would all but exclude Bombardier from the U.S. market.

Other analysts have gone to lengths to prove that Bombardier could exist without the U.S. market. Some analysts have cited comments made by Jerry Dias, the union leader for Unifor, (the union representing Bombardier workers) that "...we have so many things that the United States needs that if they want to get into a protracted trade war with Canada I would suggest that they wouldn't do very well."

The reality remains, however, that Bombardier needs the U.S. market. The 75 CSeries 100 plane order (with the option for an add-on order of 50 planes, which is now in doubt) was Bombardier's largest order for the CSeries plane. According to current estimates of CSeries plane orders, that one order from **Delta Air Lines, Inc.** ([NYSE:DAL](#)) represents more than 65% of all CSeries 100 plane orders — the plane which has caused the most controversy in the Boeing/Bombardier trade dispute.

On October 5, the U.S. Department of Commerce is widely expected to rule that Bombardier has not complied with international trade laws. The expectation is that either the nearly 80% duty or the +140% duty will be applied to all Bombardier airplanes — a reality which will force Bombardier to seriously examine other international markets for its airplanes; this is something the company has done, but it has not been as successful in developing as of yet.

Reasons for why Bombardier may not be as successful in developing an international sales base as their peers are numerous. With Brazilian firm Embraer offering similar airplanes to those of Bombardier's CSeries models, increased competition globally has created a natural headwind in this arena. Coupled with a World Bank investigation stemming from alleged bribery and misconduct for an

emerging market train signaling systems order from Azerbaijan, questions as to the viability of Bombardier moving forward, should the company be excluded from all deals financed by the World Bank (which, in the case of emerging market countries, are many), remain a huge potential headwind.

### **Bottom line**

I would stay as far away from Bombardier as possible, given the risks associated with the ability of the Canadian airplane and train maker to continue to operate in the U.S. and emerging markets, pending key litigation outcomes, which are slated for the fourth quarter.

Stay Foolish, my friends.

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