



A Crucial Test for the CSeries Comes Today

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is no stranger to controversy, but the latest dispute over allegations surrounding the CSeries in the U.S. market is starting to attract a significant number of followers.

The next few weeks are likely going to be the most pivotal that Bombardier has endured in several years, and there have been many trying moments in past years.

The CSeries dispute with Boeing

The CSeries is a revolutionary new jet that caters to the underserved segment of under 120 passengers. The CSeries also boasts quieter engines, increased fuel economy, and, as per pilots and crews already using the aircraft, it's a pleasure to fly.

One of the primary competitors to the CSeries is **Boeing Co.** ([NYSE:BA](#)), and Boeing has asked the U.S. International Trade Commission to lay countervailing and anti-dumping duties on the CSeries.

The claim made by Boeing alleges that Bombardier was dumping the CSeries into the U.S. market at a price far lower than what it cost. Boeing also alleges that Bombardier was able to do this because the company received an injection of capital from various levels of government.

Why would Boeing make such a claim?

When **Delta Air Lines Inc.** ([NYSE:DAL](#)) placed an order for 75 CSeries aircraft, with options for additional jets in a deal valued at \$6 billion, that likely caught the attention of Boeing.

Ironically, Boeing doesn't even offer a plane that can compete with the CSeries in its passenger class. The closest Boeing can offer is the 737, which is a much larger plane that holds between 135 and 180 passengers.

Airline pundits will also point to Boeing's 717 venture a few decades ago. The 717 was slated to replace the aging MD-96/DC-9 fleets around the world, offering a true option for the under 100 passenger class. The 717 would have been a perfect competitor to the CSeries and give weight to

some of the current allegations, but in reality, the 717 is nearly 20 years old, and Boeing has been focused exclusively on larger aircraft over the past two decades, notably the 777 and 787.

There's also the fact that the CSeries, with its smaller frame and passenger load, can be used in many secondary cities, where a larger 737 would be unprofitable, if not impossible, to operate.

Players on both sides of the dispute are already lining up.

In stating its support for the CSeries, Delta punched holes into Boeing's claim of the CSeries to blame for lost 737 revenue, by noting that empty seats on larger planes that have higher fuel consumption will only lead to higher prices and eventually reduced routes.

JetBlue Airlines has taken sided with Bombardier, noting that imposing fines on Bombardier would result in reduced competition and higher airfares. JetBlue does not fly either Bombardier or Boeing planes.

In a statement to the commission conducting the investigation, JetBlue CEO Robin Hayes noted to the commission the importance of free and unfettered competition between the players in the aircraft manufacturing sector, noting that Bombardier's entrance into the market with the CSeries is not unlike JetBlue's entry into the domestic sector, and not unlike how European competitor Airbus drove innovation from Boeing and others for a larger class of aircraft.

JetBlue is not the first non-CSeries airline to comment on the investigation either. Both Spirit Airlines and Sun Country Airlines have made similar statements in recent weeks.

The Canadian government has even weighed in on the case, with Prime Minister Trudeau recently mentioning that the Federal government would not be doing business with Boeing for as long as the company was proceeding with actions that would put workers in Canada's aerospace industry out of work.

The Federal government was working with Boeing on a deal to replace Canada's aging CF-18s with newer models, but those talks have now ended.

A preliminary decision on the matter is slated to come as early as today.

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