



Bombardier, Inc. Just Got a Powerful Ally in its Battle With Boeing Co

Description

Since electing a new president, the U.S. has taken a more protectionist approach to its economy as it tries to protect jobs and workers by any means necessary. It's perhaps no surprise that some of the fallout of that has landed north of the border. We recently learned that **Bombardier, Inc.** ([TSX:BBD.B](#)) would face duties of ~219% on its CSeries aircraft in the United States as a result of allegations that the company had been "dumping" low-priced aircraft in the country.

This could set a dangerous precedent for other companies, and that is why it is an important battle that Canada can't afford to lose. With a softwood lumber agreement still up in the air, a NAFTA re-negotiation ongoing, and many Canadian companies doing business with the U.S., the importance of how this plays out can't be understated.

The argument stems from **Boeing Co** ([NYSE:BA](#)) launching a complaint that Bombardier received government subsidies that allowed it to sell aircraft to **Delta Air Lines, Inc.** ([NYSE:DAL](#)) at below cost. The Commerce Department subsequently sided with Boeing and put the seemingly punitive duties on the aircraft as a result. Delta has contested Boeing's claims that Bombardier's pricing has undercut and hurt the company's operations, and a statement from the airline on Tuesday said that "Boeing has no American-made product to offer because it cancelled production of its only aircraft in this size range — the 717 — more than 10 years ago."

Aircraft built in the U.K. have received the attention of Theresa May

Theresa May, U.K. prime minister, has stepped in to advocate on behalf of Bombardier and has tried to appeal to U.S. president Donald Trump on the issue, since, after all, this dispute involves aircraft built in Northern Ireland, where Bombardier employs 4,000 workers. The U.K.'s Defence Secretary Sir Michael Fallon stated, "This is not the kind of behaviour we expect from a long-term partner," and suggested that future purchases from Boeing could be jeopardized.

What will happen next?

This issue still might drag out until early next year, so how this will turn out is still unknown. President Trump has long advocated for protecting the domestic economy at almost any cost and has not been

fearful of starting a trade war. The problem is that issue could create a trade war with its two biggest allies, and the impact of that could be significant on the very economy the president is trying to protect.

What should investors do?

Although, initially, the news brought Bombardier's share price down by 10%, the stock was able to recover shortly after. The good news for shareholders is that in all likelihood, this dispute won't last in the long term, and once the U.S. gets a more trade-friendly president in place, these problems could go away.

In the short term, however, investors may want to take this opportunity to get out of the stock as the U.S. made up almost a third of the company's revenue in its last fiscal year and could put the share price on a bumpy ride until 2020.

CATEGORY

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

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