



Why Bombardier, Inc. Soared 15.13% on Friday

Description

Plane and train manufacturing giant **Bombardier, Inc.** ([TSX:BBD.B](#)) watched its stock soar 15.13% on Friday, reaching its highest level in three years, following a surprise win in a trade dispute with **Boeing Co.** ([NYSE:BA](#)) over the sale of its CSeries passenger jets to **Delta Air Lines, Inc.** ([NYSE:DAL](#)).

So what?

In response to a deal between Canadian-based Bombardier and U.S.-based Delta Air Lines that was executed in April 2016, Boeing filed a petition with the U.S. Commerce Department and the International Trade Commission (ITC) in April 2017 that accused Bombardier of “dumping” its CSeries aircraft in the U.S., which is another way of saying that the aircraft were being offered for less than they actually cost to produce; Boeing elaborated on this by stating that Bombardier was offering its CSeries aircraft for just US\$19.6 million when the cost of production is actually around US\$33.2 million.

In response to the situation, the U.S. Commerce Department proposed a [tariff of 219.63%](#) on Canadian aircraft, which was then increased to just over 299.4% the following month.

Bombardier responded to the tariffs with a move of its own, announcing a deal with Boeing’s largest competitor Airbus, in which Airbus took [a 50.01% stake](#) in the CSeries line for no upfront investment to produce all U.S.-bound CSeries aircraft at its Mobile, Alabama, plant, while all aircraft bound for customers outside the U.S. would continue to be produced in Canada by Bombardier. The deal also showed that Airbus would own 100% of the CSeries program in the U.S. within five years, which is not an ideal situation for Boeing.

After months of waiting and the numerous events listed above, the ITC’s commissioners voted four to zero that Boeing was not harmed by Bombardier’s business practices, and this decision also resulted in the removal of the aforementioned tariff of nearly 300%.

Now what?

This was a huge win for Bombardier, and the company responded with the following press release:

“Today’s decision is a victory for innovation, competition, and the rule of law. It is also a victory for U.S. airlines and the U.S. traveling public. The CSeries is the most innovative and efficient new aircraft in a generation. Its development and production represent thousands of jobs in the United States, Canada, and the United Kingdom. We are extremely proud of our employees, investors and suppliers who have worked together to bring this remarkable aircraft to the market. With this matter behind us, we are moving full speed ahead with finalizing our partnership with Airbus. Integration planning is going well and we look forward to delivering the CSeries to the U.S. market so that U.S. airlines and the U.S. flying public can enjoy the many benefits of this remarkable aircraft.”

With the victory and the removal of the tariff in mind, I think the market responded correctly by sending Bombardier’s stock soaring (no pun intended). I think the future of Bombardier is much brighter today than it was at the beginning of last week, so take a closer look and consider initiating long-term positions with the intention of adding to those positions on any significant pullback in the future.

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

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jsolitro

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