



## How Will the CSeries Dispute Impact Your Portfolio?

### Description

Officials from both **Bombardier, Inc.** ([TSX:BBD.B](#)) and **Boeing Co.** ([NYSE:BA](#)) presented their cases in the long-standing dispute over the CSeries this week to the U.S. International Trade Commission.

At the core of the dispute lies the claim that Bombardier sold the CSeries to **Delta Air Lines, Inc.** ([NYSE:DAL](#)) in the U.S. market well below cost at a level that Boeing could not compete with.

If there's one claim that Boeing is right on, it's that the aerospace behemoth cannot compete with Bombardier — not on price, but on product offering. Boeing does not offer an aircraft small enough to fly the routes and loads that Delta was considering when the order for the CS100 aircraft was signed earlier in the year.

Boeing's smallest jet, the Max 7, is the latest incarnation of the iconic 737 jet, which, in its smallest configuration, comes in slightly larger than the largest CSeries jet, the CS300. The order by Delta, which is the root of the complaint with Bombardier, was for the much smaller CS100 variant, of which Boeing has no viable competing aircraft.

Delta's senior vice president for supply-chain management called Boeing's claim absurd, stating, "Boeing did not lose this sale to Bombardier. When we chose to add the CS100 aircraft to our fleet, Boeing simply did not, and does not have the right sized aircraft."

The ITC process that is hearing the dispute is running in parallel to the dispute already heard and decided upon by the U.S. Department of Commerce. In October, a ruling in favour of Boeing was decided, and a decision from this body, expected next month, will indicate whether or not those tariffs will remain.

### What are the implications of this dispute?

The dispute with Bombardier has already caused a handful of airlines to provide statements urging the Commerce Department to side with Bombardier, citing that the industry needs more competition, and that the CSeries is a revolutionary new jet that could usher in a new era of advancement in aviation.

While those pleas were ignored, Bombardier has since moved on, selling a stake of the CSeries program to European aerospace giant, and primary competitor to Boeing, Airbus. The company even signed [additional CSeries orders](#) with other airlines — a signal of the opportunity that the CSeries poses.

Airbus has pledged use of its Alabama facility to build CSeries jets destined for U.S. airlines, but the ongoing trade spat has essentially frozen negotiations Bombardier had with other U.S.-based airlines.

Even the federal government has provided input on the matter, with Prime Minister Trudeau noting that the government would cease doing business with Boeing for as long as the company was pursuing the current dispute, which could cause job losses in the aerospace sectors of both countries. A defence contract for new fighter jets from Boeing was subsequently canceled because of that view.

The dispute has also crossed the Atlantic and entered U.K. politics as well. Part of the CSeries is being built in Northern Ireland, and the potential job losses because of this dispute and tariffs have caused the U.K government to voice its concern as well, stating the dispute could impact U.K. defence contracts with Boeing as well.

### **Is Bombardier a good investment?**

On paper, Bombardier looks like a promising investment opportunity. The new CSeries jet is revolutionary and has drawn significant interest from several airlines around the world, where there is limited competition for a jet that size. That factor alone makes the company an intriguing investment.

What holds Bombardier is the ongoing trade dispute with Boeing and Bombardier's less than stellar delivery record. If Bombardier were able to address or at least appease investors on those two matters, then the company would be an [interesting opportunity](#).

Until that time, there are far more stable investments to make.

### **CATEGORY**

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

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